

TOWN OF ASHLAND, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2012

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Ashland, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashland, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Ashland's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Ashland as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated June 4, 2013 on our consideration of the Town's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress 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 evidence sufficient to express an opinion or provide any assurance.

Melanson, Heath + Company P.C.
June 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Ashland, we offer readers this narrative overview and analysis of the financial activities of the Town of Ashland, Massachusetts for the fiscal year ended June 30, 2012.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include water, sewer, and solid waste activities.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable 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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and solid waste operations. The water and sewer funds are considered major funds.

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 own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$116,339,997 (i.e., net assets), a change of \$4,938,383 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$16,077,360, a change of \$3,326,127 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,021,137, a change of \$1,754,633 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$45,522,779, a change of \$5,888,772 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET ASSETS</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 20,035	\$ 18,624	\$ 5,869	\$ 6,253	\$ 25,904	\$ 24,877
Capital assets	94,790	84,748	56,144	55,841	150,934	140,589
Total assets	114,825	103,372	62,013	62,094	176,838	165,466
Long-term liabilities	39,883	30,182	17,552	18,990	57,435	49,172
Other liabilities	2,624	4,567	439	325	3,063	4,892
Total liabilities	42,507	34,749	17,991	19,315	60,498	54,064
Net assets:						
Invested in capital assets, net of related debt	65,773	60,255	40,358	38,700	106,131	98,955
Restricted	8,539	6,987	-	-	8,539	6,987
Unrestricted	(1,994)	1,381	3,664	4,079	1,670	5,460
Total net assets	\$ 72,318	\$ 68,623	\$ 44,022	\$ 42,779	\$ 116,340	\$ 111,402

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,648	\$ 4,845	\$ 7,786	\$ 8,230	\$ 12,434	\$ 13,075
Operating grants and contributions	12,921	12,868	-	-	12,921	12,868
Capital grants and contributions	866	227	2,232	576	3,098	803
General revenues:						
Property taxes	35,801	34,805	-	-	35,801	34,805
Excises	2,107	2,036	-	-	2,107	2,036
Penalties and interest on taxes	163	222	-	-	163	222
Grants and contributions not restricted to specific programs	1,214	1,212	-	-	1,214	1,212
Investment income	42	51	-	-	42	51
Other	314	129	-	-	314	129
Total revenues	<u>58,076</u>	<u>56,395</u>	<u>10,018</u>	<u>8,806</u>	<u>68,094</u>	<u>65,201</u>
Expenses:						
General government	3,093	3,334	-	-	3,093	3,334
Public safety	6,604	7,082	-	-	6,604	7,082
Education	42,445	40,803	-	-	42,445	40,803
Public works	1,808	2,002	-	-	1,808	2,002
Health and human services	486	499	-	-	486	499
Culture and recreation	865	954	-	-	865	954
Interest and costs	1,018	984	-	-	1,018	984
Intergovernmental	995	954	-	-	995	954
Water services	-	-	2,612	2,568	2,612	2,568
Sewer services	-	-	4,482	4,861	4,482	4,861
Nonmajor services	-	-	1,140	1,139	1,140	1,139
Total expenses	<u>57,314</u>	<u>56,612</u>	<u>8,234</u>	<u>8,568</u>	<u>65,548</u>	<u>65,180</u>
Change in net assets before capital contributions and transfers	762	(217)	1,784	238	2,546	21
Capital contributions	2,392	-	-	-	2,392	-
Transfers in (out)	<u>541</u>	<u>516</u>	<u>(541)</u>	<u>(516)</u>	<u>-</u>	<u>-</u>
Change in net assets	3,695	299	1,243	(278)	4,938	21
Net assets - beginning of year	<u>68,623</u>	<u>68,324</u>	<u>42,779</u>	<u>43,057</u>	<u>111,402</u>	<u>111,381</u>
Net assets - end of year	<u>\$ 72,318</u>	<u>\$ 68,623</u>	<u>\$ 44,022</u>	<u>\$ 42,779</u>	<u>\$ 116,340</u>	<u>\$ 111,402</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$116,339,997, a change of \$4,938,383 from the prior year.

The largest portion of net assets \$106,130,779 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 net assets \$8,539,119 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$1,670,099 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$3,695,355. Key elements of this change are as follows:

Fund Basis Activity:	
General fund	\$ (131,765)
Nonmajor funds	<u>3,457,892</u>
Subtotal	3,326,127
Capital assets acquired from current year revenues	2,980,959
Increase in net OPEB obligation	(2,408,587)
Other	<u>(203,144)</u>
Total	<u>\$ 3,695,355</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$1,243,028. Key elements of this change are as follows:

Water operations	\$ 327,418
Sewer operations	835,739
Nonmajor operations	<u>79,871</u>
Total	<u>\$ 1,243,028</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,077,360, a change of \$3,326,127 in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues and other financing sources	\$ (131,765)
School improvement capital projects fund revenues and other financing sources over expenditures	1,899,562
Special Revenue fund revenues over expenditures and transfers out (Primarily Warren Woods Gift)	1,568,607
Other	<u>(10,277)</u>
Total	<u>\$ 3,326,127</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,021,137 while total fund balance was \$6,585,003. 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. Refer to the table below.

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,021,137	\$ 1,266,504	\$ 1,754,633	5.5%
Total fund balance ⁽¹⁾	6,585,003	6,716,768	(131,765)	12.0%

(1) Includes stabilization funds.

The total fund balance of the general fund changed by \$(131,765) during the current fiscal year. Key factors in this change are as follows:

Use of other funding sources	\$ (431,280)
Use of other funding uses	23,958
Increase in stabilization, net	126,688
Shortfall in tax collections	207,185
Revenues in excess of budget	1,077,355
Expenditures less than budget	923,889
Prior year appropriation carry forwards in excess of expenditures of current year appropriation carry forwards	(174,876)
Non-budgeted activity	<u>(1,884,684)</u>
Total	<u>\$ (131,765)</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
General stabilization	\$ 1,469,715	\$ 1,343,027	\$ 126,688

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$3,663,805, a change of \$(415,106) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$784,451. Major reasons for these amendments include:

- \$ 623,301 Transferred to the Stabilization Fund funded by free cash, taxes and intergovernmental revenues
- \$ 100,000 For snow and ice expenditures funded by taxes
- \$ 25,000 For veterans services funded by taxes
- \$ 25,000 For wetlands delineation funded by a transfer in from the CPA fund
- \$ 11,150 For the Howe Street land purchase funded by taxes

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$150,934,450 (net of accumulated depreciation), a change of \$10,345,365 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included school building construction, roadway improvements, downtown redevelopment, land acquisitions, and athletic field evaluation costs.

Additional information on capital assets can be found in the Notes to Financial Statements.

Change in credit rating. The Town of Ashland maintains an “AA” rating from Standard & Poor’s for general obligation debt.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$45,522,779, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Ashland’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Accountant
Town of Ashland, Massachusetts
Town Hall - 101 Main Street
Ashland, Massachusetts 01721-1191

TOWN OF ASHLAND, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 17,049,793	\$ 2,072,872	\$ 19,122,665
Investments	787,335	-	787,335
Receivables, net of allowance for uncollectibles:			
Property taxes	514,071	-	514,071
Motor vehicle excise	187,273	-	187,273
User fees	-	3,640,921	3,640,921
Departmental and other	71,550	-	71,550
Intergovernmental	661,651	-	661,651
Other assets	-	155,185	155,185
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax title	763,102	-	763,102
Land and construction in progress	23,470,808	1,751,434	25,222,242
Other capital assets, net of accumulated depreciation	<u>71,319,392</u>	<u>54,392,816</u>	<u>125,712,208</u>
TOTAL ASSETS	114,824,975	62,013,228	176,838,203
LIABILITIES			
Current:			
Warrants payable	1,286,654	267,180	1,553,834
Accrued liabilities	595,124	172,092	767,216
Retainage payable	96,538	-	96,538
Tax refunds payable	142,822	-	142,822
Notes payable	500,000	-	500,000
Other liabilities	2,632	-	2,632
Current portion of long-term liabilities:			
Bonds payable	2,357,133	1,388,896	3,746,029
Compensated absences	275,522	14,788	290,310
Other liabilities	-	66,226	66,226
Noncurrent:			
Bonds payable	27,203,706	14,573,044	41,776,750
Net OPEB obligation	9,487,044	245,803	9,732,847
Compensated absences	559,634	2,044	561,678
Other liabilities	<u>-</u>	<u>1,261,324</u>	<u>1,261,324</u>
TOTAL LIABILITIES	42,506,809	17,991,397	60,498,206
NET ASSETS			
Invested in capital assets, net of related debt	65,772,753	40,358,026	106,130,779
Restricted for:			
Grants and other statutory restrictions	7,174,068	-	7,174,068
Permanent funds:			
Nonexpendable	447,418	-	447,418
Expendable	917,633	-	917,633
Unrestricted	<u>(1,993,706)</u>	<u>3,663,805</u>	<u>1,670,099</u>
TOTAL NET ASSETS	\$ <u>72,318,166</u>	\$ <u>44,021,831</u>	\$ <u>116,339,997</u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 3,093,481	\$ 240,974	\$ 1,458,516	\$ 500,000	\$ (893,991)	\$ -	\$ (893,991)
Public safety	6,604,283	1,090,691	82,254	-	(5,431,338)	-	(5,431,338)
Education	42,443,945	2,923,982	11,205,706	-	(28,314,257)	-	(28,314,257)
Public works	1,807,994	34,786	17,272	365,534	(1,390,402)	-	(1,390,402)
Health and human services	486,117	79,507	132,504	-	(274,106)	-	(274,106)
Culture and recreation	865,103	278,430	25,316	-	(561,357)	-	(561,357)
Interest	1,017,727	-	-	-	(1,017,727)	-	(1,017,727)
Intergovernmental	994,901	-	-	-	(994,901)	-	(994,901)
Total Governmental Activities	57,313,551	4,648,370	12,921,568	865,534	(38,878,079)	-	(38,878,079)
Business-Type Activities:							
Water services	2,611,860	1,807,619	-	1,394,724	-	590,483	590,483
Sewer services	4,481,588	4,742,864	-	837,528	-	1,098,804	1,098,804
Nonmajor services	1,140,086	1,234,910	-	-	-	94,824	94,824
Total Business-type Activities	8,233,534	7,785,393	-	2,232,252	-	1,784,111	1,784,111
Total Primary Government	\$ <u>65,547,085</u>	\$ <u>12,433,763</u>	\$ <u>12,921,568</u>	\$ <u>3,097,786</u>	(38,878,079)	1,784,111	(37,093,968)
General Revenues and transfers:							
Property taxes					35,800,900	-	35,800,900
Excises					2,106,879	-	2,106,879
Penalties and interest on taxes					162,686	-	162,686
Grants and contributions not restricted to specific programs					1,213,976	-	1,213,976
Investment income					41,691	-	41,691
Miscellaneous					314,419	-	314,419
Capital Contributions					2,391,800	-	2,391,800
Transfers, net					541,083	(541,083)	-
Total general revenues and transfers					42,573,434	(541,083)	42,032,351
Change in Net Assets					3,695,355	1,243,028	4,938,383
Net Assets:							
Beginning of Year					68,622,811	42,778,803	111,401,614
End of Year					\$ <u>72,318,166</u>	\$ <u>44,021,831</u>	\$ <u>116,339,997</u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 8,067,161	\$ 8,982,632	\$ 17,049,793
Investments	1,768	785,567	787,335
Receivables:			
Property taxes	1,448,501	-	1,448,501
Excises	296,871	-	296,871
Departmental and other	50,223	21,327	71,550
Intergovernmental	<u>505,572</u>	<u>156,079</u>	<u>661,651</u>
TOTAL ASSETS	\$ <u>10,370,096</u>	\$ <u>9,945,605</u>	\$ <u>20,315,701</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 1,109,206	\$ 177,448	\$ 1,286,654
Accrued liabilities	412,178	1,856	414,034
Retainage payable	-	96,538	96,538
Deferred revenues	1,618,255	177,406	1,795,661
Tax refunds payable	142,822	-	142,822
Notes payable	500,000	-	500,000
Other liabilities	<u>2,632</u>	<u>-</u>	<u>2,632</u>
TOTAL LIABILITIES	3,785,093	453,248	4,238,341
Fund Balances:			
Nonspendable	-	447,418	447,418
Restricted	1,374,395	9,134,594	10,508,989
Committed	1,469,715	-	1,469,715
Assigned	719,756	-	719,756
Unassigned	<u>3,021,137</u>	<u>(89,655)</u>	<u>2,931,482</u>
TOTAL FUND BALANCES	<u>6,585,003</u>	<u>9,492,357</u>	<u>16,077,360</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>10,370,096</u>	\$ <u>9,945,605</u>	\$ <u>20,315,701</u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total governmental fund balances	\$ 16,077,360
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	94,790,200
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,514,735
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(181,090)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(29,560,839)
Net OPEB obligation	(9,487,044)
Compensated absences	<u>(835,156)</u>
Net assets of governmental activities	<u><u>\$ 72,318,166</u></u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 34,978,958	\$ 737,505	\$ 35,716,463
Excises	2,085,271	-	2,085,271
Penalties, interest and other taxes	219,912	-	219,912
Charges for services	881,154	3,314,735	4,195,889
Intergovernmental	11,130,165	2,577,758	13,707,923
Licenses and permits	322,107	24,310	346,417
Fines and forfeitures	65,683	2,695	68,378
Investment income	31,612	10,078	41,690
Contributions	-	1,235,762	1,235,762
Miscellaneous	198,016	132,603	330,619
Total Revenues	<u>49,912,878</u>	<u>8,035,446</u>	<u>57,948,324</u>
Expenditures:			
Current:			
General government	2,263,146	322,252	2,585,398
Public safety	5,084,629	124,622	5,209,251
Education	28,178,810	4,456,913	32,635,723
Public works	1,167,483	365,012	1,532,495
Health and human services	336,242	41,396	377,638
Culture and recreation	352,290	192,975	545,265
Employee benefits	7,762,502	-	7,762,502
Debt service	2,914,745	7,121	2,921,866
Intergovernmental	994,901	-	994,901
Capital outlay	5,944,924	3,971,317	9,916,241
Total Expenditures	<u>54,999,672</u>	<u>9,481,608</u>	<u>64,481,280</u>
Excess (deficiency) of revenues over expenditures	(5,086,794)	(1,446,162)	(6,532,956)
Other Financing Sources (Uses):			
Issuance of debt	3,440,000	5,878,000	9,318,000
Transfers in	1,515,029	-	1,515,029
Transfers out	-	(973,946)	(973,946)
Total Other Financing Sources (Uses)	<u>4,955,029</u>	<u>4,904,054</u>	<u>9,859,083</u>
Change in fund balance	(131,765)	3,457,892	3,326,127
Fund Equity, at Beginning of Year	<u>6,716,768</u>	<u>6,034,465</u>	<u>12,751,233</u>
Fund Equity, at End of Year	<u>\$ 6,585,003</u>	<u>\$ 9,492,357</u>	<u>\$ 16,077,360</u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Net Changes in Fund Balance - Total Governmental Funds	\$ 3,326,127
<ul style="list-style-type: none"> 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: 	
Capital outlay purchases, net of disposals	12,644,175
Depreciation	(2,602,315)
<ul style="list-style-type: none"> 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. 	
	127,702
<ul style="list-style-type: none"> 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 effect on net assets: 	
Issuance of debt	(9,318,000)
Repayments of debt	2,003,778
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	(99,639)
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
Decrease in liability for compensated absences	22,114
Increase in net OPEB obligation	<u>(2,408,587)</u>
Changes in Net Assets of Governmental Activities	\$ <u><u>3,695,355</u></u>

TOWN OF ASHLAND, MASSACHUSETTS

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 34,940,674	\$ 35,186,143	\$ 35,186,143	\$ -
Excise taxes	1,995,830	1,995,830	2,085,271	89,441
Penalties, interest and other taxes	190,000	190,000	219,912	29,912
Charges for services	800,000	800,000	882,207	82,207
Intergovernmental	6,355,652	6,438,354	6,869,154	430,800
Licenses and permits	385,000	385,000	320,676	(64,324)
Departmental	250	250	378	128
Fines and forfeitures	55,000	55,000	65,683	10,683
Investment income	30,920	30,920	28,225	(2,695)
Miscellaneous	119,447	119,447	198,017	78,570
Transfers in	1,567,396	1,592,396	2,015,029	422,633
Total Revenues and Other Sources	46,440,169	46,793,340	47,870,695	1,077,355
Expenditures and Other Uses:				
General government	2,614,538	2,442,108	2,265,013	177,095
Public safety	5,065,660	5,130,324	5,070,735	59,589
Education	23,673,253	23,903,084	23,888,790	14,294
Public works	1,007,963	1,260,153	1,167,483	92,670
Health and human services	309,728	338,223	328,941	9,282
Culture and recreation	361,289	362,124	352,290	9,834
Debt service	3,079,776	3,079,776	2,914,745	165,031
Intergovernmental	1,064,367	1,064,367	994,901	69,466
Employee benefits	8,355,744	8,088,309	7,762,502	325,807
Capital outlay	883,893	908,893	908,072	821
Transfers out	-	623,301	623,301	-
Total Expenditures and Other Uses	46,416,211	47,200,662	46,276,773	923,889
Excess of revenues and transfers in over expenditures and transfers out	23,958	(407,322)	1,593,922	2,001,244
Other Financing Sources and Uses				
Use of fund balance (free cash)	-	431,280	-	(431,280)
Other uses	(23,958)	(23,958)	-	23,958
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,593,922	\$ 1,593,922

See notes to financial statements

TOWN OF ASHLAND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
<u>ASSETS</u>				
Current:				
Cash and short-term investments	\$ 1,541,046	\$ 170,197	\$ 361,629	\$ 2,072,872
User fees, net of allowance for uncollectibles	446,225	3,099,141	95,555	3,640,921
Other assets	<u>32,712</u>	<u>122,473</u>	<u>-</u>	<u>155,185</u>
Total current assets	2,019,983	3,391,811	457,184	5,868,978
Noncurrent:				
Land and construction in progress	1,100,250	651,184	-	1,751,434
Other capital assets, net of accumulated depreciation	<u>23,435,297</u>	<u>30,957,519</u>	<u>-</u>	<u>54,392,816</u>
Total noncurrent assets	<u>24,535,547</u>	<u>31,608,703</u>	<u>-</u>	<u>56,144,250</u>
TOTAL ASSETS	26,555,530	35,000,514	457,184	62,013,228
<u>LIABILITIES</u>				
Current:				
Warrants payable	160,727	15,430	91,023	267,180
Accrued liabilities	120,503	51,361	228	172,092
Current portion of long-term liabilities:				
Bonds payable	601,055	787,841	-	1,388,896
Compensated absences	7,394	7,394	-	14,788
Other liabilities	<u>-</u>	<u>66,226</u>	<u>-</u>	<u>66,226</u>
Total current liabilities	889,679	928,252	91,251	1,909,182
Noncurrent:				
Bonds payable	6,165,868	8,407,176	-	14,573,044
Net OPEB obligation	125,360	120,443	-	245,803
Compensated absences	1,022	1,022	-	2,044
Other liabilities	<u>-</u>	<u>1,261,324</u>	<u>-</u>	<u>1,261,324</u>
Total noncurrent liabilities	<u>6,292,250</u>	<u>9,789,965</u>	<u>-</u>	<u>16,082,215</u>
TOTAL LIABILITIES	7,181,929	10,718,217	91,251	17,991,397
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	17,768,624	22,589,402	-	40,358,026
Unrestricted	<u>1,604,977</u>	<u>1,692,895</u>	<u>365,933</u>	<u>3,663,805</u>
TOTAL NET ASSETS	<u>\$ 19,373,601</u>	<u>\$ 24,282,297</u>	<u>\$ 365,933</u>	<u>\$ 44,021,831</u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Nonmajor Fund	
Operating Revenues:				
Charges for services	\$ 1,659,604	\$ 4,476,014	\$ 1,216,384	\$ 7,352,002
Other	<u>148,015</u>	<u>266,850</u>	<u>18,526</u>	<u>433,391</u>
Total Operating Revenues	1,807,619	4,742,864	1,234,910	7,785,393
Operating Expenses:				
Operating expenses	1,503,328	3,217,928	1,140,086	5,861,342
Depreciation	<u>752,452</u>	<u>856,271</u>	<u>-</u>	<u>1,608,723</u>
Total Operating Expenses	<u>2,255,780</u>	<u>4,074,199</u>	<u>1,140,086</u>	<u>7,470,065</u>
Operating Income (loss)	(448,161)	668,665	94,824	315,328
Nonoperating Revenues (Expenses):				
Interest expense	<u>(356,080)</u>	<u>(407,389)</u>	<u>-</u>	<u>(763,469)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(356,080)</u>	<u>(407,389)</u>	<u>-</u>	<u>(763,469)</u>
Income (Loss) Before Contributions and Transfers	(804,241)	261,276	94,824	(448,141)
Capital contributions	1,394,724	837,528	-	2,232,252
Transfers out	<u>(263,065)</u>	<u>(263,065)</u>	<u>(14,953)</u>	<u>(541,083)</u>
Change in Net Assets	327,418	835,739	79,871	1,243,028
Net Assets at Beginning of Year	<u>19,046,183</u>	<u>23,446,558</u>	<u>286,062</u>	<u>42,778,803</u>
Net Assets at End of Year	<u>\$ 19,373,601</u>	<u>\$ 24,282,297</u>	<u>\$ 365,933</u>	<u>\$ 44,021,831</u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Fund	Total
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 1,924,573	\$ 5,058,038	\$ 1,242,675	\$ 8,225,286
Payments to vendors and employees	<u>(1,340,121)</u>	<u>(3,566,826)</u>	<u>(1,138,865)</u>	<u>(6,045,812)</u>
Net Cash Provided By Operating Activities	584,452	1,491,212	103,810	2,179,474
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers out	<u>(263,065)</u>	<u>(263,065)</u>	<u>(14,953)</u>	<u>(541,083)</u>
Net Cash (Used For) Noncapital Financing Activities	(263,065)	(263,065)	(14,953)	(541,083)
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(1,021,715)	(890,512)	-	(1,912,227)
Principal payments on bonds and notes	(585,649)	(839,801)	-	(1,425,450)
Interest expense	(366,631)	(411,913)	-	(778,544)
Capital contributions	<u>1,504,061</u>	<u>837,528</u>	<u>-</u>	<u>2,341,589</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(469,934)</u>	<u>(1,304,698)</u>	<u>-</u>	<u>(1,774,632)</u>
Net Change in Cash and Short-Term Investments	(148,547)	(76,551)	88,857	(136,241)
Cash and Short-Term Investments, Beginning of Year	<u>1,689,593</u>	<u>246,748</u>	<u>272,772</u>	<u>2,209,113</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,541,046</u>	<u>\$ 170,197</u>	<u>\$ 361,629</u>	<u>\$ 2,072,872</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>				
Operating income (loss)	\$ (448,161)	\$ 668,665	\$ 94,824	\$ 315,328
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	752,452	856,271	-	1,608,723
Changes in assets and liabilities:				
User fees	118,881	318,683	7,765	445,329
Warrants payable	143,879	11,813	1,625	157,317
Accrued liabilities	(12,292)	(12,265)	(404)	(24,961)
Other liabilities	<u>29,693</u>	<u>(351,955)</u>	<u>-</u>	<u>(322,262)</u>
Net Cash Provided By Operating Activities	<u>\$ 584,452</u>	<u>\$ 1,491,212</u>	<u>\$ 103,810</u>	<u>\$ 2,179,474</u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 3,565	\$ 333,923
Investments	1,427	-
Receivables	<u>-</u>	<u>34,182</u>
Total Assets	4,992	368,105
<u>LIABILITIES AND NET ASSETS</u>		
Warrants payable	-	50,356
Accrued liabilities	-	4,850
Other liabilities	<u>3,565</u>	<u>312,899</u>
Total Liabilities	<u>3,565</u>	<u>368,105</u>
<u>NET ASSETS</u>		
Total net assets	\$ <u><u>1,427</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Funds</u>
Additions:	
Contributions	\$ 20
Total additions	<u>20</u>
Net increase	20
Net assets:	
Beginning of year	<u>1,407</u>
End of year	<u>\$ 1,427</u>

See notes to financial statements.

TOWN OF ASHLAND, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Ashland (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required BASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual govern-

mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental fund:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with

a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- The Water Fund is used to report the Town's Water Enterprise Fund Operations.
- The Sewer Fund is used to report the Town's Sewer Enterprise Fund Operations.

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

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of \$13,376.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40 - 50
Infrastructure	40 - 50
Machinery, equipment and furnishings	5 - 15

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.

- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Town Manager presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 49,912,878	\$ 54,999,672
Other financing sources/uses (GAAP Basis)	<u>4,955,029</u>	<u>-</u>
Subtotal (GAAP Basis)	54,867,907	54,999,672
Adjust tax revenue to accrual basis	207,185	
Reverse beginning of year appropriation carryforwards from expenditures	-	(911,956)
Book current year appropriation carryforwards	-	737,080
Reverse nonbudgeted State contributions for teachers retirement	(4,261,011)	(4,261,011)
Reverse other nonbudgeted activity	<u>(2,943,386)</u>	<u>(4,287,012)</u>
Budgetary Basis	<u>\$ 47,870,695</u>	<u>\$ 46,276,773</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2012:

Nonmajor governmental funds:	
Gift Account	\$ (1,127)
Teacher Quality	(10,091)
Race to the Top	(504)
Early Adopters	(1,137)
SPED 94-142	(33,142)
SPED Program Improvement	(2,794)
Teaching American History	(2,000)
Regional Emergency Comm Ctr	(9,224)
911 Department training	(8,278)
State 911 Incentive Grant	<u>(21,358)</u>
Subtotal	(89,655)
Agency funds:	
Police detail	(33,933)
Fire detail	<u>(1,501)</u>
Total	<u>\$ (125,089)</u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's deposit policy for custodial credit risk is to, when possible; limit deposits to institutions maintaining FDIC and DIF insurance or commercial institutions offering collateralization of funds above the FDIC limits.

As of June 30, 2012, \$6,130,775 of the Town's bank balance of \$20,113,991 was exposed to custodial credit risk as uninsured or uncollateralized. \$2,330,500 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town (All federal agency securities have an implied credit rating of Aaa.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year-end</u>		
		<u>Aaa</u>	<u>A1</u>	<u>Not Rated</u>
Corporate bonds	\$ 83	\$ -	\$ 83	\$ -
Certificates of deposits	236	-	-	236
Federal agency securities	423	423	-	-
Mutual funds	47	-	-	47
Total investments	<u>\$ 789</u>	<u>\$ 423</u>	<u>\$ 83</u>	<u>\$ 283</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy for custodial credit risk is to limit investments to those approved by the Commonwealth of Massachusetts Commissioners of Banks, known as the "Legal List of Investments".

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

City Bank Salt Lake City CD	\$	45,227
GE Capital Finl Inc CD	\$	45,337
Goldman Sachs Bank USA CD	\$	50,293
Federal Home Loan Mortgage Corp	\$	76,980
General Electric Corp Bond	\$	82,637
Federal National Mortgage Assn	\$	345,797

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy for interest rate risk is to minimize the risk that the market value of securities will fall due to changes in general interest rates by structuring the portfolio so securities mature to meet the cash requirements of scheduled expenditures, thus avoiding the need to sell securities on the open market prior to maturity. The policy also requires the investment of General Fund cash not to exceed a one-year term.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>	
	<u>Fair Value</u>	<u>1-5</u>
Corporate bonds	\$ 83	\$ 83
Certificates of deposit	236	236
Federal agency securities	<u>423</u>	<u>423</u>
Total	<u>\$ 742</u>	<u>\$ 742</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy for foreign currency risk is to prohibit investments in foreign currency.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st 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 a quarterly basis and are subject to penalties and interest if they

are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consist of the following (in thousands):

Real Estate		
2012	\$ 452	
2011	<u>33</u>	485
Personal Property		
2012	8	
2011	7	
2010	8	
2009	6	
Prior	<u>19</u>	48
Tax Liens		848
Deferred Taxes		<u>68</u>
Total		<u>\$ 1,449</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 171	\$ -
Excises	110	-
User fees	-	111

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

8. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 77,315	\$ 996	\$ -	\$ 78,311
Machinery, equipment, and furnishings	9,522	538	(64)	9,996
Infrastructure	<u>30,522</u>	<u>2,691</u>	<u>-</u>	<u>33,213</u>
Total capital assets, being depreciated	117,359	4,225	(64)	121,520
Less accumulated depreciation for:				
Buildings and improvements	(15,447)	(1,942)	-	(17,389)
Machinery, equipment, and furnishings	(7,253)	(402)	60	(7,595)
Infrastructure	<u>(24,960)</u>	<u>(257)</u>	<u>-</u>	<u>(25,217)</u>
Total accumulated depreciation	<u>(47,660)</u>	<u>(2,601)</u>	<u>60</u>	<u>(50,201)</u>
Total capital assets, being depreciated, net	69,699	1,624	(4)	71,319
Capital assets, not being depreciated:				
Land	12,546	4,033	-	16,579
Construction in progress	<u>2,503</u>	<u>4,389</u>	<u>-</u>	<u>6,892</u>
Total capital assets, not being depreciated	<u>15,049</u>	<u>8,422</u>	<u>-</u>	<u>23,471</u>
Governmental activities capital assets, net	<u>\$ 84,748</u>	<u>\$ 10,046</u>	<u>\$ (4)</u>	<u>\$ 94,790</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,006	\$ 28	\$ -	\$ 13,034
Machinery, equipment, and furnishings	665	99	(33)	731
Infrastructure	<u>59,694</u>	<u>1,715</u>	<u>-</u>	<u>61,409</u>
Total capital assets, being depreciated	73,365	1,842	(33)	75,174
Less accumulated depreciation for:				
Buildings and improvements	(3,669)	(321)	-	(3,990)
Machinery, equipment, and furnishings	(430)	(41)	33	(438)
Infrastructure	<u>(15,106)</u>	<u>(1,247)</u>	<u>-</u>	<u>(16,353)</u>
Total accumulated depreciation	<u>(19,205)</u>	<u>(1,609)</u>	<u>33</u>	<u>(20,781)</u>
Total capital assets, being depreciated, net	54,160	233	-	54,393
Capital assets, not being depreciated:				
Land	598	-	-	598
Construction in progress	<u>1,083</u>	<u>70</u>	<u>-</u>	<u>1,153</u>
Total capital assets, not being depreciated	<u>1,681</u>	<u>70</u>	<u>-</u>	<u>1,751</u>
Business-type activities capital assets, net	<u>\$ 55,841</u>	<u>\$ 303</u>	<u>\$ -</u>	<u>\$ 56,144</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 140
Public safety	239
Education	1,533
Public works	445
Health and human services	7
Culture and recreation	<u>237</u>
Total depreciation expense - governmental activities	<u>\$ 2,601</u>
Business-Type Activities:	
Water	\$ 753
Sewer	<u>856</u>
Total depreciation expense - business-type activities	<u>\$ 1,609</u>

9. Warrants Payable

Warrants payable represent 2012 expenditures paid by July 15, 2012.

10. Deferred Revenue

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 balance of the general fund *deferred revenues* account is equal to the total of all June 30, 2012 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

12. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2012:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/12</u>
Land acquisition	0.50%	06/27/12	12/21/12	\$ <u>500,000</u>
Total				\$ <u><u>500,000</u></u>

The following summarizes activity in notes payable during fiscal year 2012:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
School construction ban	\$ 1,247,156	\$ -	\$ (1,247,156)	\$ -
Athletic field construction	1,000,000	-	(1,000,000)	-
School construction ban	-	1,247,156	(1,247,156)	-
High School fields	-	100,000	(100,000)	-
Walker fields	-	900,000	(900,000)	-
Land acquisition	-	500,000	-	500,000
Total	\$ <u>2,247,156</u>	\$ <u>2,747,156</u>	\$ <u>(4,494,312)</u>	\$ <u>500,000</u>

13. Other Liabilities

The balance of the Sewer Fund other liabilities account represents future payments to the Town of Framingham, Massachusetts for the sewer capacity expansion project known as the Herbert Street/Eames Street project.

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Through</u>		as of
			<u>6/30/12</u>
Animal control kennel	06/01/22	3.86%	\$ 47,000
Senior center	06/01/22	3.86%	1,084,000
New high school	06/01/23	3.89%	8,665,000
New high school design	06/01/23	3.89%	1,870,000
Recreational fields	06/01/16	3.70%	273,200
Recreational facilities	06/01/16	3.70%	90,400
KADRA	06/01/23	3.89%	122,377
Fire station doors	05/15/13	3.47%	3,750
Downtown lights	05/15/13	3.47%	25,000
DPW traffic lights	05/15/14	3.53%	33,330
Animal kennel	05/15/15	3.68%	22,500
Town hall	05/15/24	4.41%	2,481,000
Library	05/15/24	4.41%	1,710,200
KADRA	05/15/25	4.44%	21,293
Oak St land acquisition	12/15/27	3.86%	2,240,000
Capital equipment	12/01/13	3.00%	37,320
Oak St eminent domain	12/01/19	3.30%	189,080
Land acquisition	12/01/19	3.30%	903,370
KADRA	12/01/19	3.30%	424,019
Land acquisition	06/01/32	2.77%	2,500,000
Mindess roof	06/30/32	2.76%	1,248,000
Walker field	06/30/26	2.49%	940,000
High School fields	06/30/27	2.68%	430,000
High School fields - CPA	06/30/27	2.53%	4,200,000
Total Governmental Activities:			<u>\$ 29,560,839</u>

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Business-Type Activities:</u>	<u>Through</u>		as of
			<u>6/30/12</u>
Cordaville Rd sewer	08/01/18	2.25%	\$ 640,000
Septic system betterment Title V	08/01/20	5.16%	37,977
Sewer improvements Chestnut St	06/01/23	3.89%	288,200
Brackett St pump station	06/01/23	3.89%	347,600
Sewer improvements			
Pond/Elliot/Downtown	06/01/23	3.89%	434,225
Downtown sewers	06/01/23	3.89%	28,875
Stormwater management	06/01/23	3.89%	103,400
Stormwater improvements	06/01/23	3.89%	29,700
Engineering services Hilldale &			
Green St	06/01/23	3.89%	16,686
Brackett St sewer pump station	05/15/33	4.53%	674,965
Sewers Pond/Elliot	05/15/33	4.53%	2,800,135

(continued)

(continued)

	Serial	Interest	Amount
<u>Business-Type Activities:</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>6/30/12</u>
Sewers Downtown	05/15/33	4.53%	67,309
Sewers Hilldale & Green St	05/15/33	4.53%	465,500
Sewer improvements	05/15/33	4.53%	22,127
Sewer Chestnut St	05/15/33	4.53%	224,976
Prospect St sewer pump station	05/15/33	4.53%	112,480
Town-wide sewer repair			
infiltration & inflow	05/15/33	4.53%	70,355
Inter municipal agreement	05/15/33	4.53%	187,496
MWRA sewer repair			
infiltration & inflow	11/15/12	0.00%	41,800
Main St sewer extension	12/01/19	3.30%	33,646
West Union District sewer	12/01/19	3.30%	1,626,130
Chestnut Street lift station	12/01/19	3.30%	201,800
Chestnut Street sewer	12/01/19	3.30%	237,328
Lackridge Ln/Mountain View Dr/ Rosebay Dr	12/01/18	3.22%	48,449
West Union District sewer design	12/01/19	3.30%	133,858
Brackett St station	12/01/19	3.30%	320,000
Water treatment facility	08/01/20	5.13%	5,130,000
Water system improvements	06/01/23	3.89%	191,806
Water treatment facility	06/01/23	3.89%	372,530
Water treatment plant expansion	05/15/25	4.44%	97,500
Water quality improvements	05/15/25	4.44%	130,000
Woodbridge Booster Station	05/15/25	4.44%	65,000
Water improvement/pipe replacement	05/15/25	4.44%	285,119
Howe St water main	05/15/33	4.53%	494,968
Total Business-Type Activities:			<u>\$ 15,961,940</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,357,133	\$ 1,107,237	\$ 3,464,370
2014	2,357,812	1,000,432	3,358,244
2015	2,346,323	922,706	3,269,029
2016	2,362,341	840,190	3,202,531
2017	2,295,632	729,620	3,025,252
2018 - 2022	11,575,884	2,389,675	13,965,559
2023 - 2027	5,200,714	519,506	5,720,220
2028 - 2032	<u>1,065,000</u>	<u>80,225</u>	<u>1,145,225</u>
Total	\$ <u>29,560,839</u>	\$ <u>7,589,591</u>	\$ <u>37,150,430</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,388,896	\$ 753,615	\$ 2,142,511
2014	1,398,017	659,296	2,057,313
2015	1,412,405	598,090	2,010,495
2016	1,429,188	535,284	1,964,472
2017	1,443,797	468,431	1,912,228
2018 - 2022	5,850,349	1,375,011	7,225,360
2023 - 2027	1,599,288	543,435	2,142,723
2028 - 2032	1,200,000	228,000	1,428,000
2033 - 2037	<u>240,000</u>	<u>11,400</u>	<u>251,400</u>
Total	\$ <u>15,961,940</u>	\$ <u>5,172,562</u>	\$ <u>21,134,502</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/11</u>	Additions	Reductions	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 22,247	\$ 9,318	\$ (2,004)	\$ 29,561	\$ (2,357)	\$ 27,204
Net OPEB obligation	7,079	3,327	(919)	9,487	-	9,487
Compensated absences	857	27	(49)	835	(276)	559
Totals	\$ <u>30,183</u>	\$ <u>12,672</u>	\$ <u>(2,972)</u>	\$ <u>39,883</u>	\$ <u>(2,633)</u>	\$ <u>37,250</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 17,387	\$ -	\$ (1,425)	\$ 15,962	\$ (1,389)	\$ 14,573
Net OPEB obligation	192	74	(21)	245	-	245
Compensated absences	18	-	(1)	17	(15)	2
Other liabilities (See Note 13)	1,393	-	(65)	1,328	(66)	1,262
Totals	\$ <u>18,990</u>	\$ <u>74</u>	\$ <u>(1,512)</u>	\$ <u>17,552</u>	\$ <u>(1,470)</u>	\$ <u>16,082</u>

15. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54).

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2012:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 447,418	\$ 447,418
Total Nonexpendable	-	447,418	447,418
Restricted			
Debt service	1,374,395	-	1,374,395
Bonded projects	-	1,042,892	1,042,892
Special revenue funds	-	7,174,069	7,174,069
Expendable permanent funds	-	917,633	917,633
Total Restricted	1,374,395	9,134,594	10,508,989
Committed			
Stabilization fund	1,469,715	-	1,469,715
Total Committed	1,469,715	-	1,469,715
Assigned			
Encumbrances	719,756	-	719,756
Total Assigned	719,756	-	719,756
Unassigned			
	3,021,137	(89,655)	2,931,482
Total Unassigned	3,021,137	(89,655)	2,931,482
Total Fund Balance	\$ 6,585,003	\$ 9,492,357	\$ 16,077,360

16. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Interfund Transfers

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2012:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,515,029	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
Receipts Reserved	-	55,888
Town Revolving Accounts	-	216,000
School Local Grants	-	422,633
CPA Fund	-	254,425
Trust Funds:		
Expendable	-	25,000
Subtotal Nonmajor Funds	-	973,946
<u>Business-Type Funds</u>		
Water Fund	-	263,065
Sewer Fund	-	263,065
Trash Fund	-	14,953
Grand Total	\$ <u>1,515,029</u>	\$ <u>1,515,029</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

18. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

19. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

The Town has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described in Note 20, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2010, the actuarial valuation date, approximately 192 retirees and 442 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the

Town's net OPEB obligation based on an actuarial valuation as of July 1, 2010 (in thousands).

Annual Required Contribution (ARC)	\$ 4,065
Interest on net OPEB obligation	291
Adjustment to ARC	<u>(954)</u>
Annual OPEB cost	3,402
Contributions made	<u>(940)</u>
Increase in net OPEB obligation	2,462
Net OPEB obligation - beginning of year	<u>7,271</u>
Net OPEB obligation - end of year	<u><u>\$ 9,733</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last four years were as follows (in thousands):

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 3,402	28%	\$ 9,733
2011	\$ 3,122	28%	\$ 7,271
2010	\$ 3,348	26%	\$ 5,032
2009	\$ 3,338	24%	\$ 2,540

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 29,258,019
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 29,258,019</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 24,584,382</u></u>
UAAL as a percentage of covered payroll	<u><u>119%</u></u>

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 schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the 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 Town 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.

20. Pension Plan

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions by State and Local Government Employers*, with respect to the employees' retirement funds.

A. Plan Description and Contribution Information

The Town contributes to the Middlesex County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Middlesex County Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, MA 01865.

B. Funding Policy

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 remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$1,907,362, \$1,726,149, and \$1,661,900, respectively, which were equal to its annual

required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2012 was unavailable.

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The Town's current year covered payroll for teachers and administrators was unavailable.

In fiscal year 2012, the Commonwealth of Massachusetts contributed \$4,261,011 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

21. Risk Management

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 government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

22. Implementation of New GASB Standards

- The GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by eliminating the deferred charges. The Town anticipates that by eliminating the deferred charges, its net assets will be reduced accordingly.
- The GASB has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of Middlesex County Retirement System's actuarially accrued liability.

**TOWN OF ASHLAND, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2012

(Unaudited)

(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
07/01/08	\$ -	\$ 36,947	\$ 36,947	0.0%	\$ 21,999	167.9%
07/01/10	\$ -	\$ 29,258	\$ 29,258	0.0%	\$ 24,584	119.0%

See Independent Auditors' Report.