

**TOWN OF ASHBY, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen

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 Ashby, 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 Ashby's management. Our responsibility is to express an opinion 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 Ashby, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 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.

*Melanson Heath + Company P.C.*

March 5, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Ashby, we offer readers this narrative overview and analysis of the financial activities of the Town of Ashby 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 comprise of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the 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, culture and recreation, employee benefits, and intergovernmental. The business-type activities include transfer station 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:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for transfer station operations.

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 transfer station operations, which is considered to be a major fund.

**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 are 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 infor-

mation 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 \$ 8,223,487 (i.e., net assets), an increase of \$ 82,088 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 2,374,996, an increase of \$ 240,350 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 626,690, an increase of \$ 111,846 in comparison with 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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011 (restated)</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011 (restated)</u>
Current and other assets	\$ 2,676,803	\$ 2,792,340	\$ 48,713	\$ 46,499	\$ 2,725,516	\$ 2,838,839
Capital assets	5,716,904	5,897,278	-	-	5,716,904	5,897,278
Other noncurrent assets	<u>64,272</u>	<u>51,819</u>	<u>-</u>	<u>-</u>	<u>64,272</u>	<u>51,819</u>
Total Assets	8,457,979	8,741,437	48,713	46,499	8,506,692	8,787,936
Long-term liabilities outstanding	105,483	134,612	-	-	105,483	134,612
Other liabilities	<u>176,629</u>	<u>511,555</u>	<u>1,093</u>	<u>370</u>	<u>177,722</u>	<u>511,925</u>
Total Liabilities	282,112	646,167	1,093	370	283,205	646,537
Net assets:						
Invested in capital assets, net	5,693,333	5,851,575	-	-	5,693,333	5,851,575
Restricted	895,248	905,911	-	-	895,248	905,911
Unrestricted	<u>1,587,286</u>	<u>1,337,784</u>	<u>47,620</u>	<u>46,129</u>	<u>1,634,906</u>	<u>1,383,913</u>
Total Net Assets	<u>\$ 8,175,867</u>	<u>\$ 8,095,270</u>	<u>\$ 47,620</u>	<u>\$ 46,129</u>	<u>\$ 8,223,487</u>	<u>\$ 8,141,399</u>

## CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u> <u>(restated)</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u> <u>(restated)</u>
Revenues:						
Program revenues:						
Charges for services	\$ 154,684	\$ 164,121	\$ 27,014	\$ 31,002	\$ 181,698	\$ 195,123
Operating grants and contributions	1,586,882	521,104	-	-	1,586,882	521,104
Capital grants and contributions	167,445	500,128	-	-	167,445	500,128
General revenues:						
Property taxes	4,571,132	4,509,221	-	-	4,571,132	4,509,221
Excises	335,386	349,831	-	-	335,386	349,831
Penalties, interest and other taxes	34,328	20,092	-	-	34,328	20,092
Grants and contributions not restricted	479,048	392,041	-	-	479,048	392,041
Investment income	23,839	8,295	276	112	24,115	8,407
Miscellaneous	4,444	3,672	-	-	4,444	3,672
Total Revenues	<u>7,357,188</u>	<u>6,468,505</u>	<u>27,290</u>	<u>31,114</u>	<u>7,384,478</u>	<u>6,499,619</u>
Expenses:						
General government	1,833,467	846,653	-	-	1,833,467	846,653
Public safety	1,136,415	968,936	-	-	1,136,415	968,936
Education	2,973,327	2,897,684	-	-	2,973,327	2,897,684
Public works	633,373	987,433	-	-	633,373	987,433
Health and human services	46,980	31,462	-	-	46,980	31,462
Culture and recreation	183,205	143,017	-	-	183,205	143,017
Employee benefits	446,461	397,363	-	-	446,461	397,363
Intergovernmental	23,363	21,869	-	-	23,363	21,869
Transfer station	-	-	25,799	21,580	25,799	21,580
Total expenses	<u>7,276,591</u>	<u>6,294,417</u>	<u>25,799</u>	<u>21,580</u>	<u>7,302,390</u>	<u>6,315,997</u>
Change in net assets	80,597	174,088	1,491	9,534	82,088	183,622
Net assets - beginning of year, restated	<u>8,095,270</u>	<u>7,921,182</u>	<u>46,129</u>	<u>36,595</u>	<u>8,141,399</u>	<u>7,957,777</u>
Net assets - end of year	<u>\$ 8,175,867</u>	<u>\$ 8,095,270</u>	<u>\$ 47,620</u>	<u>\$ 46,129</u>	<u>\$ 8,223,487</u>	<u>\$ 8,141,399</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 \$ 8,223,487, an increase of \$ 82,088 from the prior year.

The largest portion of net assets, \$ 5,693,333, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment net of a capital lease liability). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of net assets, \$ 895,248, represents resources that are subject to external restrictions on how they may be used. The remaining balance

of unrestricted net assets, \$ 1,634,906, may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in an increase in net assets of \$ 80,597. Key elements of this increase are as follows:

Shortfall of tax collections compared to budget	\$ (12,640)
Excess of State and local revenues over budget	190,273
Budgetary appropriations under-expended by departments	148,261
Use of free cash as a funding source	(416,780)
Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in the subsequent year	124,435
Other financing uses raised in the current year	64,833
Stabilization fund revenues and transfers in over expenditures	197,312
Title V - major fund revenues over expenditures	2,781
Non-major fund expenditures in excess of revenues	(58,125)
Capital asset additions funded by grants and general fund appropriations	87,151
Current year depreciation (not budgeted for) in excess of capital lease repayment (included in the budget)	(245,393)
Other timing differences	<u>(1,511)</u>
Total	<u>\$ 80,597</u>

**Business-type activities.** Business-type activities for the year resulted in an increase in net assets of \$ 1,491, all of which was the result of user fee revenues and investment income in excess of expenditures.

#### **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, unreserved 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 \$ 2,374,996, an increase of \$ 240,350 in comparison with the prior year. Key elements of this change are as follows:

General fund revenues and transfers in, in excess of expenses and transfers out	\$ 295,694
Title V major fund revenues in excess of expenses	2,781
Non-major governmental funds expenditures in excess of revenues	<u>(58,125)</u>
Total	<u>\$ 240,350</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 \$ 626,690, while total fund balance was \$ 1,479,748. 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>2012</u>	<u>2011</u>	<u>Change</u>	<u>% of Total 2012 General Fund Expenditures</u>
Unassigned fund balance	\$ 626,690	\$ 514,844	\$ 111,846	11.5%
Total fund balance <sup>1</sup>	1,479,748	1,184,054	295,694	27.2%

<sup>1</sup> This includes Stabilization fund balances of \$ 704,442 and \$ 507,130 as of year-end June 30, 2012 and 2011, respectively.

The fund balance of the general fund increased by \$ 295,694 during the current fiscal year. Key factors in this change are as follows:

Shortfall of tax collections compared to budget	\$ (12,640)
Excess of State and local revenues over budget	190,273
Budgetary appropriations under-expended by departments	148,261
Use of free cash as a funding source	(416,780)
Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in the subsequent year	124,435
Stabilization fund revenues and transfers in over expenditures	197,312
Other financing uses raised in the current year	<u>64,833</u>
Total	<u>\$ 295,694</u>

**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 \$ 47,620, an increase of \$ 1,491 in comparison with 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 increase in appropriations of \$ 278,780. Major reasons for these amendments include:

- \$ 161,301 transfer – stabilization fund
- \$ 51,000 pavement and preservation.
- \$ 66,479 other increases.

All of these increases were funded by free cash.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year end amounted to \$ 5,716,904 (net of accumulated depreciation), a decrease of \$ (180,374) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Depreciation expense: \$ (267,525).
- Equipment purchase – various public safety equipment: \$ 32,731.
- Building and steel garage: \$ 15,133.
- Construction in progress (initial fire truck payment): \$ 39,287.

Additional information on capital assets can be found in the footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Ashby'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:

Ms. Theresa Walsh  
Town Accountant  
Town of Ashby  
895 Main Street  
Ashby, MA 01431

TOWN OF ASHBY  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 1,380,417	\$ 48,713	\$ 1,429,130
Investments	1,156,035	-	1,156,035
Receivables, net of allowance for uncollectible:			
Property taxes	80,526	-	80,526
Excises	24,557	-	24,557
Intergovernmental	15,172	-	15,172
Departmental and other	18,815	-	18,815
Loans receivable	1,281	-	1,281
Noncurrent:			
Property taxes, net of allowance for uncollectible	13,130	-	13,130
Loans receivable, net of allowance for uncollectable and current portion	51,142	-	51,142
Land and construction in progress	1,774,660	-	1,774,660
Capital assets, net of accumulated depreciation	<u>3,942,244</u>	<u>-</u>	<u>3,942,244</u>
<b>TOTAL ASSETS</b>	<b>8,457,979</b>	<b>48,713</b>	<b>8,506,692</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	116,929	1,093	118,022
Accrued payroll and withholdings	41,533	-	41,533
Tax refund payable	18,167	-	18,167
Current portion of long-term liabilities:			
Capital lease	23,571	-	23,571
Landfill closure	7,000	-	7,000
Noncurrent:			
Landfill closure	<u>74,912</u>	<u>-</u>	<u>74,912</u>
<b>TOTAL LIABILITIES</b>	<b>282,112</b>	<b>1,093</b>	<b>283,205</b>
<b>NET ASSETS</b>			
Invested in capital assets	5,693,333	-	5,693,333
Restricted for:			
Grants and other statutory restrictions	254,797	-	254,797
Permanent funds:			
Nonexpendable	463,541	-	463,541
Expendable	176,910	-	176,910
Unrestricted	<u>1,587,286</u>	<u>47,620</u>	<u>1,634,906</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>8,175,867</u></b>	<b>\$ <u>47,620</u></b>	<b>\$ <u>8,223,487</u></b>

See notes to financial statements.

TOWN OF ASHBY  
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>
<b>Governmental Activities</b>							
General government	\$ 1,833,467	\$ 24,583	\$ 1,311,359	\$ -	\$ (497,525)	\$ -	\$ (497,525)
Public safety	1,136,415	114,927	109,787	40,803	(870,898)	-	(870,898)
Education	2,973,327	-	3,568	-	(2,969,759)	-	(2,969,759)
Public works	633,373	9,276	130,050	126,642	(367,405)	-	(367,405)
Health and human services	46,980	4,011	21,204	-	(21,765)	-	(21,765)
Culture and recreation	183,205	1,887	10,914	-	(170,404)	-	(170,404)
Employee benefits	446,461	-	-	-	(446,461)	-	(446,461)
Intergovernmental	23,363	-	-	-	(23,363)	-	(23,363)
Total Governmental Activities	7,276,591	154,684	1,586,882	167,445	(5,367,580)	-	(5,367,580)
<b>Business-Type Activities</b>							
Transfer station	25,799	27,014	-	-	-	1,215	1,215
Total Business-Type Activities	25,799	27,014	-	-	-	1,215	1,215
Total	\$ 7,302,390	\$ 181,698	\$ 1,586,882	\$ 167,445	(5,367,580)	1,215	(5,366,365)
<b>General Revenues and Transfers</b>							
					4,571,132	-	4,571,132
					335,386	-	335,386
					34,328	-	34,328
					479,048	-	479,048
					23,839	276	24,115
					4,444	-	4,444
Total general revenues and transfers					5,448,177	276	5,448,453
Change in Net Assets					80,597	1,491	82,088
<b>Net Assets</b>							
					8,095,270	46,129	8,141,399
Beginning of year, as restated					8,175,867	47,620	8,223,487
End of year							

See notes to financial statements.

TOWN OF ASHBY  
GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>Title V Septic Loans</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 1,065,910	\$ 14,152	\$ 300,355	\$ 1,380,417
Investments	582,577	-	573,458	1,156,035
Receivables:				
Property taxes	129,694	-	-	129,694
Excises	37,571	-	-	37,571
Intergovernmental	-	-	15,172	15,172
Departmental and other	22,135	-	-	22,135
Loans	-	74,341	-	74,341
<b>TOTAL ASSETS</b>	<b><u>\$ 1,837,887</u></b>	<b><u>\$ 88,493</u></b>	<b><u>\$ 888,985</u></b>	<b><u>\$ 2,815,365</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 109,040	\$ -	\$ 7,889	\$ 116,929
Accrued payroll and withholdings	41,533	-	-	41,533
Deferred revenues	189,399	74,341	-	263,740
Tax refund payable	18,167	-	-	18,167
<b>TOTAL LIABILITIES</b>	<b>358,139</b>	<b>74,341</b>	<b>7,889</b>	<b>440,369</b>
Fund Balances:				
Reserved for:				
Non-spendable	-	-	463,541	463,541
Restricted	-	14,152	395,737	409,889
Committed	827,904	-	30,336	858,240
Assigned	25,154	-	-	25,154
Unassigned	626,690	-	(8,518)	618,172
<b>TOTAL FUND BALANCES</b>	<b><u>1,479,748</u></b>	<b><u>14,152</u></b>	<b><u>881,096</u></b>	<b><u>2,374,996</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,837,887</u></b>	<b><u>\$ 88,493</u></b>	<b><u>\$ 888,985</u></b>	<b><u>\$ 2,815,365</u></b>

See notes to financial statements.

TOWN OF ASHBY

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

JUNE 30, 2012

<b>Total Governmental Fund Balances</b>	\$ 2,374,996
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	5,716,904
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting, net of allowance for uncollectibles, and are not deferred until collection.</li></ul>	189,450
<ul style="list-style-type: none"><li>• Long-term liabilities, (landfill closure and capital lease) are not due and payable in the current period and, therefore are not reported in the governmental funds.</li></ul>	<u>(105,483)</u>
<b>Net Assets of Governmental Activities</b>	<u>\$ 8,175,867</u>

See notes to financial statements.

TOWN OF ASHBY

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Title V Septic Loans</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 4,560,480	\$ -	\$ -	\$ 4,560,480
Excises	349,444	-	-	349,444
Penalties, interest and other taxes	24,038	-	-	24,038
Charges for services	104,567	-	9,837	114,404
Intergovernmental	614,705	-	1,606,867	2,221,572
Licenses and permits	45,382	-	-	45,382
Fines and forfeitures	10,290	-	-	10,290
Investment income	16,124	-	7,715	23,839
Loan repayments	-	2,781	-	2,781
Miscellaneous	-	-	1,663	1,663
	<u>5,725,030</u>	<u>2,781</u>	<u>1,626,082</u>	<u>7,353,893</u>
<b>Expenditures</b>				
Current:				
General government	483,701	-	1,303,204	1,786,905
Public safety	978,863	-	177,723	1,156,586
Education	2,928,796	-	44,531	2,973,327
Public works	442,039	-	133,181	575,220
Health and human services	36,592	-	10,388	46,980
Culture and recreation	95,021	-	9,680	104,701
Employee benefits	446,461	-	-	446,461
Intergovernmental	23,363	-	-	23,363
	<u>5,434,836</u>	<u>-</u>	<u>1,678,707</u>	<u>7,113,543</u>
Excess (deficiency) of revenues over expenditures	290,194	2,781	(52,625)	240,350
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,500	-	-	5,500
Transfers (out)	-	-	(5,500)	(5,500)
	<u>5,500</u>	<u>-</u>	<u>(5,500)</u>	<u>-</u>
Change in fund balance	295,694	2,781	(58,125)	240,350
Fund Equity, at Beginning of Year, as restated	<u>1,184,054</u>	<u>11,371</u>	<u>939,221</u>	<u>2,134,646</u>
Fund Equity, at End of Year	<u>\$ 1,479,748</u>	<u>\$ 14,152</u>	<u>\$ 881,096</u>	<u>\$ 2,374,996</u>

See notes to financial statements.

TOWN OF ASHBY

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 240,350</b>				
<ul style="list-style-type: none"> <li>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: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">87,151</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(267,525)</td> </tr> </table> </li> </ul>		Capital outlay purchases	87,151	Depreciation	(267,525)
Capital outlay purchases	87,151				
Depreciation	(267,525)				
<ul style="list-style-type: none"> <li>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 change in deferred revenue, net of allowance for uncollectibles. <table> <tr> <td></td> <td style="text-align: right;">(8,508)</td> </tr> </table> </li> </ul>			(8,508)		
	(8,508)				
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., capital 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: <table> <tr> <td style="padding-left: 40px;">Capital lease payments</td> <td style="text-align: right;">22,132</td> </tr> </table> </li> </ul>		Capital lease payments	22,132		
Capital lease payments	22,132				
<ul style="list-style-type: none"> <li>Some expenses reported in the statement of activities, (landfill closure liability) do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td></td> <td style="text-align: right;"><u>6,997</u></td> </tr> </table> </li> </ul>			<u>6,997</u>		
	<u>6,997</u>				
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u><u>80,597</u></u></b>				

See notes to financial statements.

TOWN OF ASHBY

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues and Other Sources</b>				
Property taxes	\$ 4,573,120	\$ 4,573,120	\$ 4,573,120	\$ -
Excise	315,800	315,800	349,444	33,644
Penalties, interest and other taxes	21,291	21,291	24,038	2,747
Charges for services	88,752	88,752	104,567	15,815
Intergovernmental	491,456	491,456	614,705	123,249
Licenses and permits	28,470	28,470	45,382	16,912
Fines and forfeits	13,200	13,200	10,290	(2,910)
Investment income	1,500	1,500	2,316	816
Other sources	138,000	416,780	416,780	-
Total Revenues and Other Sources	5,671,589	5,950,369	6,140,642	190,273
<b>Expenditures and Other Uses</b>				
General government	501,435	557,738	488,906	68,832
Public safety	991,548	1,064,467	1,041,394	23,073
Education	2,928,795	2,928,795	2,928,795	-
Public works	456,899	521,160	496,890	24,270
Health and human services	38,438	39,946	36,592	3,354
Culture and recreation	83,563	97,042	96,826	216
Employee benefits	566,672	474,681	446,505	28,176
Debt service	-	1,000	-	1,000
Intergovernmental	22,703	22,703	23,363	(660)
Transfers out	16,703	178,004	178,004	-
Other uses	64,833	64,833	64,833	-
Total Expenditures and Other Uses	5,671,589	5,950,369	5,802,108	148,261
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 338,534	\$ 338,534

See notes to financial statements.

TOWN OF ASHBY  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Business- Type Activities Enterprise Funds</u> Transfer Station
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ <u>48,713</u>
<b>TOTAL ASSETS</b>	48,713
<b><u>LIABILITIES</u></b>	
Current:	
Warrants payable	<u>1,093</u>
<b>TOTAL LIABILITIES</b>	1,093
<b><u>NET ASSETS</u></b>	
Unrestricted	<u>47,620</u>
<b>TOTAL NET ASSETS</b>	\$ <u><u>47,620</u></u>

See notes to financial statements.

TOWN OF ASHBY  
 PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business- Type Activities <u>Enterprise Funds</u> Transfer <u>Station</u>
<b>Operating Revenues</b>	
Charges for services	\$ <u>27,014</u>
Total Operating Revenues	27,014
<b>Operating Expenses</b>	
Salaries and wages	4,309
Operating expenses	<u>21,490</u>
Total Operating Expenses	<u>25,799</u>
Operating Income	1,215
<b>Nonoperating Revenues</b>	
Investment income	<u>276</u>
Total Nonoperating Revenue	<u>276</u>
Change in Net Assets	1,491
Net Assets, at Beginning of Year	<u>46,129</u>
Net Assets, at End of Year	\$ <u><u>47,620</u></u>

See notes to financial statements.

TOWN OF ASHBY  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Business- Type Activities Enterprise Funds Transfer Station</u>
<b><u>Cash Flows From Operating Activities</u></b>	
Receipts from customers and users	\$ 27,014
Payments to vendors and employees	<u>(25,076)</u>
Net Cash Provided By Operating Activities	1,938
<b><u>Cash Flows From Investing Activities</u></b>	
Investment income	<u>276</u>
Net Cash Provided By Investing Activities	<u>276</u>
Net Change in Cash and Short-Term Investments	2,214
Cash and Short Term Investments, Beginning of Year	<u>46,499</u>
Cash and Short Term Investments, End of Year	<u>\$ 48,713</u>
<b><u>Reconciliation of Operating (Loss) to Net Cash Provided By (Used For) Operating Activities</u></b>	
Operating income	\$ 1,215
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Warrants payable	<u>723</u>
Net Cash Provided By Operating Activities	<u>\$ 1,938</u>

See notes to financial statements.

TOWN OF ASHBY  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2012

	Agency <u>Funds</u>
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ 14,902
Departmental and other receivables	<u>1,990</u>
Total Assets	16,892
 <b><u>LIABILITIES</u></b>	
Warrants payable	4,050
Deposits in custody	4,525
Due to other governments	13
Other liabilities	<u>8,304</u>
Total Liabilities	<u>\$ 16,892</u>

See notes to financial statements.

## Town of Ashby, Massachusetts

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Ashby (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 GASB-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 are 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 are the proprietary 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, landfill closure expenditures are recorded only when payment is due.

The government reports the following major governmental funds:

- 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. Beginning in fiscal year 2011, the Town's stabilization fund has been consolidated with the general fund in the government-wide financial statements in accordance with Governmental Accounting Standards Board

Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

- The *Title V septic loans fund* accounts for the Town's Title V Septic loans and related activity.

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 non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both 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 fund:

- The *transfer station enterprise fund*, which accounts for operations of the Town's transfer station and supporting infrastructure.

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 is included under investment income. For purposes of the statement of cash flows, the proprietary fund considers investments with original maturities of three months or less to be cash equivalents.

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 2 1/2" 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 or debt exemption is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of \$ 1,098.

G. Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 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.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5 - 10
Office equipment	5 - 15
Computer equipment	5 - 10

## H. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities.

### I. 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.

*J. 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.

*K. Other Post-Employment Benefits*

The Town of Ashby does not offer other post-employment benefits to its retirees.

**2. Stewardship, Compliance and Accountability**

*A. Budgetary Information*

At the annual town meeting, the Finance Committee 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 Fund. 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 with 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)	\$ 5,725,030	\$ 5,434,836
Other financing sources/uses (GAAP basis)	5,500	-
Adjust tax revenue to accrual basis	12,640	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(24,181)
Add end of year appropriation carryforwards to expenditures	-	148,616
Remove Stabilization Fund activity	(19,308)	178,004
Recognize revenue raised in the current year to fund prior year snow and ice deficit	-	64,833
Recognize use of fund balance as funding source	<u>416,780</u>	<u>-</u>
Budgetary basis	<u>\$ 6,140,642</u>	<u>\$ 5,802,108</u>

*D. Deficit Fund Equity*

The following fund had a deficit fund balance as of June 30, 2012:

E-911 Department Support and Incentive grant           \$ (8,518)

This deficit will be eliminated through future grant receipts.

**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 to it. Massachusetts General Laws Chapter 44, Section 55 limits 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."

As of June 30, 2012, none of the Town's bank balance of \$ 1,501,519 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

**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 Laws Chapter 44, Section 55 limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for each investment type:

<u>Investment Type</u>	Fair Value	Exempt From Disclosure	<u>Rating as of Year End</u>	
			AAA/AA+	A3/BBB+
Federal agency securities	\$ 605,559	\$ -	\$ 605,559	\$ -
Corporate bonds	83,359	-	53,622	297,373
Certificates of deposits	348,375	348,375	-	-
Mutual funds	118,742	118,742	-	-
Total investments	<u>\$ 1,156,035</u>	<u>\$ 467,117</u>	<u>\$ 659,181</u>	<u>\$ 297,373</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 does not have policies for custodial credit risk.

The Town has no custodial credit risk exposure for its investments because the related securities are insured, registered and held in the Town's name by a third party custodian. The custodial credit risk is further reduced by the application of SIPC and excess SIPC insurance.

**C. Concentration of Credit Risk**

The Town's investments in one issuer, other than the Federal government, greater than 5% of total investments are as follows:

Ally Bank, Midvale CU - CD	\$ 65,876
BMW Bank North America, Salt Lake City UT - CD	65,850
CIT Bank, Salt Lake City UT - CD	60,302

**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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1 - 5</u>
Federal agency securities	\$ 605,559	\$ -	\$ 605,559
Corporate bonds	83,359	-	83,359
Certificates of deposit	348,375	-	348,375
Mutual funds	118,742	118,742	-
Total	\$ <u>1,156,035</u>	\$ <u>118,742</u>	\$ <u>1,037,293</u>

## 5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 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:

Real Estate		
2012	\$ 77,793	
2011 and prior	<u>996</u>	78,789
Personal Property		
2012	949	
2011 and prior	<u>1,997</u>	2,946
Tax Liens and Foreclosures		<u>47,959</u>
Total		<u>\$ 129,694</u>

## 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes - current	\$ 1,209
Tax liens and foreclosures	34,829
Excises	13,014
Ambulance	3,320
Title V Septic Loans	21,918

## 7. Loans Receivable

This balance represents loans to taxpayers for septic improvements granted under a State-sponsored Title V loan program.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,987,301	\$ 15,133	\$ -	\$ 8,002,434
Machinery, equipment, and furnishings	<u>2,004,043</u>	<u>32,730</u>	<u>-</u>	<u>2,036,773</u>
Total capital assets, being depreciated	9,991,344	47,863	-	10,039,207
Less accumulated depreciation for:				
Buildings and improvements	(4,486,381)	(121,336)	-	(4,607,717)
Machinery, equipment, and furnishings	<u>(1,343,057)</u>	<u>(146,189)</u>	<u>-</u>	<u>(1,489,246)</u>
Total accumulated depreciation	<u>(5,829,438)</u>	<u>(267,525)</u>	<u>-</u>	<u>(6,096,963)</u>
Total capital assets, being depreciated, net	4,161,906	(219,662)	-	3,942,244
Capital assets, not being depreciated:				
Land	1,707,199	-	-	1,707,199
Construction in progress (CIP)	<u>28,173</u>	<u>39,288</u>	<u>-</u>	<u>67,461</u>
Total capital assets, not being depreciated	<u>1,735,372</u>	<u>39,288</u>	<u>-</u>	<u>1,774,660</u>
Governmental activities capital assets, net	<u>\$ 5,897,278</u>	<u>\$ (180,374)</u>	<u>\$ -</u>	<u>\$ 5,716,904</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 46,562
Public safety	77,309
Public works	65,150
Culture and recreation	<u>78,504</u>
Total depreciation expense - governmental activities	<u>\$ 267,525</u>

## 9. Warrants Payable

Warrants payable represent 2012 expenditures paid by July 15, 2012 as permitted by law.

## 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 a refund due to Verizon for the abatement of 2009 property tax, plus 8% interest, as of June 30, 2012. This case was recently decided in favor of Verizon by the State Appellate Tax Board.

## 12. Long-Term Liabilities

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

	Total Balance July 1, 2011 (restated)	Additions	Reductions	Total Balance June 30, 2012	Less Current Portion	Long-Term Portion June 30, 2012
<u>Governmental Activities</u>						
Capital leases	\$ 45,703	\$ -	\$ (22,132)	\$ 23,571	\$ (23,571)	\$ -
Landfill closure	88,909	-	(6,997)	81,912	(7,000)	74,912
Totals	\$ 88,909	\$ -	\$ (6,997)	\$ 81,912	\$ (7,000)	\$ 74,912

## 13. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$ 81,912 reported as landfill liability at June 30, 2012 represents the estimated cost of monitoring the landfill for the next 18 years, less \$ 44,088, which represents the unexpended balance of the landfill capping project which the Town is required to keep in escrow per the Massachusetts Department of Environmental Protection. This amount is based on what it would cost to perform all closure and post-closure care in 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**14. Capital Lease Obligations**

The Town is the lessee of certain equipment under a capital lease expiring in 2013. Future minimum lease payments under the capital lease consisted of the following as of June 30, 2012:

2013	\$ <u>25,103</u>
Total minimum lease payments	25,103
Less amounts representing interest	<u>(1,532)</u>
Present Value of Minimum Lease Payments	\$ <u><u>23,571</u></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 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 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 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 general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve (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), and various capital project funds.

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 and any fund in deficit.

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

	General Fund	Title V Septic Loans	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Nonexpendable permanent funds	\$ -	\$ -	\$ 463,541	\$ 463,541
Total Nonexpendable	\$ -	\$ -	\$ 463,541	\$ 463,541
<b>Restricted</b>				
Special revenue funds	\$ -	\$ 14,152	\$ 218,827	\$ 232,979
Expendable permanent funds	-	-	176,910	176,910
Total Restricted	\$ -	\$ 14,152	\$ 395,737	\$ 409,889
<b>Committed</b>				
Special articles	\$ 123,462	\$ -	\$ -	\$ 123,462
Stabilization fund	704,442	-	-	704,442
Capital project funds	-	-	30,336	30,336
Total Committed	\$ 827,904	\$ -	\$ 30,336	\$ 858,240
<b>Assigned</b>				
Encumbrances	\$ 25,154	\$ -	\$ -	\$ 25,154
Total Assigned	\$ 25,154	\$ -	\$ -	\$ 25,154
<b>Unassigned</b>				
	\$ 626,690	\$ -	\$ (8,518)	\$ 618,172
Total Fund Balance	\$ 1,479,748	\$ 14,152	\$ 881,096	\$ 2,374,996

## 16. Commitments and Contingencies

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.

## 17. **Pension Plan**

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

### A. Plan Description

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 grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Middlesex County Retirement System, 40 Thorndike Street, New Superior Courthouse - 3<sup>rd</sup> Level, Cambridge, MA 02141.

### 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 \$ 144,042, \$ 154,380, and \$ 151,101, respectively, which were equal to its annual required contributions for each of these years.

## 18. **Risk Management**

The government 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.

**19. Beginning Fund Balance / Net Asset Reclassification and Restatement**

The Town's major governmental funds for fiscal year 2012, as defined by GASB Statement 34, have changed from the previous fiscal year. In addition, beginning fund balance and net assets have been restated to correct for a payable which the Town is no longer liable for and a reduction in the estimated cost for monitoring the landfill. Accordingly, the following reconciliation is provided:

	Governmental <u>Activities</u>	Title V <u>Septic Loans</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ 7,917,589	\$ -	\$ 905,911
To classify Title V Septic Loans as a major fund	-	11,371	(11,371)
To remove invoice payable	44,681	-	44,681
To reduce estimated cost of landfill monitoring	<u>133,000</u>	<u>-</u>	<u>-</u>
As reclassified and restated	<u>\$ 8,095,270</u>	<u>\$ 11,371</u>	<u>\$ 939,221</u>

**20 Implementation of New GASB Standards**

The GASB has issued Statement 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.