

**TOWN OF NATICK, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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# *Independent Auditors' Report*

## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Natick, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of and for the year ended June 30, 2013 (except for the Natick Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the Town of Natick, Massachusetts' basic financial statements as listed in the table of contents. We did not audit the financial statements of the Morse Institute in Natick (the Institute), which is the sole discretely presented component unit and represents 100% of the assets, net position and revenues of the discretely presented component unit.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Institute, the sole discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts for the Institute, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Institute, the sole discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### ***Basis for Qualified Opinion on Discretely Presented Component Unit***

As more fully described in Note 1, the financial statements of the Institute were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, net position and revenues of the Institute has not been determined.

### ***Qualified Opinion***

In our opinion, based on the report of the other auditor and as described in the “Basis for Qualified Opinion on Discretely Presented Component Unit” paragraph, the financial statements of the Institute presents fairly, in all material respects, the financial position of the Institute as of June 30, 2013, and the change in financial position for the year then ended in conformity with the cash basis of accounting.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of June 30, 2013 (except for the Natick Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (located on pages 5 through 14) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 69 through 74) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the Town of Natick, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Natick, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
March 31, 2014

# *Management's Discussion and Analysis*

TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

As management of the Town of Natick, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2013.

*Financial Highlights*

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$153,144,816 (net position). The Town's governmental activities has an unrestricted net deficit of \$12,438,095 and its business-type activities unrestricted net position totaled \$9,583,415.
- The Town's total net position increased by \$12,186,753.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$52,958,216, a decrease of \$10,742,472 in comparison with the prior year. Approximately \$13,137,000 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$13,454,137, or 10.7 percent of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$15,654,408 during the fiscal year. The Town issued \$12,236,000 of new debt was issued during the year for refunding (current), building construction, school building projects, engineering services, departmental equipment and water/sewer related items.

*Overview of the Basic Financial Statements*

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water and sewer and golf course operations.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 622 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, high school project (capital project), debt service and conservation commission (special revenue) funds, each of which are considered to be major funds. Data from the other 618 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 20-25 of this report.

**Proprietary funds**

The Town maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer and golf course operations. The water and sewer enterprise fund is considered to be major fund, while the golf course enterprise fund is considered nonmajor.

The basic proprietary funds financial statements can be found on pages 26-28 of this report.

TOWN OF NATICK, MASSACHUSETTS  
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**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-67 of this report.

**Required supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post employment benefit information, which can be found on pages 69-74.

TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

**Government-Wide Financial Analysis**

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$153,144,816 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current assets.....	\$ 70,173,278	\$ 76,294,320	\$ 15,581,374	\$ 13,554,667	\$ 85,754,652	\$ 89,848,987
Noncurrent assets (excluding capital assets).....	488,020	498,092	1,634,611	1,772,654	2,122,631	2,270,746
Capital assets (net).....	<u>180,049,099</u>	<u>167,555,940</u>	<u>36,098,786</u>	<u>36,293,111</u>	<u>216,147,885</u>	<u>203,849,051</u>
Total assets.....	<u>250,710,397</u>	<u>244,348,352</u>	<u>53,314,771</u>	<u>51,620,432</u>	<u>304,025,168</u>	<u>295,968,784</u>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	12,884,391	9,290,635	560,872	497,015	13,445,263	9,787,650
Noncurrent liabilities (excluding debt).....	40,520,183	33,450,473	886,815	795,556	41,406,998	34,246,029
Current debt.....	8,115,967	23,952,875	3,525,239	3,947,533	11,641,206	27,900,408
Noncurrent debt.....	<u>70,709,786</u>	<u>69,734,713</u>	<u>13,677,099</u>	<u>13,341,921</u>	<u>84,386,885</u>	<u>83,076,634</u>
Total liabilities.....	<u>132,230,327</u>	<u>136,428,696</u>	<u>18,650,025</u>	<u>18,582,025</u>	<u>150,880,352</u>	<u>155,010,721</u>
<b>Net Assets</b>						
Net investment in capital assets.....	108,929,617	95,577,942	25,081,331	24,560,111	134,010,948	120,138,053
Restricted.....	21,988,548	21,173,677	-	-	21,988,548	21,173,677
Unrestricted.....	<u>(12,438,095)</u>	<u>(8,831,963)</u>	<u>9,583,415</u>	<u>8,478,296</u>	<u>(2,854,680)</u>	<u>(353,667)</u>
Total net assets.....	<u>\$ 118,480,070</u>	<u>\$ 107,919,656</u>	<u>\$ 34,664,746</u>	<u>\$ 33,038,407</u>	<u>\$ 153,144,816</u>	<u>\$ 140,958,063</u>

The largest portion of the Town's net position (\$134,010,948) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, library books and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (\$21,988,548) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$2,854,680. Of this amount \$9,583,415 may be used to support business-type activities and (\$12,438,095) represents an unrestricted net deficit in governmental activities.

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At the end of the current fiscal year, the Town reports positive balances in all three categories of net position for business-type activities. For governmental activities, positive balances are reported in each category except for unrestricted net position. Such resources have been consumed with the recognition of other postemployment benefit liabilities.

Changes in Net Position

For the fiscal year ended June 30, 2013, the Town's total net position increased by \$12,186,753, compared to an increase of \$23,492,677 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 11,822,032	\$ 10,654,623	\$ 14,380,057	\$ 12,417,443	\$ 26,202,089	\$ 23,072,066
Operating grants and contributions.....	31,348,435	25,696,629	268,667	348,380	31,617,102	26,045,009
Capital grants and contributions.....	6,187,215	20,632,775	-	292,095	6,187,215	20,924,870
<i>General Revenues:</i>						
Real estate and personal property taxes.....	88,926,252	87,479,792	-	-	88,926,252	87,479,792
Motor vehicle and other excise taxes.....	4,529,710	4,107,257	-	-	4,529,710	4,107,257
Hotel/motel taxes.....	1,301,972	1,297,423	-	-	1,301,972	1,297,423
Penalties and interest on taxes.....	387,519	424,185	-	-	387,519	424,185
Payments in lieu of taxes.....	35,301	47,583	-	-	35,301	47,583
Grants and contributions not restricted to specific programs.....	4,281,837	4,293,522	-	-	4,281,837	4,293,522
Unrestricted investment income.....	89,490	155,369	-	-	89,490	155,369
<b>Total revenues.....</b>	<b>148,909,763</b>	<b>154,789,158</b>	<b>14,648,724</b>	<b>13,057,918</b>	<b>163,558,487</b>	<b>167,847,076</b>
<b>Expenses</b>						
General government.....	6,891,836	6,872,194	-	-	6,891,836	6,872,194
Public safety.....	21,907,439	21,315,567	-	-	21,907,439	21,315,567
Education.....	86,967,231	84,644,263	-	-	86,967,231	84,644,263
Public works.....	13,896,623	9,991,022	-	-	13,896,623	9,991,022
Health and human services.....	2,898,886	2,402,827	-	-	2,898,886	2,402,827
Culture and recreation.....	2,191,495	2,113,165	-	-	2,191,495	2,113,165
Library.....	3,088,688	3,039,120	-	-	3,088,688	3,039,120
Debt service - interest.....	2,778,664	3,250,485	-	-	2,778,664	3,250,485
Water and Sewer.....	-	-	9,997,661	9,925,196	9,997,661	9,925,196
Golf.....	-	-	753,210	800,560	753,210	800,560
<b>Total expenses.....</b>	<b>140,620,863</b>	<b>133,628,643</b>	<b>10,750,871</b>	<b>10,725,756</b>	<b>151,371,734</b>	<b>144,354,399</b>
Change in net assets before transfers.....	8,288,900	21,160,515	3,897,853	2,332,162	12,186,753	23,492,677
Transfers, net.....	2,271,514	2,215,888	(2,271,514)	(2,215,888)	-	-
Change in net assets.....	10,560,414	23,376,403	1,626,339	116,274	12,186,753	23,492,677
Net assets - beginning of year.....	107,919,656	84,543,253	33,038,407	32,922,133	140,958,063	117,465,386
Net assets - end of year.....	<b>\$ 118,480,070</b>	<b>\$ 107,919,656</b>	<b>\$ 34,664,746</b>	<b>\$ 33,038,407</b>	<b>\$ 153,144,816</b>	<b>\$ 140,958,063</b>

Governmental activities increased the Town's net position by \$10,560,414. In the prior year, governmental activities increased the Town's net position by \$23,376,403. The key element of this change is a decrease in capital grants and contributions of approximately \$12,300,000 related to the new high school construction project.

TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

Business-type activities increased the Town's net position by \$1,626,339. In the prior year, business-type activities increased the Town's net position by \$116,274. The key element of this change is an increase in water and sewer revenue of approximately \$1,978,000.

*Fund Financial Statement Analysis*

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$52,958,216, a decrease of \$10,742,472 in comparison with the prior year. 24.8% of this total amount (\$13,137,394) represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$13,997)
- Restricted (\$28,214,188)
- Committed (\$9,742,431)
- Assigned (\$1,850,206)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$13,454,137, while total fund balance was \$26,526,594. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 10.7% of total general fund expenditures and transfers out, while total fund balance represents 21.1% of that same amount.

The balance of the Town's general fund increased by \$1,851,875 during fiscal year 2013. The Town recognized an approximate \$11,849,000 budgetary surplus (excluding encumbrances and continuing appropriations), and anticipated utilizing approximately \$10,986,000 of reserves during year.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the high school project fund (capital project) decreased by \$1,121,545 during the current fiscal year. The fund recognized \$4,053,239 of intergovernmental revenue during the current year, received \$5,500,000 of bond proceeds and incurred expenditures of \$10,690,642.

The fund balance of the debt service fund decreased by \$16,942,273 during the current fiscal year. This decrease relates to the completion of the refunding transaction as the bonds were retired during the year.

The fund balance of the conservation commission fund (special revenue) increased by \$1,909,323 during the current fiscal year. The fund recognized \$2,071,438 of departmental and other revenue, \$14,590 of investment income and incurred expenditures of \$176,705.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

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Unrestricted net position of the water and sewer and golf course enterprise funds at the end of the year amounted to \$9,531,939 and \$51,476, respectively. The water and sewer and golf course enterprise funds had increases in net position for the year totaling \$1,358,632 and \$267,707, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$114,943,613 was increased by \$4,668,454 (4.1%) during the year. The following table summarizes the increase:

Purpose of Increase/Decrease	Amount	Funding Source
Transfer to capital stabilization fund.....	\$ 3,275,551	Unassigned fund balance
Natick public school expenses.....	358,200	Tax levy
Selectmen contract settlements.....	214,451	Tax levy
Police department capital expense.....	120,340	Capital stabilization fund
Natick public schools capital expense.....	112,000	Capital stabilization fund
Police department salaries.....	111,760	Tax levy
Town clerk capital expense.....	100,000	Capital stabilization fund
Public works department capital expense.....	87,000	Capital stabilization fund
Board of selectmen feasibility study.....	80,000	Capital stabilization fund
Fire department capital expense.....	60,000	Capital stabilization fund
Transfer to conservation fund.....	50,065	Unassigned fund balance
Public works department salaries.....	45,609	Tax levy
Transfer to capital project funds.....	38,074	Unassigned fund balance
Community services department capital expense.....	25,000	Capital stabilization fund
Library department salaries.....	17,473	Tax levy
Community services salaries.....	13,325	Tax levy
Community development salaries.....	6,227	Tax levy
Fire department expenses.....	5,500	Tax levy
Finance department salaries.....	4,893	Tax levy
Town clerk salaries.....	2,356	Tax levy
Fire department salaries.....	2,206	Tax levy
Board of health department salaries.....	1,319	Tax levy
Employee fringe.....	499	Tax levy
Debt service interest.....	<u>(63,394)</u>	Tax levy reduction
 Total net increase.....	 <u>\$ 4,668,454</u>	

During the year, general fund revenues and other financing sources and uses exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$7,133,000.

TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Asset and Debt Administration**

Capital assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$216,147,885 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, library books and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$12,298,834 or 6.0% (a 6.1% increase for governmental activities and a 0.1% decrease for business-type activities).

Major capital asset events that occurred during the current fiscal year include the following:

- New high school equipment (\$3,298,563)
- Roadways construction in progress (\$1,767,603)
- Recycling packers and body equipment (\$794,571)
- Rockland/Farwell street improvement (\$296,875)
- Water and sewer construction in progress (\$926,400)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Land.....	\$ 10,124,124	\$ 10,124,124	\$ 1,053,254	\$ 1,053,254	\$ 11,177,378	\$ 11,177,378
Construction in progress.....	4,466,821	78,788,945	6,084,997	5,158,597	10,551,818	83,947,542
Land improvements.....	1,485,150	1,164,626	1,814,290	1,904,312	3,299,440	3,068,938
Buildings.....	137,867,086	55,917,789	230,071	236,357	138,097,157	56,154,146
Machinery and equipment.....	6,849,022	1,895,228	321,405	274,519	7,170,427	2,169,747
Vehicles.....	3,752,069	3,883,279	437,884	534,931	4,189,953	4,418,210
Library books.....	849,685	827,140	-	-	849,685	827,140
Infrastructure.....	14,655,142	14,954,809	26,156,885	27,131,141	40,812,027	42,085,950
Total capital assets.....	\$ <u>180,049,099</u>	\$ <u>167,555,940</u>	\$ <u>36,098,786</u>	\$ <u>36,293,111</u>	\$ <u>216,147,885</u>	\$ <u>203,849,051</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 48-50 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$95,322,634, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
General obligation bonds.....	\$ 78,131,000	\$ 93,411,224	\$ 13,205,000	\$ 13,238,776	\$ 91,336,000	\$ 106,650,000
MWRA notes.....	-	-	188,430	243,276	188,430	243,276
MWPAT notes.....	224,713	276,364	3,573,491	3,807,402	3,798,204	4,083,766
Total bonds and notes.....	\$ <u>78,355,713</u>	\$ <u>93,687,588</u>	\$ <u>16,966,921</u>	\$ <u>17,289,454</u>	\$ <u>95,322,634</u>	\$ <u>110,977,042</u>

TOWN OF NATICK, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

The Town's total bonded debt decreased by \$15,654,408 (14.1%) during the current fiscal year. \$12,246,000 of new debt was issued during the year for refunding (current), building construction, school building projects, engineering services, departmental equipment and water/sewer related items.

The Town received an AAA rating from Standard & Poor's for its most recent issuance of long-term debt on May 21, 2013.

Additional information on the Town's long-term debt can be found in Note 9 on page 53-58 of this report.

*Economic Factors and Next Year's Budgets*

Natick, like all municipalities in America, continued to deal with the impact of a slowly recovering economy during fiscal year 2013. Although unemployment in Natick remained far below the national average (4.9% in October 2013 compared to a nationally non-seasonally adjusted level of 7.0% unemployment), citizens and the Town of Natick alike faced significant challenges in maintaining the standard of living and services which many had grown accustomed to.

Fiscal year 2013 again found the Town of Natick having to rely on less State Aid than in the previous year. Despite this reduction, the fiscal year 2013 budget was brought into balance through higher than anticipated revenues in other categories and substantial reductions in spending requests from departments. Positively, the Town was able to begin the restoration of several positions in key departments for fiscal year 2013 – namely in public safety, public works and finance.

The development of the fiscal year 2014 budget began as most do with the Town still facing a multi-million dollar budget gap. Given the limitations of Proposition 2½, Massachusetts communities like Natick are limited to the rate of increase in base property taxes to 2½ percent annually. This places a large burden on other revenue categories to be as robust as possible to maintain services. Fortunately, the fiscal year 2014 budget maintains and enhances services from previous years, makes key restorations to the public schools, police, public works and administration. Higher than anticipated state aid, lower than anticipated health care costs, and favorable contract settlements with many of the Town's collective bargaining associations allowed the fiscal year 2014 budget to be balanced even with service enhancements.

Given the slow but improving economy, and the favorable changes in revenue and restoration of services in fiscal year 2014, future forecasts indicate that further service restoration will be possible. This being said, further restorations will be difficult as the town will have to balance increasing school enrollments, revenues which are not forecast to be robust enough to keep up with increases in existing obligations (health care, pensions, OPEB), the continuing need to rebuild reserves and the never-ceasing responsibility to manage and minimize taxpayer impact.

*Requests for Information*

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 13 East Central Street, Natick, Massachusetts 01760.

# *Basic Financial Statements*

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TOWN OF NATICK, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Morse Institute
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents.....	\$ 37,295,997	\$ 4,390,439	\$ 41,686,436	\$ 582,513
Restricted cash and cash equivalents.....	27,196,127	6,599,486	33,795,613	-
Investments.....	-	-	-	1,755,539
Receivables, net of allowance for uncollectible amounts:				
Real estate and personal property taxes.....	2,540,115	-	2,540,115	-
Tax, trash and utility liens.....	1,450,666	260,374	1,711,040	-
Motor vehicle and other excise taxes.....	557,719	-	557,719	-
User charges.....	-	3,777,426	3,777,426	-
Special assessments.....	22,460	130,207	152,667	-
Departmental and other.....	499,763	-	499,763	-
Intergovernmental.....	1,029,878	-	1,029,878	-
Internal balances.....	(419,447)	419,447	-	-
Inventory.....	-	3,995	3,995	-
<b>Total current assets.....</b>	<b>70,173,278</b>	<b>15,581,374</b>	<b>85,754,652</b>	<b>2,338,052</b>
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Real estate tax deferrals.....	313,222	-	313,222	-
Special assessments.....	174,798	1,577,559	1,752,357	-
Intergovernmental.....	-	57,052	57,052	-
Capital assets not being depreciated.....	14,590,945	7,138,251	21,729,196	-
Capital assets, net of accumulated depreciation.....	165,458,154	28,960,535	194,418,689	-
<b>Total noncurrent assets.....</b>	<b>180,537,119</b>	<b>37,733,397</b>	<b>218,270,516</b>	<b>-</b>
<b>Total assets.....</b>	<b>250,710,397</b>	<b>53,314,771</b>	<b>304,025,168</b>	<b>2,338,052</b>
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable.....	2,236,253	248,075	2,484,328	-
Accrued payroll.....	6,296,720	121,290	6,418,010	-
Tax refunds payable.....	2,531,049	-	2,531,049	-
Other liabilities.....	1,206,097	-	1,206,097	-
Accrued interest.....	308,651	188,983	497,634	-
Workers' compensation claims.....	97,186	-	97,186	-
Landfill post-closure.....	34,043	-	34,043	-
Compensated absences.....	174,392	2,524	176,916	-
Short-term notes payable.....	-	117,000	117,000	-
Long-term bonds and notes payable.....	8,115,967	3,408,239	11,524,206	-
<b>Total current liabilities.....</b>	<b>21,000,358</b>	<b>4,086,111</b>	<b>25,086,469</b>	<b>-</b>
Noncurrent liabilities:				
Workers' compensation claims.....	38,998	-	38,998	-
Landfill post-closure.....	442,559	-	442,559	-
Compensated absences.....	1,569,528	22,715	1,592,243	-
Net OPEB obligation.....	38,469,098	864,100	39,333,198	-
Long-term bonds and notes payable.....	70,709,786	13,677,099	84,386,885	-
<b>Total noncurrent liabilities.....</b>	<b>111,229,969</b>	<b>14,563,914</b>	<b>125,793,883</b>	<b>-</b>
<b>Total liabilities.....</b>	<b>132,230,327</b>	<b>18,650,025</b>	<b>150,880,352</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets.....	108,929,617	25,081,331	134,010,948	-
Restricted for:				
Other postemployment benefits.....	221,613	-	221,613	-
Conservation commission.....	6,904,530	-	6,904,530	-
Infrastructure.....	4,556,930	-	4,556,930	-
Special education.....	1,046,868	-	1,046,868	-
Debt service.....	2,602,310	-	2,602,310	-
Permanent funds:				
Expendable.....	88,454	-	88,454	-
Nonexpendable.....	13,997	-	13,997	1,058,406
Other specific purposes.....	6,553,846	-	6,553,846	-
Unrestricted.....	(12,438,095)	9,583,415	(2,854,680)	1,279,646
<b>Total net position.....</b>	<b>\$ 118,480,070</b>	<b>\$ 34,664,746</b>	<b>\$ 153,144,816</b>	<b>\$ 2,338,052</b>

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
General government.....	\$ 6,891,837	\$ 1,605,447	\$ 5,487,495	\$ 1,507,420	\$ 1,708,525
Public safety.....	21,907,439	3,264,348	216,031	-	(18,427,060)
Education.....	86,967,231	4,299,281	24,646,942	4,053,239	(53,967,769)
Public works.....	13,896,623	1,213,256	377,512	602,666	(11,703,189)
Health and human services.....	2,898,886	278,286	488,580	23,890	(2,108,130)
Culture and recreation.....	2,191,495	1,083,250	107,185	-	(1,001,060)
Library.....	3,088,688	78,164	18,000	-	(2,992,524)
Debt service - interest.....	2,778,664	-	6,690	-	(2,771,974)
Total governmental activities.....	140,620,863	11,822,032	31,348,435	6,187,215	(91,263,181)
Business-type activities:					
Water and Sewer.....	9,997,661	13,819,230	118,577	-	3,940,146
Golf.....	753,210	560,827	150,090	-	(42,293)
Total business-type activities.....	10,750,871	14,380,057	268,667	-	3,897,853
Total primary government.....	\$ 151,371,734	\$ 26,202,089	\$ 31,617,102	\$ 6,187,215	\$ (87,365,328)
<b>Component units:</b>					
Morse Institute.....	\$ 275,072	\$ 2,609	\$ 362,602	\$ -	\$ 90,139

TOWN OF NATICK, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<b>Changes in net position:</b>				
Net (expense)/revenue (from previous page).....	\$ (91,263,181)	\$ 3,897,853	\$ (87,365,328)	\$ 90,139
<i>General revenues:</i>				
Real estate and personal property taxes.....	88,926,252	-	88,926,252	-
Motor vehicle and other excise taxes.....	4,529,710	-	4,529,710	-
Hotel/motel taxes.....	1,301,972	-	1,301,972	-
Penalties and interest on taxes.....	387,519	-	387,519	-
Payments in lieu of taxes.....	35,301	-	35,301	-
Grants and contributions not restricted to specific programs.....	4,281,837	-	4,281,837	-
Unrestricted investment income.....	89,490	-	89,490	-
<i>Transfers, net</i> .....	2,271,514	(2,271,514)	-	-
Total general revenues and transfers.....	101,823,595	(2,271,514)	99,552,081	-
Change in net position.....	10,560,414	1,626,339	12,186,753	90,139
Net position - beginning of year.....	107,919,656	33,038,407	140,958,063	2,247,913
Net position - end of year.....	\$ 118,480,070	\$ 34,664,746	\$ 153,144,816	\$ 2,338,052

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013

<b>ASSETS</b>	General	High School Project Fund	Debt Service
Cash and cash equivalents.....	\$ 37,295,997	\$ -	\$ -
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	2,540,115	-	-
Real estate tax deferrals.....	313,222	-	-
Tax and trash liens.....	1,450,666	-	-
Motor vehicle and other excise taxes.....	557,719	-	-
Special assessments.....	29,471	-	-
Departmental and other.....	499,763	-	-
Intergovernmental.....	168,222	-	-
Restricted assets:			
Cash and cash equivalents.....	221,613	2,307,379	-
<b>TOTAL ASSETS.....</b>	<b>\$ 43,076,788</b>	<b>\$ 2,307,379</b>	<b>\$ -</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 1,180,707	\$ 574,881	\$ -
Accrued payroll.....	5,947,718	-	-
Tax refunds payable.....	2,531,049	-	-
Other liabilities.....	1,206,097	-	-
Deferred revenue.....	5,265,176	-	-
Due to other funds.....	419,447	-	-
<b>TOTAL LIABILITIES.....</b>	<b>16,550,194</b>	<b>574,881</b>	<b>-</b>
<b>FUND BALANCES:</b>			
Nonspendable.....	-	-	-
Restricted.....	1,479,820	1,732,498	-
Committed.....	9,742,431	-	-
Assigned.....	1,850,206	-	-
Unassigned.....	13,454,137	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>26,526,594</b>	<b>1,732,498</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 43,076,788</b>	<b>\$ 2,307,379</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements.

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Conservation Commission	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 37,295,997
-	-	2,540,115
-	-	313,222
-	-	1,450,666
-	-	557,719
-	167,787	197,258
-	-	499,763
-	861,656	1,029,878
<u>6,908,766</u>	<u>17,758,369</u>	<u>27,196,127</u>
<u>\$ 6,908,766</u>	<u>\$ 18,787,812</u>	<u>\$ 71,080,745</u>

\$ 4,236	\$ 476,429	\$ 2,236,253
-	349,002	6,296,720
-	-	2,531,049
-	-	1,206,097
-	167,787	5,432,963
-	-	419,447
<u>4,236</u>	<u>993,218</u>	<u>18,122,529</u>
-	13,997	13,997
6,904,530	18,097,340	28,214,188
-	-	9,742,431
-	-	1,850,206
-	(316,743)	13,137,394
<u>6,904,530</u>	<u>17,794,594</u>	<u>52,958,216</u>
<u>\$ 6,908,766</u>	<u>\$ 18,787,812</u>	<u>\$ 71,080,745</u>

TOWN OF NATICK, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	High School Project Fund	Debt Service
<b>REVENUES</b>			
Real estate and personal property taxes.....	\$ 88,230,646	\$ -	\$ -
Motor vehicle and other excise taxes.....	4,342,065	-	-
Hotel/motel tax.....	1,301,972	-	-
Tax and trash liens.....	129,504	-	-
Payments in lieu of taxes.....	35,301	-	-
Trash disposal.....	933,760	-	-
Intergovernmental.....	23,647,970	4,053,239	-
Special assessments.....	4,807	-	-
Penalties and interest on taxes.....	387,519	-	-
Licenses and permits.....	2,056,957	-	-
Fines and forfeitures.....	180,758	-	-
Departmental and other.....	2,530,233	-	-
Contributions.....	-	-	-
Investment income.....	98,671	-	-
<b>TOTAL REVENUES.....</b>	<b>123,880,163</b>	<b>4,053,239</b>	<b>-</b>
<b>EXPENDITURES</b>			
Current:			
General government.....	4,651,584	-	28,283
Public safety.....	13,699,962	-	-
Education.....	48,767,625	10,690,642	-
Public works.....	10,520,543	-	-
Health and human services.....	1,349,154	-	-
Culture and recreation.....	634,463	-	-
Library.....	2,114,552	-	-
Pension benefits.....	16,930,857	-	-
Employee benefits.....	14,413,679	-	-
Property and liability insurance.....	489,956	-	-
State and county charges.....	1,421,445	-	-
Debt service:			
Principal.....	7,511,321	-	-
Interest.....	2,555,110	-	472,436
<b>TOTAL EXPENDITURES.....</b>	<b>125,060,251</b>	<b>10,690,642</b>	<b>500,719</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(1,180,088)</b>	<b>(6,637,403)</b>	<b>(500,719)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in.....	2,951,240	15,858	-
Proceeds of bonds and notes.....	-	5,500,000	-
Premium from issuance of bonds and notes.....	482,092	-	-
Transfers out.....	(401,369)	-	-
Debt service - principal - current refunding.....	-	-	(16,441,554)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>3,031,963</b>	<b>5,515,858</b>	<b>(16,441,554)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,851,875</b>	<b>(1,121,545)</b>	<b>(16,942,273)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>24,674,719</b>	<b>2,854,043</b>	<b>16,942,273</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 26,526,594</b>	<b>\$ 1,732,498</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements.

Conservation Commission	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 88,230,646
-	-	4,342,065
-	-	1,301,972
-	-	129,504
-	-	35,301
-	-	933,760
-	6,461,153	34,162,362
-	18,870	23,677
-	-	387,519
-	-	2,056,957
-	64,893	245,651
2,071,438	9,513,130	14,114,801
-	2,040,922	2,040,922
14,590	1,160	114,421
<u>2,086,028</u>	<u>18,100,128</u>	<u>148,119,558</u>
176,705	503,518	5,360,090
-	687,617	14,387,579
-	9,527,381	68,985,648
-	3,474,170	13,994,713
-	1,867,953	3,217,107
-	1,222,668	1,857,131
-	83,458	2,198,010
-	-	16,930,857
-	-	14,413,679
-	-	489,956
-	-	1,421,445
-	-	7,511,321
-	-	3,027,546
<u>176,705</u>	<u>17,366,765</u>	<u>153,795,082</u>
<u>1,909,323</u>	<u>733,363</u>	<u>(5,675,524)</u>
-	75,511	3,042,609
-	3,121,000	8,621,000
-	-	482,092
-	(369,726)	(771,095)
-	-	(16,441,554)
<u>-</u>	<u>2,826,785</u>	<u>(5,066,948)</u>
1,909,323	3,560,148	(10,742,472)
<u>4,995,207</u>	<u>14,234,446</u>	<u>63,700,688</u>
<u>\$ 6,904,530</u>	<u>\$ 17,794,594</u>	<u>\$ 52,958,216</u>

TOWN OF NATICK, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

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Total governmental fund balances (page 21).....	\$	52,958,216
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		180,049,099
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		5,432,963
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(308,651)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable.....		(78,825,753)
Workers' compensation claims.....		(136,184)
Landfill post-closure.....		(476,602)
Compensated absences.....		(1,743,920)
Net OPEB obligation.....		<u>(38,469,098)</u>
Net position of governmental activities (page 17).....	\$	<u>118,480,070</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Net change in fund balances - total governmental funds (page 23).....	\$	(10,742,472)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		18,321,684
Depreciation.....		(5,828,525)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		790,207
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>		
Bond proceeds.....		(8,621,000)
Retirement of refunded bonds.....		16,441,554
Bond maturities.....		7,511,321
Net amortization of bond premiums.....		(470,040)
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>		
		236,830
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Workers' compensation.....		(29,662)
Landfill post-closure.....		34,043
Compensated absences.....		344,898
Net OPEB obligation.....		(7,428,424)
Changes in net position of governmental activities (page 19).....	\$	10,560,414

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF FUND NET POSITION  
 JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ 4,205,040	\$ 185,399	\$ 4,390,439
Restricted cash and cash equivalents.....	5,237,479	1,362,007	6,599,486
Receivables, net of allowance for uncollectible amounts:			
Utility liens.....	260,374	-	260,374
User charges.....	3,777,426	-	3,777,426
Special assessments.....	130,207	-	130,207
Due from other funds.....	419,447	-	419,447
Inventory.....	-	3,995	3,995
Total current assets.....	<u>14,029,973</u>	<u>1,551,401</u>	<u>15,581,374</u>
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Special assessments.....	1,577,559	-	1,577,559
Intergovernmental.....	57,052	-	57,052
Capital assets not being depreciated.....	6,464,252	673,999	7,138,251
Capital assets, net of accumulated depreciation.....	26,929,873	2,030,662	28,960,535
Total noncurrent assets.....	<u>35,028,736</u>	<u>2,704,661</u>	<u>37,733,397</u>
Total assets.....	<u>49,058,709</u>	<u>4,256,062</u>	<u>53,314,771</u>
<b>LIABILITIES</b>			
Current liabilities:			
Warrants payable.....	234,065	14,010	248,075
Accrued payroll.....	100,042	21,248	121,290
Accrued interest.....	170,139	18,844	188,983
Compensated absences.....	2,524	-	2,524
Short-term notes payable.....	-	117,000	117,000
Long-term bonds and notes payable.....	1,883,869	1,524,370	3,408,239
Total current liabilities.....	<u>2,390,639</u>	<u>1,695,472</u>	<u>4,086,111</u>
Noncurrent liabilities:			
Compensated absences.....	22,715	-	22,715
Net OPEB obligation.....	780,284	83,816	864,100
Long-term bonds and notes payable.....	12,376,469	1,300,630	13,677,099
Total noncurrent liabilities.....	<u>13,179,468</u>	<u>1,384,446</u>	<u>14,563,914</u>
Total liabilities.....	<u>15,570,107</u>	<u>3,079,918</u>	<u>18,650,025</u>
<b>FUND NET POSITION</b>			
Net investment in capital assets.....	23,956,663	1,124,668	25,081,331
Unrestricted.....	9,531,939	51,476	9,583,415
Total net position.....	<u>\$ 33,488,602</u>	<u>\$ 1,176,144</u>	<u>\$ 34,664,746</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>OPERATING REVENUES</b>			
Charges for services.....	\$ 13,811,966	\$ 560,827	\$ 14,372,793
Other.....	7,264	-	7,264
<b>TOTAL OPERATING REVENUES.....</b>	<b>13,819,230</b>	<b>560,827</b>	<b>14,380,057</b>
<b>OPERATING EXPENSES</b>			
Cost of service and administration.....	3,461,336	535,275	3,996,611
MWRA assessment.....	4,634,401	-	4,634,401
Repairs and maintenance.....	249,615	43,689	293,304
Depreciation.....	1,184,521	98,462	1,282,983
<b>TOTAL OPERATING EXPENSES.....</b>	<b>9,529,873</b>	<b>677,426</b>	<b>10,207,299</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>4,289,357</b>	<b>(116,599)</b>	<b>4,172,758</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental.....	75,634	-	75,634
Premium from issuance of bonds and notes.....	-	10,367	10,367
Premium from issuance of refunding bonds (current).....	30,167	137,745	167,912
Investment income.....	12,776	1,978	14,754
Interest expense.....	(467,788)	(75,784)	(543,572)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(349,211)</b>	<b>74,306</b>	<b>(274,905)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>3,940,146</b>	<b>(42,293)</b>	<b>3,897,853</b>
Transfers in.....	-	310,000	310,000
Transfers out.....	(2,581,514)	-	(2,581,514)
<b>TOTAL TRANSFERS.....</b>	<b>(2,581,514)</b>	<b>310,000</b>	<b>(2,271,514)</b>
<b>CHANGE IN FUND NET POSITION.....</b>	<b>1,358,632</b>	<b>267,707</b>	<b>1,626,339</b>
<b>FUND NET POSITION AT BEGINNING OF YEAR.....</b>	<b>32,129,970</b>	<b>908,437</b>	<b>33,038,407</b>
<b>FUND NET POSITION AT END OF YEAR.....</b>	<b>\$ 33,488,602</b>	<b>\$ 1,176,144</b>	<b>\$ 34,664,746</b>

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Nonmajor Golf	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users.....	\$ 13,433,710	\$ 561,278	\$ 13,994,988
Payments to vendors.....	(6,520,803)	(369,302)	(6,890,105)
Payments to employees.....	(1,696,193)	(181,828)	(1,878,021)
NET CASH FROM OPERATING ACTIVITIES.....	<u>5,216,714</u>	<u>10,148</u>	<u>5,226,862</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in.....	-	310,000	310,000
Transfers out.....	(2,581,514)	-	(2,581,514)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>(2,581,514)</u>	<u>310,000</u>	<u>(2,271,514)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the issuance of bonds and notes.....	2,150,000	117,000	2,267,000
Proceeds from the issuance of refunding bonds.....	265,000	1,210,000	1,475,000
Premium from issuance of bonds and notes.....	122,500	10,367	132,867
Premium from issuance of refunding bonds.....	30,167	137,745	167,912
Acquisition and construction of capital assets.....	(972,612)	(116,046)	(1,088,658)
Principal payments on bonds and notes.....	(1,602,757)	(201,330)	(1,804,087)
Principal payments on refunded bonds.....	(1,784,000)	(359,446)	(2,143,446)
Interest expense.....	(393,311)	(79,784)	(473,095)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(2,185,013)</u>	<u>718,506</u>	<u>(1,466,507)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income.....	12,776	1,978	14,754
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	462,963	1,040,632	1,503,595
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
(Includes \$5,274,934 and \$375,999 reported as restricted in the water and sewer and golf course enterprise funds, respectively).....	8,979,556	506,774	9,486,330
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
(Includes \$5,237,479 and \$1,362,007 reported as restricted in the water and sewer and golf course enterprise funds, respectively).....	<u>\$ 9,442,519</u>	<u>\$ 1,547,406</u>	<u>\$ 10,989,925</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss).....	\$ 4,289,357	\$ (116,599)	\$ 4,172,758
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Changes in assets and liabilities not requiring current cash flows:			
Depreciation.....	1,184,521	98,462	1,282,983
Net OPEB obligation.....	137,552	12,722	150,274
Effect of changes in operating assets and liabilities:			
Utility liens.....	(40,053)	-	(40,053)
User charges.....	(488,029)	-	(488,029)
Special assessments.....	142,562	-	142,562
Inventory.....	-	451	451
Warrants payable.....	39,057	4,239	43,296
Accrued payroll.....	17,319	10,873	28,192
Compensated absences.....	(65,572)	-	(65,572)
Total adjustments.....	<u>927,357</u>	<u>126,747</u>	<u>1,054,104</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 5,216,714</u>	<u>\$ 10,148</u>	<u>\$ 5,226,862</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Intergovernmental debt subsidies (MWPAT).....	<u>\$ 75,634</u>	<u>\$ -</u>	<u>\$ 75,634</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2013

<b>ASSETS</b>	Pension Trust Fund (12/31/12)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 1,327,937	\$ 370,927	\$ 689,860
Investments:			
Equities.....	53,062,203	-	-
Mutual bond funds.....	16,323,599	-	-
Real estate.....	4,929,837	-	-
External investment pool.....	10,612,174	-	-
Receivables, net of allowance for uncollectible amounts:			
Intergovernmental.....	4,229,715	-	361,007
<b>Total assets.....</b>	<b>90,485,465</b>	<b>370,927</b>	<b>1,050,867</b>
<b>LIABILITIES</b>			
Warrants payable.....	173,003	-	25,743
Accrued payroll.....	-	-	84,756
Liabilities due depositors.....	-	-	940,368
<b>Total liabilities.....</b>	<b>173,003</b>	<b>-</b>	<b>1,050,867</b>
<b>NET POSITION</b>			
Held in trust for pension benefits and other purposes.....	\$ 90,312,462	\$ 370,927	\$ -

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (As of 12/31/12)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer.....	\$ 6,390,096	\$ -
Plan members.....	2,814,514	-
Total contributions.....	<u>9,204,610</u>	<u>-</u>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	8,408,269	-
Interest.....	3,188,961	541
Total investment income (loss).....	11,597,230	541
Less investment expense.....	<u>(381,913)</u>	<u>-</u>
Net investment income (loss).....	<u>11,215,317</u>	<u>541</u>
Intergovernmental.....	<u>278,705</u>	<u>-</u>
Transfers from other systems.....	<u>471,473</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>21,170,105</u>	<u>541</u>
<b>DEDUCTIONS</b>		
Administration.....	230,825	-
Retirement benefits and refunds.....	9,369,283	-
Transfers to other systems.....	<u>551,002</u>	<u>-</u>
TOTAL DEDUCTIONS.....	<u>10,151,110</u>	<u>-</u>
CHANGE IN NET POSITION.....	11,018,995	541
NET POSITION AT BEGINNING OF YEAR.....	<u>79,293,467</u>	<u>370,386</u>
NET POSITION AT END OF YEAR.....	<u>\$ 90,312,462</u>	<u>\$ 370,927</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. General***

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

***B. Reporting Entity***

The Town of Natick, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

Fiduciary Fund Component Unit

The Town has included the Natick Contributory Retirement System (System) as a component unit (fiduciary fund) in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary fund component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees, the Natick Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, one member appointed by the Town's Board of Selectmen and one member appointed by the System's four other Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 13 East Central Street, Natick, Massachusetts 01760.

Discretely Presented Component Unit

Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Morse Institute in Natick (Institute) as a discretely presented component unit because it is fiscally dependent on the Town and because the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading.

The Institute provides support to enhance the operations of the Town's public library and is exempt from federal and state income taxes as it is established under Section 501(c)(3) of the Internal Revenue Code.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

The Institute issues separately audited cash basis financial statements, which is a comprehensive basis of accounting other than GAAP. The main difference is that the effect on earnings from accounts and pledges receivable as well as accounts payable and donated services are not recognized. Complete financial statements of the Institute, audited by another auditor, can be obtained directly from the Institute by contacting the Director at 14 East Central Street, Natick, Massachusetts 01760.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

*South Middlesex Regional Vocational Technical High School District*

The Town is indirectly liable for the South Middlesex Regional Vocational Technical High School District (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2013 assessment total approximately \$1,261,000. Separate audited financial statements may be obtained by contacting the District at 750 Winter Street, Framingham, Massachusetts 01702.

**C. Implementation of New Accounting Principles**

For the year ending June 30, 2013, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements, by renaming net assets to net position and defining net position to incorporate the effects of deferred outflows and inflows.

The implementation of GASB Statement No.'s 60, 61 and 62 had no reporting impact for the Town.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**D. Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement activities) report information on all non-fiduciary activities of the primary government and its discretely presented component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees. Likewise, the primary government is reported separately from legally separate discretely presented component unit for which the primary government is financially accountable.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

**E. Measurement Focus, Basis of Accounting and Basis of Presentation**

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Fund Financial Statements

**Governmental funds** financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *high school project fund* is a capital projects fund used to account for the design and construction of a new high school.

The *debt service fund* is used to account for the fiscal year 2012 current refunding transaction that was completed in fiscal year 2013.

The *conservation commission fund* is a special revenue fund used to account for various conservation projects.

The nonmajor governmental funds consist of other special revenue, capital projects, debt service and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**Proprietary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following proprietary funds are reported:

The *water and sewer* enterprise fund is reported as a major fund and is used to account for the Town's water and sewer activities.

The *golf course* enterprise fund is reported as a nonmajor fund and is used to account for the Sassamon Trace golf course activities.

**Fiduciary funds** financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Agency funds do not present the results of operations or have a measurement focus.

#### ***F. Deposits and Investments***

##### Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. Fair value is based on quotations from a national securities and exchange except for pooled funds, alternative investments and real estate, for which fair value is determined as follows:

##### Pooled Funds

The fair value of shares in managed investment pools is based on unit value reported by the funds.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Alternative Investments

Alternative investments are recorded at fair value as determined in good faith by the general partners of the venture capital firms after consideration of pertinent information, including current financial position and operating results, price-earnings multiples and available market prices of similar companies' securities, the nature of securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated.

Real Estate

The fair value of real estate funds is based on independent third-party appraisals. The investment managers of the funds are responsible for the reported value of those investments. However, the structure, risk profile, return potential and marketability of those investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. As a result, the estimated values may differ significantly from the values that would have been used had a ready market for the real estate existed, and the differences could be material.

*G. Accounts Receivable*

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

**Real Estate Taxes, Personal Property Taxes and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

**Motor Vehicle Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

**User Charges (Water and Sewer)**

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed annually in December and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the levy.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**Special Assessments**

Special assessments consist of sewer, sidewalk, street, RUST and Title V betterments and are recorded as receivables in the fiscal year accrued.

**Departmental and Other**

Departmental and other receivables primarily consist primarily of ambulance, police details and trash ("Pay as you Throw" (PAYT) program) and are recorded as receivables in the fiscal year accrued.

**Intergovernmental**

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

**H. Allowance for Uncollectible Amounts**

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other (excluding the PAYT program)

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)
- Special assessments
- Departmental and other (PAYT program)

Intergovernmental receivables are considered 100% collectible.

**I. Inventories**

Government-Wide and Fund Financial Statements

Inventories of the governmental activities, governmental funds and water and sewer enterprise fund are recorded as expenditures at the time of purchase. Such inventories consist primarily of supplies and are not material in total to the respective financial statements and therefore are not reported.

Inventories of the golf course enterprise fund are stated at weighted average cost.

TOWN OF NATICK, MASSACHUSETTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

**J. Restricted Assets**

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**K. Capital Assets**

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings, equipment, vehicles, library books and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Land improvements.....	20-30
Buildings.....	20-40
Machinery and equipment.....	5-10
Vehicles.....	5-15
Library books.....	10
Infrastructure.....	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. All improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

**L. Interfund Receivables and Payables**

During the course of its operations, transactions occur between funds that may result in amounts owed between funds.

TOWN OF NATICK, MASSACHUSETTS  
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Government-Wide Financial Statements

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

**M. *Interfund Transfers***

During the course of its operations, resources are permanently reallocated between funds.

Government-Wide Financial Statements

Transfers between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

**N. *Deferred Revenue***

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

**O. *Net Position and Fund Balances***

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net Position)

Net position represents the residual difference between assets and deferred outflows less liabilities and deferred inflows. The Town had no deferred inflows or outflows at June 30, 2013. Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been "restricted" for the following:

"Other postemployment benefits" represents amounts restricted for retirees' benefits (see Note 11).

"Conservation commission" represents amounts restricted for conservation projects.

"Infrastructure" represents amounts restricted for infrastructure improvements from mitigation funds.

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“Special education” represents amounts restricted for special education costs from Massachusetts “circuit breaker” funds.

“Debt service” represents amounts accumulated from the Massachusetts School Building Authority (MSBA) for future payment of long-term debt service costs associated with school construction and net bond premiums associated with excluded debt. These amounts will be amortized over future fiscal years..

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

*Assigned* – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, authorized assignments for non-contractual encumbrances can be made by individual department heads.

*Unassigned* – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**P. Long-term Debt**

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

*Q. Investment Income*

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income derived from the water and sewer enterprise fund is retained in the fund. Investment income derived from the golf course enterprise fund is voluntarily assigned to the general fund.

Investment income derived from fiduciary funds is retained in the respective funds.

*R. Compensated Absences*

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

*S. Post Retirement Benefits*

Government-Wide and Fund Financial Statements

In addition to providing pension benefits and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

*T. Use of Estimates*

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

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**U. Total Column**

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service and other certain amounts, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget for the general fund authorized \$114,943,613 in appropriations and other amounts to be raised. During fiscal year 2013, supplemental appropriations totaling \$4,668,454 were authorized.

The Comptroller's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2013, expenditures exceeded appropriations for snow and ice removal (public works). The snow and ice removal over-expenditures will be funded by taxes during fiscal year 2014.

TOWN OF NATICK, MASSACHUSETTS  
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**C. Fund Deficits**

At June 30, 2013, the following fund deficits exists:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
911 support incentive fiscal year 2013.....	\$ 40,222	State Grant
Bullet proof vest.....	31,762	State Grant
Veteran oral history.....	25,035	State Grant
SPED 94-142.....	24,461	Federal Grant
Title I.....	18,315	Federal Grant
911 training fiscal year 2013.....	15,865	State Grant
SPED program improvement.....	15,134	Federal Grant
MEMA EMPG-VIPS police fiscal year 2011..	10,000	State Grant

**NOTE 3 - DEPOSITS AND INVESTMENTS**

*Town (excluding the Pension Trust Fund and Institute)*

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer’s investment pool – the Massachusetts Municipal Depository Trust (MMDT). The Treasurer also has expanded investment powers as it relates to certain trust funds (as defined by the Commonwealth), permanent funds and fiduciary funds.

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the private purpose trust funds and the pension trust fund are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2013, \$19,942,954 of the Town’s bank balance of \$76,897,891 was uninsured and uncollateralized.

Investments Summary

The Town’s investments at June 30, 2013 totaled \$568,908 and consist entirely of MMDT.

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

TOWN OF NATICK, MASSACHUSETTS  
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Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2013 the Town's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. The Town's MMDT investment is unrated by a national credit rating organization.

Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2013, the Town was not exposed to concentration of credit risk.

*Pension Trust Fund (The System)*

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. PRIT is administered by the Pension Reserves Investment Management Board. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. As of December 31, 2012, the System's bank balance of \$1,515,989 was not exposed to custodial credit risk.

TOWN OF NATICK, MASSACHUSETTS  
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Investments Summary

The System’s investments at December 31, 2012 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
<u>Debt Securities:</u>		
Mutual bond funds.....	\$ 16,323,599	\$ 16,323,599
External investment pool.....	10,612,174	10,612,174
 Total debt securities.....	 26,935,773	 \$ <u><u>26,935,773</u></u>
 <u>Other Investments:</u>		
Equity mutual funds.....	54,062,202	
Pooled real estate funds.....	4,929,837	
 Total other investments.....	 58,992,039	
 Total investments.....	 \$ <u><u>85,927,812</u></u>	

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System’s policy regarding interest rate risk is that the duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the “Manager Specific Guidelines”.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2012, the System’s investments were not exposed to custodial credit risk.

TOWN OF NATICK, MASSACHUSETTS  
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Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System’s policy regarding credit risk is that the average quality of all bond holding should be maintained at A or better unless otherwise stated in the “Manager Specific Guidelines”. As of December 31, 2012, the credit quality ratings of the System’s debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *
Mutual bond funds.....	\$ 16,323,599	\$ 16,323,599
External investment pools.....	10,612,174	10,612,174
Total.....	\$ 26,935,773	\$ 26,935,773

\* Per the rating scale of Standard and Poor’s (a national credit rating organization)

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System’s investment in a single issuer. The System does not have a policy for concentration of credit risk. As of June 30, 2013, the System was not exposed to concentration of credit risk.

*The Institute (Discretely Presented Component Unit)*

Investments Summary

The Institute’s investments at June 30, 2013 are presented below. All investments are presented by investment type.

Investment Type	Fair Value
Corporate bonds.....	\$ 311,922
Common and preferred stock.....	1,443,617
Total investments.....	\$ 1,755,539

TOWN OF NATICK, MASSACHUSETTS  
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**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2013, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes...	\$ 2,624,897	\$ (84,782)	\$ 2,540,115
Real estate tax deferrals.....	313,222	-	313,222
Tax and trash liens.....	1,450,666	-	1,450,666
Motor vehicle and other excise taxes.....	703,478	(145,759)	557,719
Special assessments.....	197,258	-	197,258
Departmental and other.....	804,483	(304,720)	499,763
Intergovernmental.....	5,620,600	-	5,620,600
	<u>\$ 11,714,604</u>	<u>\$ (535,261)</u>	<u>\$ 11,179,343</u>

At June 30, 2013, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Utility liens.....	\$ 260,374	\$ -	\$ 260,374
User charges.....	3,777,426	-	3,777,426
Special assessments.....	1,707,766	-	1,707,766
Intergovernmental.....	57,052	-	57,052
	<u>\$ 5,802,618</u>	<u>\$ -</u>	<u>\$ 5,802,618</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 2,246,113	\$ -	\$ 2,246,113
Real estate tax deferrals.....	313,222	-	313,222
Tax and trash liens.....	1,450,666	-	1,450,666
Motor vehicle and other excise taxes.....	557,719	-	557,719
Special assessments.....	29,471	167,787	197,258
Departmental and other.....	499,763	-	499,763
Intergovernmental (other state and federal)....	168,222	-	168,222
	<u>\$ 5,265,176</u>	<u>\$ 167,787</u>	<u>\$ 5,432,963</u>

TOWN OF NATICK, MASSACHUSETTS  
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**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,124,124	\$ -	\$ -	\$ 10,124,124
Construction in progress.....	78,788,945	1,776,368	(76,098,492)	4,466,821
Total capital assets not being depreciated.....	88,913,069	1,776,368	(76,098,492)	14,590,945
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,837,530	433,141	-	3,270,671
Buildings.....	99,255,498	85,228,103	-	184,483,601
Machinery and equipment.....	4,973,702	5,715,997	(70,098)	10,619,601
Vehicles.....	7,386,016	594,988	(116,137)	7,864,867
Library books.....	2,650,035	194,234	-	2,844,269
Infrastructure.....	42,036,634	477,345	-	42,513,979
Total capital assets being depreciated.....	159,139,415	92,643,808	(186,235)	251,596,988
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,672,904)	(112,617)	-	(1,785,521)
Buildings.....	(43,337,709)	(3,278,806)	-	(46,616,515)
Machinery and equipment.....	(3,078,474)	(762,203)	70,098	(3,770,579)
Vehicles.....	(3,502,737)	(726,198)	116,137	(4,112,798)
Library books.....	(1,822,895)	(171,689)	-	(1,994,584)
Infrastructure.....	(27,081,825)	(777,012)	-	(27,858,837)
Total accumulated depreciation.....	(80,496,544)	(5,828,525)	186,235	(86,138,834)
Total capital assets being depreciated, net.....	78,642,871	86,815,283	-	165,458,154
Total governmental activities capital assets, net.....	\$ 167,555,940	\$ 88,591,651	\$ (76,098,492)	\$ 180,049,099

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Water/Sewer Enterprise:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 379,255	\$ -	\$ -	\$ 379,255
Construction in progress.....	5,158,597	926,400	-	6,084,997
	5,537,852	926,400	-	6,464,252
<u>Capital assets being depreciated:</u>				
Land improvements.....	189,023	-	-	189,023
Machinery and equipment.....	800,220	-	-	800,220
Vehicles.....	1,261,158	-	(43,513)	1,217,645
Infrastructure.....	51,683,937	46,212	-	51,730,149
	53,934,338	46,212	(43,513)	53,937,037
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(61,432)	(9,451)	-	(70,883)
Machinery and equipment.....	(525,701)	(57,555)	-	(583,256)
Vehicles.....	(726,227)	(97,047)	43,513	(779,761)
Infrastructure.....	(24,552,796)	(1,020,468)	-	(25,573,264)
	(25,866,156)	(1,184,521)	43,513	(27,007,164)
Total capital assets being depreciated, net.....	28,068,182	(1,138,309)	-	26,929,873
Total water/sewer enterprise capital assets, net.....	\$ 33,606,034	\$ (211,909)	\$ -	\$ 33,394,125

TOWN OF NATICK, MASSACHUSETTS  
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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activity- Golf Course Enterprise:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 673,999	\$ -	\$ -	\$ 673,999
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,655,639	-	-	2,655,639
Buildings.....	251,553	-	-	251,553
Machinery and equipment.....	127,478	116,046	-	243,524
Total capital assets being depreciated.....	3,034,670	116,046	-	3,150,716
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(878,918)	(80,568)	-	(959,486)
Buildings.....	(15,196)	(6,289)	-	(21,485)
Machinery and equipment.....	(127,478)	(11,605)	-	(139,083)
Total accumulated depreciation.....	(1,021,592)	(98,462)	-	(1,120,054)
Total capital assets being depreciated, net.....	2,013,078	17,584	-	2,030,662
Total golf course enterprise capital assets, net.....	\$ 2,687,077	\$ 17,584	\$ -	\$ 2,704,661
Total business-type activities capital assets, net.....	\$ 36,293,111	\$ (194,325)	\$ -	\$ 36,098,786

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government.....	\$ 231,621
Public safety.....	799,282
Education.....	2,846,692
Public works.....	1,378,385
Health and human services.....	133,836
Culture and recreation.....	267,020
Library.....	171,689

Total depreciation expense - governmental activities..... \$ 5,828,525

**Business-Type Activities:**

Water and sewer.....	\$ 1,184,521
Golf.....	98,462

Total depreciation expense - business-type activities..... \$ 1,282,983

TOWN OF NATICK, MASSACHUSETTS  
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**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Receivables and payables between funds at June 30, 2013, are summarized as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund....	General Fund.....	\$ 419,447 (1)

(1) Represents over-allocations of retirement benefits in previous fiscal years.

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	High School Project Fund	Nonmajor Governmental Funds	Nonmajor Golf Enterprise Fund	
General Fund.....	\$ -	\$ 15,858	\$ 75,511	\$ 310,000	\$ 401,369 (1)
Nonmajor Governmental Funds...	369,726	-	-	-	369,726 (2)
Water/Sewer Enterprise Fund.....	2,581,514	-	-	-	2,581,514 (3)
	\$ 2,951,240	\$ 15,858	\$ 75,511	\$ 310,000	\$ 3,352,609

(1) Represents transfer to the conservation commission trails maintenance special revenue fund (\$50,065) and senior center project fund (\$25,446). Also represents funding of debt service (\$310,000) for the Sassamon Trace Golf Course.

(2) Represents budgeted transfers from parking meters (\$60,000); Title V (\$7,684); MSBA (\$123,167); insurance claims (\$28,875) and South Natick Hills housing (\$150,000) special revenue funds

(3) Represents budgeted transfer of indirect costs

**NOTE 7 - SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

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Details related to the short-term debt activity for the fiscal year ended June 30, 2013, is as follows:

**Notes Payable – Enterprise Fund**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
BAN	Equipment - golf carts.....	6/27/13	6/27/14	1.00%	\$ -	\$ 117,000	\$ -	\$ 117,000

**NOTE 8 – LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 93,687,588	\$ 8,621,000	\$ (23,952,875)	\$ 78,355,713	\$ 8,115,967
Unamortized bond premiums.....	-	482,092	(12,052)	470,040	-
<b>Total bonds and notes payable.....</b>	<b>93,687,588</b>	<b>9,103,092</b>	<b>(23,964,927)</b>	<b>78,825,753</b>	<b>8,115,967</b>
Workers' compensation claims....	106,522	447,497	(417,835)	136,184	97,186
Landfill post-closure.....	510,645	-	(34,043)	476,602	34,043
Net OPEB obligation.....	31,040,674	11,061,546	(3,633,122)	38,469,098	-
Compensated absences.....	2,088,818	-	(344,898)	1,743,920	174,392
<b>Total.....</b>	<b>\$ 127,434,247</b>	<b>\$ 20,612,135</b>	<b>\$ (28,394,825)</b>	<b>\$ 119,651,557</b>	<b>\$ 8,421,588</b>
<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 17,289,454	\$ 3,625,000	\$ (3,947,533)	\$ 16,966,921	\$ 3,408,239
Unamortized bond premiums.....	-	122,500	(4,083)	118,417	-
<b>Total bonds and notes payable.....</b>	<b>17,289,454</b>	<b>3,747,500</b>	<b>(3,951,616)</b>	<b>17,085,338</b>	<b>3,408,239</b>
Net OPEB obligation.....	713,826	223,770	(73,496)	864,100	-
Compensated absences.....	90,811	-	(65,572)	25,239	2,524
<b>Total.....</b>	<b>\$ 18,094,091</b>	<b>\$ 3,971,270</b>	<b>\$ (4,090,684)</b>	<b>\$ 17,974,677</b>	<b>\$ 3,410,763</b>

The governmental activities long-term liabilities are generally liquidated by the general fund.

TOWN OF NATICK, MASSACHUSETTS  
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**NOTE 9 - LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

***Bonds and Notes Payable - Governmental Funds***

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Morse Institute Library.....	08/01/14	5.26%	\$ 440,000	\$ -	\$ (155,000)	\$ 285,000
Landfill Capping.....	05/15/16	5.30%	35,000	-	(10,000)	25,000
Oil Tank Removal / Remediation.....	05/15/15	5.29%	125,000	-	(45,000)	80,000
Morse Institute Library.....	05/15/15	5.30%	615,000	-	(210,000)	405,000
Municipal Complex (Town Hall / Safety).....	05/15/15	5.29%	130,000	-	(50,000)	80,000
Landfill Capping.....	08/01/12	4.73%	875,000	-	(875,000)	-
Morse Institute Library.....	08/01/12	4.67%	625,000	-	(625,000)	-
Municipal Complex (Town Hall / Safety).....	08/01/12	4.67%	2,500,000	-	(2,500,000)	-
Municipal Complex (Town Hall / Safety).....	08/01/12	4.87%	3,000,000	-	(3,000,000)	-
Landfill Capping (Net of Surplus to G.C.).....	08/01/12	4.93%	885,554	-	(885,554)	-
Septic Title V (MWPAT) T5-97-1026.....	08/01/19	0.00%	61,190	-	(7,735)	53,455
Storm Water (MWPAT).....	08/01/12	0.00%	31,441	-	(31,441)	-
Land Acquisition.....	08/01/13	3.12%	153,700	-	(81,200)	72,500
Fuel Storage (Residential).....	08/01/13	3.12%	92,750	-	(49,000)	43,750
Fuel Storage (Municipal).....	08/01/13	3.12%	18,550	-	(9,800)	8,750
Septic Title V (MWPAT) T5-97-1026-1.....	08/01/22	0.00%	56,233	-	(4,975)	51,258
Lilja School.....	05/15/17	5.30%	65,000	-	(15,000)	50,000
Brown School.....	05/15/15	5.33%	140,000	-	(55,000)	85,000
Lilja School.....	08/01/12	4.70%	150,000	-	(150,000)	-
Lilja School.....	08/01/12	4.70%	2,346,000	-	(2,346,000)	-
Lilja School.....	08/01/12	4.94%	120,000	-	(120,000)	-
Bennet-Hemenway School.....	08/01/12	5.15%	5,940,000	-	(5,940,000)	-
Wilson Middle School.....	04/15/24	4.14%	5,890,000	-	(495,000)	5,395,000
Wilson Middle School.....	04/15/24	4.14%	780,000	-	(65,000)	715,000
Kennedy Middle School.....	04/15/14	3.30%	200,000	-	(100,000)	100,000
M.P.L. of 2008.....	2/15/14 - 2/15/18	3.38-5.00%	1,740,000	-	(425,000)	1,315,000
Septic Title V (MWPAT) T5-97-1026-B.....	07/15/28	0.00%	127,500	-	(7,500)	120,000
M.P.L. of 2010.....	6/15/16 - 6/15/20	2.00-2.75%	2,795,000	-	(370,000)	2,425,000
M.P.L. of 2011.....	6/15/16 - 6/15/31	2.00-5.00%	50,180,000	-	(2,885,000)	47,295,000
M.P.L. of 2012.....	6/01/18 - 6/01/24	2.00-4.00%	3,933,000	-	(518,000)	3,415,000
General Obligation Refunding Bonds of 2012.....	8/01/17 - 8/01/20	1.00-4.00%	9,636,670	-	(1,921,670)	7,715,000
M.P.L. of 2013.....	4/15/16 - 4/15/33	2.00-4.00%	-	8,621,000	-	8,621,000
Total governmental funds.....			\$ 93,687,588	\$ 8,621,000	\$ (23,952,875)	\$ 78,355,713

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Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 8,115,967	\$ 2,666,395	\$ 10,782,362
2015.....	7,646,547	2,477,693	10,124,240
2016.....	6,764,699	2,246,995	9,011,694
2017.....	6,522,569	1,959,803	8,482,372
2018.....	5,704,859	1,737,637	7,442,496
2019.....	4,692,369	1,547,560	6,239,929
2020.....	4,442,659	1,358,549	5,801,208
2021.....	3,875,602	1,211,580	5,087,182
2022.....	3,672,721	1,087,023	4,759,744
2023.....	3,597,721	967,432	4,565,153
2024.....	3,502,500	856,064	4,358,564
2025.....	2,847,500	739,769	3,587,269
2026.....	2,847,500	643,453	3,490,953
2027.....	2,717,500	545,438	3,262,938
2028.....	2,717,500	439,788	3,157,288
2029.....	2,717,500	334,138	3,051,638
2030.....	2,710,000	228,488	2,938,488
2031.....	2,710,000	122,856	2,832,856
2032.....	275,000	17,188	292,188
2033.....	275,000	8,594	283,594
Total.....	\$ <u>78,355,713</u>	\$ <u>21,196,436</u>	\$ <u>99,552,149</u>

TOWN OF NATICK, MASSACHUSETTS  
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**Bonds and Notes Payable – Enterprise Fund (Water and Sewer)**

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Water Treatment Plant.....	05/15/17	3.25-3.75%	\$ 105,000	\$ -	\$ (30,000)	\$ 75,000
Water Treatment Plant.....	08/01/12	4.73%	419,000	-	(419,000)	-
Sewer (Pleasant, Rockwood,etc.).....	08/01/12	4.71%	85,000	-	(85,000)	-
Sewer (Pleasant, Eliot, Union,etc.).....	08/01/12	4.92%	280,000	-	(280,000)	-
Sewer ( Union, St).....	08/01/12	4.90%	215,000	-	(215,000)	-
Water (Lakeshore Dr).....	08/01/12	4.94%	200,000	-	(200,000)	-
Water (Lakeshore Dr).....	08/01/12	5.14%	225,000	-	(225,000)	-
Sewer (Boden Ln & Water, Lincoln, etc.).....	08/01/12	5.09%	360,000	-	(360,000)	-
Sewer (Lakeshore Rd).....	07/15/13	4.71%	200,000	-	(20,000)	180,000
Sewer (Leach Ln).....	07/15/13	4.73%	100,000	-	(10,000)	90,000
Water Elm Bank.....	08/01/13	2.96%	135,000	-	(135,000)	-
Water Meters.....	04/15/14	3.30%	70,000	-	(35,000)	35,000
Sewer (Speen St, Park Ave.....	11/01/26	4.03%	1,575,000	-	(105,000)	1,470,000
Water Treatment (MWPAT).....	08/01/24	2.00%	3,807,402	-	(233,911)	3,573,491
Water Mains - Lining.....	02/15/18	3.38-5.00%	1,800,000	-	(300,000)	1,500,000
M.P.L. of 2008-Departmental Equipment.....	02/15/17	3.38-5.00%	50,000	-	(10,000)	40,000
M.P.L. of 2010-Sewer.....	06/15/20	2.00-3.25%	240,000	-	(30,000)	210,000
M.P.L. of 2010-Departmental Equipment - Sewer.....	06/15/20	2.00-3.25%	200,000	-	(25,000)	175,000
M.P.L. of 2010-Water Mains - Lining.....	06/15/20	2.00-3.25%	480,000	-	(60,000)	420,000
M.P.L. of 2010-Well.....	06/15/20	2.00-3.25%	200,000	-	(25,000)	175,000
M.P.L. of 2010-Water Departmental Equipment.....	06/15/20	2.00-3.25%	400,000	-	(50,000)	350,000
Sewer (MWRA).....	05/15/15	0.00%	46,431	-	(15,477)	30,954
M.P.L. of 2011-Water Mains - Lining.....	06/15/26	2.00-5.00%	745,000	-	(55,000)	690,000
Water Departmental Equipment.....	06/01/17	2.00-4.00%	150,000	-	(30,000)	120,000
Building Remodeling - Public Works.....	06/01/19	2.00-4.00%	66,000	-	(11,000)	55,000
Well.....	06/01/22	2.00-4.00%	300,000	-	(30,000)	270,000
Water Departmental Equipment.....	06/01/22	2.00-4.00%	260,000	-	(30,000)	230,000
Building Remodeling - Sewer.....	06/01/22	2.00-4.00%	504,000	-	(54,000)	450,000
Sewer (MWRA).....	05/15/17	0.00%	196,845	-	(39,369)	157,476
General Obligation Refunding Bonds of 2012.....	08/01/17 - 08/01/20	1.00-4.00%	1,699,000	-	(269,000)	1,430,000
Sewer.....	04/15/28	2.00-4.00%	-	1,650,000	-	1,650,000
Water Departmental Equipment.....	04/15/23	2.00-4.00%	-	200,000	-	200,000
Well.....	04/15/23	2.00-4.00%	-	300,000	-	300,000
Sewer Refunding.....	04/15/22	2.00-4.00%	-	265,000	-	265,000
Total Water/Sewer enterprise fund.....			<u>\$ 15,113,678</u>	<u>\$ 2,415,000</u>	<u>\$ (3,386,757)</u>	<u>\$ 14,141,921</u>

TOWN OF NATICK, MASSACHUSETTS  
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Debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 1,883,869	\$ 505,659	\$ 2,389,528
2015.....	1,560,284	467,521	2,027,805
2016.....	1,539,663	417,404	1,957,067
2017.....	1,542,410	354,252	1,896,662
2018.....	1,450,787	291,586	1,742,373
2019.....	1,048,408	232,837	1,281,245
2020.....	1,048,155	187,988	1,236,143
2021.....	818,902	144,604	963,506
2022.....	771,522	111,016	882,538
2023.....	651,269	77,230	728,499
2024.....	615,889	50,252	666,141
2025.....	620,763	26,906	647,669
2026.....	265,000	18,173	283,173
2027.....	215,000	8,779	223,779
2028.....	110,000	3,300	113,300
Total.....	<u>\$ 14,141,921</u>	<u>\$ 2,897,507</u>	<u>\$ 17,039,428</u>

***Bonds and Notes Payable - Enterprise Fund (Golf)***

Project	Maturity Dates	Interest Rate	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Municipal Golf Course.....	07/15/13	4.73%	\$ 1,475,000	\$ -	\$ (150,000)	\$ 1,325,000
Municipal Golf Course.....	08/01/12	4.93%	284,230	-	(284,230)	-
Municipal Golf Course.....	08/01/12	4.93%	75,216	-	(75,216)	-
General Obligation Refunding Bonds of 2012.....	08/01/19	1.00-4.00%	341,330	-	(51,330)	290,000
Municipal Golf Course Refunding.....	04/15/22	2.00-4.00%	-	1,210,000	-	1,210,000
Total Golf enterprise fund.....			<u>\$ 2,175,776</u>	<u>\$ 1,210,000</u>	<u>\$ (560,776)</u>	<u>\$ 2,825,000</u>

TOWN OF NATICK, MASSACHUSETTS  
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Debt service requirements for principal and interest for golf course enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 1,524,370	\$ 126,021	\$ 1,650,391
2015.....	188,790	118,267	307,057
2016.....	183,500	104,258	287,758
2017.....	177,630	88,517	266,147
2018.....	172,340	71,590	243,930
2019.....	166,830	55,215	222,045
2020.....	161,540	38,947	200,487
2021.....	125,000	24,790	149,790
2022.....	125,000	12,395	137,395
Total.....	<u>\$ 2,825,000</u>	<u>\$ 640,000</u>	<u>\$ 3,465,000</u>

The Town receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT). Principal and interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2013, the Town's subsidy totaled approximately \$91,000. Future subsidies total approximately \$643,000. The amount of MWPAT bonds outstanding at June 30, 2013, totaled \$3,798,204

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five equal annual installments). At June 30, 2013, the outstanding principal amount of these loans totaled \$188,430.

During fiscal year 2013, the Town issued \$12,236,000 of general obligation bonds for refunding (current), building construction, school building projects, engineering services, departmental equipment and water/sewer related items.

Current Refunding - June 2013

On June 5, 2013, the Town issued \$1,475,000 in current refunding bonds to refund \$1,595,000 of previously issued sewer and golf course outstanding bonds with an average interest rate of approximately 4.7%. The average interest rate of the current refunding bonds is approximately 3.4%.

The net proceeds of approximately \$1,615,000 (after payment of approximately \$28,000 in bond issuance costs and premium of approximately \$168,000) were used to retire the outstanding bonds and the related accrued interest on July 10, 2013.

As a result of this refunding, the Town will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$120,000 and will realize an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$242,000.

TOWN OF NATICK, MASSACHUSETTS  
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The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2013, the Town had the following authorized and unissued debt:

Purpose	Amount
High school construction.....	\$ 9,698,047
Sewer system rehab.....	1,374,000
DPW - recycle totes.....	570,000
Parking garage.....	540,000
Retaining wall-pond/cemetery.....	455,000
Ground water well replace.....	450,000
Sewer I&I.....	436,865
Memorial school boiler replace.....	400,000
Roads.....	300,000
Springvale upgrades.....	250,000
Police - dispatch center.....	230,000
DPW - hooklift and chassis.....	230,000
Town forest reservoir.....	220,000
DPW - dump truck.....	190,000
Police - hvac replace.....	180,000
Bennett-Hemenway school playground....	175,000
Sewer system rehab - mwra.....	161,055
Prime park pump station.....	150,000
Field fence work.....	140,750
Memorial school lighting.....	125,000
Golf carts.....	117,000
J.J. Lane park.....	110,000
Charles river dam.....	87,000
Sewer line replacement.....	48,000
 Total.....	 \$ 16,637,717

**NOTE 10 - LANDFILL POSTCLOSURE CARE**

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1988 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$476,602 as the estimated landfill post-closure care liability at June 30, 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS**

*Plan Description* - The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2012, the latest actuarial valuation, is as follows:

Active employees.....	1044
Retired employees and spouses....	<u>813</u>
Total.....	<u><u>1,857</u></u>

*Funding Policy* - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 50%, respectively. The Plan members and Town each contribute 50% towards a \$5,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

*Annual OPEB Cost and Net OPEB Obligation* - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town net OPEB obligation:

	Amount
Annual required contribution.....	\$ 11,518,444
Interest on net OPEB obligation.....	1,270,180
Adjustment to annual required contribution.....	<u>(1,503,308)</u>
Annual OPEB cost.....	11,285,316
Contributions made.....	<u>(3,706,618)</u>
Increase in net OPEB obligation.....	7,578,698
Net OPEB obligation at beginning of year.....	<u>31,754,500</u>
Net OPEB obligation at end of year.....	<u><u>\$ 39,333,198</u></u>

TOWN OF NATICK, MASSACHUSETTS  
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Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2011.....	\$ 11,022,241	30.2%	\$ 23,675,492
June 30, 2012.....	11,550,551	30.1%	31,754,500
June 30, 2013.....	11,285,316	32.8%	39,333,198

**Funded Status and Funding Progress** - The funded status of the Plan at July 1, 2012, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/12	\$ -	\$ 120,981,624	\$ 120,981,624	-	\$ 51,510,389	235%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2012
Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	24.47 years at June 30, 2013

TOWN OF NATICK, MASSACHUSETTS  
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Interest discount rate: 4.00%

Healthcare/Medical cost trend rate: 9.00% in 2012 to an ultimate level of 5.00% in 2016

Projected salary increases: 2.50% annually

*Allocation of AOPEBC* - AOPEBC costs were allocated to the Town's functions as follows:

<b>Governmental Activities:</b>	
General government.....	\$ 636,686
Public safety.....	2,506,646
Education.....	7,084,527
Public works.....	397,335
Health and human services.....	59,711
Culture and recreation.....	125,068
Library.....	<u>251,574</u>
 Total AOPEBC - governmental activities....	 <u>11,061,546</u>
 <b>Business-Type Activities:</b>	
Water and sewer.....	204,826
Golf.....	<u>18,944</u>
 Total AOPEBC - business-type activities.....	 <u>223,770</u>
 Total AOPEBC.....	 \$ <u><u>11,285,316</u></u>

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 - FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	High School Project Fund	Conservation Commission	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 13,997	\$ 13,997
<b>Restricted:</b>					
OPEB.....	221,613	-	-	-	221,613
Debt service.....	1,258,207	-	-	1,344,103	2,602,310
School construction.....	-	1,732,498	-	-	1,732,498
Senior center construction.....	-	-	-	475,232	475,232
School lunch.....	-	-	-	163,384	163,384
Bus transportation.....	-	-	-	256,754	256,754
Infrastructure.....	-	-	-	4,556,930	4,556,930
Employee benefits.....	-	-	-	792	792
Capital.....	-	-	-	3,620,899	3,620,899
Medicaid.....	-	-	-	354,354	354,354
Cable fees.....	-	-	-	341,500	341,500
Circuit breaker.....	-	-	-	1,046,868	1,046,868
Conservation commission.....	-	-	6,904,530	-	6,904,530
Recreation revolving.....	-	-	-	711,531	711,531
General government.....	-	-	-	1,452,936	1,452,936
Public safety.....	-	-	-	301,975	301,975
Education.....	-	-	-	2,071,342	2,071,342
Public works.....	-	-	-	795,176	795,176
Health and human services.....	-	-	-	445,884	445,884
Culture and recreation.....	-	-	-	149,601	149,601
Library.....	-	-	-	8,079	8,079
Sub-total - Restricted.....	<u>1,479,820</u>	<u>1,732,498</u>	<u>6,904,530</u>	<u>18,097,340</u>	<u>28,214,188</u>
<b>Committed:</b>					
Subsequent year's expenditures.....	3,185,581	-	-	-	3,185,581
Capital stabilization.....	3,691,483	-	-	-	3,691,483
General government.....	638,056	-	-	-	638,056
Public safety.....	307,442	-	-	-	307,442
Education.....	206,496	-	-	-	206,496
Public works.....	1,679,519	-	-	-	1,679,519
Other.....	33,854	-	-	-	33,854
Sub-total - Committed.....	<u>9,742,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,742,431</u>
<b>Assigned:</b>					
General government.....	992,882	-	-	-	992,882
Education.....	330,743	-	-	-	330,743
Public works.....	391,182	-	-	-	391,182
Other.....	135,399	-	-	-	135,399
Sub-total - Assigned.....	<u>1,850,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,850,206</u>
<b>Unassigned.....</b>	<u>13,454,137</u>	<u>-</u>	<u>-</u>	<u>(316,743)</u>	<u>13,137,394</u>
<b>Total.....</b>	<u>\$ 26,526,594</u>	<u>\$ 1,732,498</u>	<u>\$ 6,904,530</u>	<u>\$ 17,794,594</u>	<u>\$ 52,958,216</u>

TOWN OF NATICK, MASSACHUSETTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

**NOTE 13 - STABILIZATION FUNDS**

The Town maintains a general stabilization fund, capital stabilization fund and operational stabilization fund that were established under MGL Chapter 40, Section 5B. Appropriations in and out of these stabilization funds require two-thirds vote of Town meeting. Investment income is retained by the fund.

The balances of the general stabilization fund, capital stabilization fund and operational stabilization fund at June 30, 2013 are \$4,289,775, \$3,691,483 and \$856,478, respectively. The capital stabilization fund balance is reported in the general fund as committed and the remaining stabilization funds are reported as unassigned fund balance in the general fund.

**NOTE 14 - RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town provides health insurance through its participation in the West Suburban Health Group (Group), a non-profit trust comprised of 11 towns, one school district and two educational collaboratives. The Town recognizes the cost of providing health insurance by recording its share (depending on the plan, contribution rates range between 50% and 90%) of insurance premiums paid to the Group in the general fund in the fiscal year paid. The purpose of the Group is to pay medical claims of its members' employees and their covered dependents.

The Town participates in a premium-based workers' compensation plan. In prior years, the Town was self-insured for workers' compensation and is liable for the payment of certain claims from those periods. The claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type. The estimated liability at June 30, 2013, totaled \$136,184.

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-end
Fiscal year 2012.....	\$ 349,670	\$	201,166	\$	(444,314)	\$	106,522
Fiscal year 2013.....	106,522		447,497		(417,835)		136,184

**NOTE 15 - RECLASSIFICATIONS**

The Conservation Commission fund has been determined to be a major fund for the year ending June 30, 2013. As such, the fund has been reclassified from the nonmajor governmental funds column to a separate column titled "Conservation Commission" in the governmental funds financial statements.

TOWN OF NATICK, MASSACHUSETTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

**NOTE 16 - OPERATING LEASES**

*Lessee*

The Town is committed under several operating leases for a parking lot, golf course land and a modular building used as a clubhouse and administrative building at the golf course. During fiscal year 2013, the Town paid approximately \$126,000 related to these leases, which are accounted for in the general fund and golf course enterprise fund. Future minimum lease payments are as follows:

*Governmental Activities*

Fiscal Year	Payment
2014.....	\$ 52,020

*Business-Type Activities*

Fiscal Year	Payment
2014.....	\$ 64,887
2015.....	66,834
2016.....	68,839
2017.....	70,904
2018.....	70,904

**NOTE 17 - PENSION PLAN**

*Plan Description* - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Natick Contributory Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Commonwealth's Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Natick Contributory Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 13 East Central Street, Natick, Massachusetts 01760. The Town's financial statements include certain required supplementary information related to the System that is not available in the System's annual report.

TOWN OF NATICK, MASSACHUSETTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

**Plan Membership** - At December 31, 2012, the System's membership consists of the following:

Active members.....	595
Inactive members.....	87
Retirees and beneficiaries currently receiving benefits....	382
 Total.....	 1,064

**Funding Policy** - Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

**Annual Pension Cost** - The Town's contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$6,290,358, \$5,826,520, and \$5,575,618, respectively, which equaled its required contribution for each fiscal year. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 98.5% of the total. At June 30, 2013, the Town did not have a net pension obligation.

**Funded Status and Funding Progress** - The funded status of the plan at January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 94,697,600	\$ 147,904,433	\$ 53,206,833	64.0%	\$ 27,627,175	192.6%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2011
Actuarial cost method:	Entry age normal
Amortization method:	4.00% increasing, with an 8.00% cap
Remaining amortization period:	19 years from July 1, 2011 (open)

TOWN OF NATICK, MASSACHUSETTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

Asset valuation method: The difference between the total return and the expected return on a market value basis is recognized over a ten-year period for the year ended December 31, 2008 and over a five-year period for all other

Actuarial assumptions:

Investment rate of return: 8.00%

Projected salary increases: Based on years of service, ranging from 7.00% decreasing to 4.75% after 9 years of service for Group 1 employees, ranging from 7.00% decreasing to 5.00% after 7 years for service for Group 2 employees and ranging from 8.00% decreasing to 5.25% after 8 years for Group 4 employees

Cost of living adjustments: 3.00% of first \$12,000 of retirement income

**Legally Required Reserve Accounts** - The balance in the System's legally required reserves as of December 31, 2012 are as follows:

Description	Amount	Purpose
Annuity Savings Fund... \$	29,643,079	Active members' contribution balance
Annuity Reserve Fund...	8,198,522	Retired members' contribution account
Pension Reserve Fund...	50,516,904	Amounts appropriated to fund future retirement
Pension Fund.....	<u>1,953,957</u>	Remaining net assets
Total..... \$	<u><u>90,312,462</u></u>	

**Noncontributory Retirement Allowance** - The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2013 totaled approximately \$71,000.

**NOTE 18 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$10,777,000 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

**NOTE 19 - COMMITMENTS**

The Town is currently in the process of constructing the Community/Senior Center. At June 30, 2013 approximately \$9,800,000 has been spent on the project and approximately \$209,000 is required to complete the project.

The Town has also entered into, or is planning to enter into, contracts totaling approximately \$6,940,000 for water and sewer projects, the purchase of departmental equipment and other governmental projects.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$4,715,572 at June 30, 2013.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 20 - CONTINGENCIES**

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2013.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 21 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, *Technical Corrections – 2013 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. The implementation of this Statement will require a change to the title of the Statement of Fiduciary Net Position to the Statement of Fiduciary Net Position, as well as expanded note disclosures and required supplementary information.
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

This information is an integral part of the accompanying financial statements.

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## *Required Supplementary Information*

TOWN OF NATICK, MASSACHUSETTS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(NON-GAAP BUDGETARY BASIS)  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ -	\$ 87,139,711	\$ 720,424	\$ 87,860,135
Motor vehicle and other excise taxes.....	-	3,795,250	-	3,795,250
Hotel/motel tax.....	-	700,000	-	700,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	24,931	-	24,931
Trash disposal.....	-	865,603	-	865,603
Intergovernmental.....	-	11,418,947	-	11,418,947
Special assessments.....	-	20,000	-	20,000
Penalties and interest on taxes.....	-	426,065	-	426,065
Licenses and permits.....	-	1,350,000	-	1,350,000
Fines and forfeitures.....	-	195,000	-	195,000
Departmental and other.....	-	2,486,041	-	2,486,041
Investment income.....	-	150,000	-	150,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>108,571,548</b>	<b>720,424</b>	<b>109,291,972</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	1,504,414	5,090,897	319,003	6,914,314
Public safety.....	335,193	13,874,876	365,552	14,575,621
Education.....	536,283	47,812,168	459,494	48,807,945
Public works.....	2,101,866	10,118,225	221,205	12,441,296
Health and human services.....	20,707	1,315,828	83,596	1,420,131
Culture and recreation.....	17,703	585,580	43,487	646,770
Library.....	103,824	2,019,140	21,409	2,144,373
Pension benefits.....	-	6,150,200	9,200	6,159,400
Employee benefits.....	32,643	15,174,510	(94,698)	15,112,455
Property and liability insurance.....	26,765	553,175	-	579,940
State and county charges.....	-	1,524,261	-	1,524,261
Debt service:				
Principal.....	-	7,411,031	100,290	7,511,321
Interest.....	-	2,778,884	(223,774)	2,555,110
<b>TOTAL EXPENDITURES.....</b>	<b>4,679,398</b>	<b>114,408,775</b>	<b>1,304,764</b>	<b>120,392,937</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(4,679,398)</b>	<b>(5,837,227)</b>	<b>(584,340)</b>	<b>(11,100,965)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	-	3,429,052	584,340	4,013,392
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(534,838)	(3,363,690)	(3,898,528)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>2,894,214</b>	<b>(2,779,350)</b>	<b>114,864</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(4,679,398)</b>	<b>(2,943,013)</b>	<b>(3,363,690)</b>	<b>(10,986,101)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR*.....</b>	<b>19,468,867</b>	<b>19,468,867</b>	<b>19,468,867</b>	<b>19,468,867</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 14,789,469</b>	<b>\$ 16,525,854</b>	<b>\$ 16,105,177</b>	<b>\$ 8,482,766</b>

See accompanying notes to required supplementary information.  
\*Included note for state government

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	89,134,618	\$ -	\$ 89,134,618	\$ 1,274,483
	4,341,339	-	4,341,339	546,089
	1,301,972	-	1,301,972	601,972
	129,504	-	129,504	129,504
	35,301	-	35,301	10,370
	933,760	-	933,760	68,157
	12,855,507	-	12,855,507	1,436,560
	4,807	-	4,807	(15,193)
	387,519	-	387,519	(38,546)
	2,056,957	-	2,056,957	706,957
	180,758	-	180,758	(14,242)
	2,530,233	-	2,530,233	44,192
	89,485	-	89,485	(60,515)
	<u>113,981,760</u>	<u>-</u>	<u>113,981,760</u>	<u>4,689,788</u>
	4,651,584	1,630,938	6,282,522	631,792
	13,683,930	405,780	14,089,710	485,911
	48,241,142	537,239	48,778,381	29,564
	10,520,543	2,070,701	12,591,244	(149,948)
	1,349,154	17,994	1,367,148	52,983
	634,463	10,137	644,600	2,170
	2,114,552	9,543	2,124,095	20,278
	6,153,526	-	6,153,526	5,874
	14,404,197	8,240	14,412,437	700,018
	489,956	25,000	514,956	64,984
	1,421,445	-	1,421,445	102,816
	7,502,879	-	7,502,879	8,442
	2,548,420	-	2,548,420	6,690
	<u>113,715,791</u>	<u>4,715,572</u>	<u>118,431,363</u>	<u>1,961,574</u>
	265,969	(4,715,572)	(4,449,603)	6,651,362
	4,013,392	-	4,013,392	-
	482,092	-	482,092	482,092
	<u>(3,898,528)</u>	<u>-</u>	<u>(3,898,528)</u>	<u>-</u>
	596,956	-	596,956	482,092
	862,925	(4,715,572)	(3,852,647)	7,133,454
	<u>19,468,867</u>	<u>-</u>	<u>19,468,867</u>	<u>-</u>
\$	<u>20,331,792</u>	<u>(4,715,572)</u>	<u>15,616,220</u>	<u>7,133,454</u>

**PENSION PLAN SCHEDULES**

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

**SCHEDULES OF FUNDING PROGRESS (SYSTEM)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
01/01/11	\$ 94,697,600	\$ 147,904,433	\$ 53,206,833	64.0%	\$ 27,627,175	192.6%
01/01/08	90,885,080	131,268,314	40,383,234	69.2%	25,775,476	156.7%
01/01/06	79,234,306	118,903,286	39,668,980	66.6%	24,814,583	159.9%
01/01/04	70,246,877	109,024,236	38,777,359	64.4%	22,170,379	174.9%
01/01/02	68,985,592	100,572,515	31,586,923	68.6%	22,056,144	143.2%
01/01/00	64,669,153	89,688,360	25,019,207	72.1%	18,611,143	134.4%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)**

<u>Year Ended December 31</u>	<u>Annually Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed (%)</u>
2007	\$ 5,541,638	100
2008	5,334,374	100
2009	5,418,151	100
2010	5,661,968	100
2011	5,916,756	100
2012	6,390,096	100

The following schedule provides information related to the Town's portion of the System's ARC:

**TOWN SHARE OF SYSTEM ARC**

<u>Fiscal Year Ended</u>	<u>ARC</u>	<u>Percentage of ARC Contributed (%)</u>	<u>Town ARC as a Percentage of System ARC (%)</u>
2008	\$ 5,460,965	100	98.5%
2009	5,255,414	100	98.5%
2010	5,335,519	100	98.5%
2011	5,575,618	100	98.5%
2012	5,826,520	100	98.5%
2013	6,290,358	100	98.4%

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULE**

The following schedule provides information related to the Town’s other postemployment benefits plan:

**SCHEDULES OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/12	\$ -	\$ 120,981,624	\$ 120,981,624	-	\$ 51,510,389	235%
07/01/10	-	119,187,237	\$ 119,187,237	-	60,836,610	196%
07/01/08	-	111,743,502	111,743,502	-	59,832,150	187%

The significant change to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress is the increase in the trend on medical and prescription drug costs.

TOWN OF NATICK, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013

**NOTE A - BUDGETARY - GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 113,981,760	\$ 118,431,363	\$ 596,956	\$ 15,616,220
<u>Adjustments and Reclassifications</u>				
To record 60-day receipts.....	(703,458)	-	-	294,003
To record tax refunds payable.....	(199,788)	-	-	(2,531,049)
To record MWPAT debt service subsidy.....	15,132	15,132	-	-
To record MTRS on-behalf payments.....	10,777,331	10,777,331	-	-
To record other expenditures.....	-	551,997	-	(627,501)
To record encumbrances and continuing appropriations.....	-	(4,715,572)	-	4,715,572
To reclassify the stabilization fund to the general fund for GAAP purposes.....	9,181	-	-	4,289,775
To reclassify the capital stabilization fund to the general fund for GAAP purposes.....	-	-	2,213,399	3,691,483
To reclassify the operating stabilization fund to the general fund for GAAP purposes.....	-	-	-	856,478
To reclassify the OPEB fund to the general fund for GAAP purposes.....	5	-	221,608	221,613
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 123,880,163</u>	<u>\$ 125,060,251</u>	<u>\$ 3,031,963</u>	<u>\$ 26,526,594</u>