

**TOWN OF TOWNSEND, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2011**

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MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Townsend, 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 Townsend, Massachusetts, as of and for the year ended June 30, 2011, 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'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. 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 Townsend, Massachusetts, as of June 30, 2011, 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.

The Management's Discussion and Analysis appearing on the following pages and the supplementary information appearing on page 46 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Townsend's basic financial statements. The accompanying information relative to Departmental Receivable: Fire/Emergency Medical Services (EMS) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the 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.*  
April 1, 2013

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

As management of the Town of Townsend, Massachusetts, we offer readers this narrative overview and analysis of the financial activities of the Town of Townsend, Massachusetts for the fiscal year ended June 30, 2011. **Unless otherwise noted, all amounts are expressed in thousands.**

### **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, sanitation, health and human services, and culture and recreation. The business-type activities include water operations.

**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 water 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 water 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 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 \$ 37,315 (i.e., net assets), a change of \$ 504 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 4,506, a change of \$ 550 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 646, a change of \$ (702) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 5,606, a change of \$ 132 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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 6,256	\$ 6,602	\$ 1,174	\$ 822	\$ 7,430	\$ 7,424
Capital assets	<u>32,170</u>	<u>32,922</u>	<u>4,058</u>	<u>3,977</u>	<u>36,228</u>	<u>36,899</u>
Total assets	<u>38,426</u>	<u>39,524</u>	<u>5,232</u>	<u>4,799</u>	<u>43,658</u>	<u>44,323</u>
Long-term liabilities outstanding	4,462	4,173	1,593	1,833	6,055	6,006
Other liabilities	<u>252</u>	<u>1,129</u>	<u>36</u>	<u>377</u>	<u>288</u>	<u>1,506</u>
Total liabilities	<u>4,714</u>	<u>5,302</u>	<u>1,629</u>	<u>2,210</u>	<u>6,343</u>	<u>7,512</u>
Net assets:						
Invested in capital assets, net	28,627	28,605	2,410	1,692	31,037	30,297
Restricted	1,908	2,643	-	-	1,908	2,643
Unrestricted	<u>3,177</u>	<u>2,974</u>	<u>1,193</u>	<u>897</u>	<u>4,370</u>	<u>3,871</u>
Total net assets	<u>\$ 33,712</u>	<u>\$ 34,222</u>	<u>\$ 3,603</u>	<u>\$ 2,589</u>	<u>\$ 37,315</u>	<u>\$ 36,811</u>



## CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 966	\$ 729	\$ 1,228	\$ 1,119	\$ 2,194	\$ 1,848
Operating grants and contributions	210	451	-	-	210	451
Capital grants and contributions	337	18,799	196	129	533	18,929
General revenues:						
Property taxes	12,873	13,202	-	-	12,873	13,202
Excises	1,014	927	-	-	1,014	927
Penalties and interest on taxes	88	-	-	-	88	-
Grants and contributions not restricted to specific programs	1,357	1,482	-	-	1,357	1,482
Investment income	47	24	12	-	59	24
Other	330	502	-	-	330	502
Total revenues	<u>17,222</u>	<u>36,116</u>	<u>1,436</u>	<u>1,248</u>	<u>18,658</u>	<u>37,365</u>
Expenses:						
General government	1,903	1,487	-	-	1,903	1,487
Public safety	3,214	3,245	-	-	3,214	3,245
Education	9,520	9,637	-	-	9,520	9,637
Public works	1,266	1,472	-	-	1,266	1,472
Sanitation	693	670	-	-	693	670
Human services	219	174	-	-	219	174
Culture and recreation	303	286	-	-	303	286
Interest on long-term debt	317	191	-	-	317	191
Intergovernmental	71	72	-	-	71	72
Water operations	-	-	648	806	648	806
Total expenses	<u>17,506</u>	<u>17,234</u>	<u>648</u>	<u>806</u>	<u>18,154</u>	<u>18,042</u>
Change in net assets before transfers	(284)	18,882	788	442	504	19,323
Transfers in (out)	(226)	(60)	226	60	-	-
Permanent fund contributions	-	7	-	-	-	7
Change in net assets	<u>(510)</u>	<u>18,829</u>	<u>1,014</u>	<u>502</u>	<u>504</u>	<u>19,330</u>
Net assets - beginning of year (as restated)	<u>34,222</u>	<u>15,393</u>	<u>2,589</u>	<u>2,087</u>	<u>36,811</u>	<u>17,480</u>
Net assets - end of year	<u>\$ 33,712</u>	<u>\$ 34,222</u>	<u>\$ 3,603</u>	<u>\$ 2,589</u>	<u>\$ 37,315</u>	<u>\$ 36,811</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 \$ 37,315, a change of \$ 504 from the prior year.

The largest portion of net assets \$ 31,037 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), 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 \$ 1,908 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 4,370 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 \$ (510). Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ (266)
Capital asset additions from current revenues	465
Depreciation in excess of principal debt service, net of refunding	(815)
Other	<u>106</u>
Total	<u>\$ (510)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 1,014. This change can be attributed to the water fund having program revenues greater than expenses, combined with a transfer of \$ 324,000 from General fund free cash to pay off the bond anticipation note related to the purchase of the Witch's Brook Water Company.

**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 \$ 4,506, a change of \$ 550 in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ (266)
Special revenue fund expenditures and transfers out in excess of revenues	(47)
Capital project fund bond proceeds, revenues, and transfers in in excess of expenditures	853
Expendable trust fund revenues and transfers in in excess of expenditures	6
Nonexpendable trust fund revenue	<u>4</u>
Total	<u>\$ 550</u>

In fiscal year 2011, the implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in stabilization funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 646, while total fund balance was \$ 2,616. 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>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 646	\$ 1,348	\$ (702)	3.9%
Total fund balance <sup>1</sup>	2,616	2,883	(267)	16.0%

<sup>1</sup>Now includes stabilization accounts. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by \$ (267) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (1,593)
Less amounts transferred to stabilization accounts	<u>775</u>
Net use of free cash and overlay surplus	(818)
Revenues in excess of budget	64
Expenditures less than budget	343
Property tax collections in excess of budget	83
Other	<u>61</u>
Total	<u>\$ (267)</u>

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

	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
General stabilization	\$ <u>1,677</u>	\$ <u>895</u>	\$ <u>782</u>
Total	\$ <u><u>1,677</u></u>	\$ <u><u>895</u></u>	\$ <u><u>782</u></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 \$ 1,193, a change of \$ 296 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 \$ 545. Major reasons for these amendments include:

- \$ 275 increase in the stabilization accounts
- \$ 158 increase to offset the snow and ice deficit
- \$ 80 increase for rehabilitation work at the Spaulding Memorial School
- \$ 25 increase for the Conservation Commission's Land account
- \$ 7 increase to pay prior fiscal year bills

These increases were funded entirely from free cash.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 36,228 (net of accumulated depreciation), a change of \$ (671) 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:

### **Governmental activities:**

- \$ 264 Various street improvements
- \$ 94 Police and fire equipment
- \$ 48 Police cruisers
- \$ 32 Library books

### **Business-type activities:**

- \$ 202 Pumping station solar upgrades

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 5,606, 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 the Financial Statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the '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 Administrator  
Memorial Hall, Upper Level  
272 Main Street  
Townsend, Massachusetts 01469

TOWN OF TOWNSEND, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 4,648,993	\$ 845,684	\$ 5,494,677
Receivables, net of allowance for uncollectibles:			
Property taxes	436,069	-	436,069
Excises	116,004	-	116,004
User fees	-	326,823	326,823
Departmental and other	407,601	-	407,601
Intergovernmental	39,887	577	40,464
Other assets	6,301	338	6,639
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	600,924	-	600,924
Capital assets, net of accumulated depreciation	28,664,094	3,396,160	32,060,254
Capital assets, not being depreciated	<u>3,506,219</u>	<u>662,257</u>	<u>4,168,476</u>
<b>TOTAL ASSETS</b>	<b>38,426,092</b>	<b>5,231,839</b>	<b>43,657,931</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	138,999	17,110	156,109
Accrued liabilities	63,027	13,422	76,449
Other current liabilities	49,385	4,622	54,007
Current portion of long-term liabilities:			
Bonds payable	535,369	101,278	636,647
Landfill	15,000	-	15,000
Noncurrent:			
Bonds payable, net of current portion	3,477,539	1,491,920	4,969,459
Landfill, net of current portion	<u>434,500</u>	<u>-</u>	<u>434,500</u>
<b>TOTAL LIABILITIES</b>	<b>4,713,819</b>	<b>1,628,352</b>	<b>6,342,171</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	28,627,411	2,410,452	31,037,863
Restricted for:			
Grants and other statutory restrictions	1,470,794	-	1,470,794
Permanent funds:			
Nonexpendable	295,981	-	295,981
Expendable	140,643	-	140,643
Unrestricted	<u>3,177,444</u>	<u>1,193,035</u>	<u>4,370,479</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>33,712,273</u></b>	<b>\$ <u>3,603,487</u></b>	<b>\$ <u>37,315,760</u></b>

See notes to financial statements.

TOWN OF TOWNSEND, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<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	\$ 1,903,420	\$ 142,271	\$ 5,182	\$ -	\$ (1,755,967)	\$ -	\$ (1,755,967)
Public safety	3,213,850	683,561	135,233	-	(2,395,056)	-	(2,395,056)
Education	9,519,931	-	-	-	(9,519,931)	-	(9,519,931)
Public works	1,266,026	38,481	-	337,104	(890,441)	-	(890,441)
Sanitation	692,604	-	-	-	(692,604)	-	(692,604)
Health and human services	219,035	39,936	59,822	-	(119,277)	-	(119,277)
Culture and recreation	302,664	61,403	10,040	-	(231,221)	-	(231,221)
Interest	317,506	-	-	-	(317,506)	-	(317,506)
Intergovernmental	70,898	-	-	-	(70,898)	-	(70,898)
<b>Total Governmental Activities</b>	<b>17,505,934</b>	<b>965,652</b>	<b>210,277</b>	<b>337,104</b>	<b>(15,992,901)</b>	<b>-</b>	<b>(15,992,901)</b>
<b>Business-Type Activities:</b>							
Water operations	648,200	1,228,450	-	195,813	-	776,063	776,063
<b>Total Business-Type Activities</b>	<b>648,200</b>	<b>1,228,450</b>	<b>-</b>	<b>195,813</b>	<b>-</b>	<b>776,063</b>	<b>776,063</b>
<b>Total</b>	<b>\$ 18,154,134</b>	<b>\$ 2,194,102</b>	<b>\$ 210,277</b>	<b>\$ 532,917</b>	<b>(15,992,901)</b>	<b>776,063</b>	<b>(15,216,838)</b>
<b>General Revenues and Transfers:</b>							
					12,873,404	-	12,873,404
					1,013,885	-	1,013,885
					88,259	-	88,259
					1,357,286	-	1,357,286
					46,505	11,968	58,473
					329,783	-	329,783
					(226,490)	226,490	-
<b>Total general revenues and transfers</b>					<b>15,482,632</b>	<b>238,458</b>	<b>15,721,090</b>
					(510,269)	1,014,521	504,252
<b>Net Assets:</b>							
					34,222,542	2,588,966	36,811,508
					\$ 33,712,273	\$ 3,603,487	\$ 37,315,760

See notes to financial statements.

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	<u>General</u>	<u>Title V Betterments</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 2,748,604	\$ 181,702	\$ 1,718,687	\$ 4,648,993
Receivables:				
Property taxes	1,255,620	-	-	1,255,620
Excises	145,674	-	-	145,674
Departmental and other	-	270,223	137,378	407,601
Intergovernmental	-	-	39,887	39,887
Other assets	<u>2,601</u>	<u>-</u>	<u>3,700</u>	<u>6,301</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,152,499</u></b>	<b><u>\$ 451,925</u></b>	<b><u>\$ 1,899,652</u></b>	<b><u>\$ 6,504,076</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 112,832	\$ -	\$ 26,167	\$ 138,999
Accrued liabilities	53,271	-	-	53,271
Deferred revenues	1,336,681	270,223	149,973	1,756,877
Other liabilities	<u>33,496</u>	<u>-</u>	<u>15,889</u>	<u>49,385</u>
<b>TOTAL LIABILITIES</b>	<b>1,536,280</b>	<b>270,223</b>	<b>192,029</b>	<b>1,998,532</b>
Fund Balances:				
Nonspendable	2,601	-	295,981	298,582
Restricted	37,042	181,702	1,429,735	1,648,479
Committed	1,892,303	-	-	1,892,303
Assigned	38,761	-	-	38,761
Unassigned	<u>645,512</u>	<u>-</u>	<u>(18,093)</u>	<u>627,419</u>
<b>TOTAL FUND BALANCES</b>	<b><u>2,616,219</u></b>	<b><u>181,702</u></b>	<b><u>1,707,623</u></b>	<b><u>4,505,544</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,152,499</u></b>	<b><u>\$ 451,925</u></b>	<b><u>\$ 1,899,652</u></b>	<b><u>\$ 6,504,076</u></b>

See notes to financial statements.



TOWN OF TOWNSEND, MASSACHUSETTS

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

JUNE 30, 2011

<b>Total governmental fund balances</b>	\$ 4,505,544
<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>	32,170,313
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,508,580
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(9,756)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(4,462,408)</u>
<b>Net assets of governmental activities</b>	<u>\$ 33,712,273</u>

See notes to financial statements.

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Title V Betterments</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 13,439,240	\$ -	\$ -	\$ 13,439,240
Excises	897,882	-	-	897,882
Penalties, interest and other taxes	88,259	-	-	88,259
Charges for services	116,704	-	619,670	736,374
Intergovernmental	1,374,472	-	517,600	1,892,072
Licenses and permits	92,072	-	-	92,072
Investment income	25,816	-	20,689	46,505
Miscellaneous	3,824	28,408	27,156	59,388
Total Revenues	<u>16,038,269</u>	<u>28,408</u>	<u>1,185,115</u>	<u>17,251,792</u>
<b>Expenditures:</b>				
Current:				
General government	1,121,754	-	92,839	1,214,593
Public safety	2,582,409	-	282,136	2,864,545
Education	8,873,619	-	-	8,873,619
Public works	878,557	-	326,887	1,205,444
Sanitation	646,439	-	-	646,439
Health and human services	171,890	-	35,604	207,494
Culture and recreation	177,203	-	105,312	282,515
Employee benefits	1,154,128	-	-	1,154,128
Debt service	720,761	-	-	720,761
Intergovernmental	70,898	-	-	70,898
Total Expenditures	<u>16,397,658</u>	<u>-</u>	<u>842,778</u>	<u>17,240,436</u>
Excess (deficiency) of revenues over expenditures	(359,389)	28,408	342,337	11,356
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds	-	-	765,000	765,000
Transfers in	530,081	-	67,500	597,581
Transfers out	(437,398)	(27,769)	(358,904)	(824,071)
Total Other Financing Sources (Uses)	<u>92,683</u>	<u>(27,769)</u>	<u>473,596</u>	<u>538,510</u>
Change in fund balance	(266,706)	639	815,933	549,866
Fund Equity, at Beginning of Year, as restated	<u>2,882,925</u>	<u>181,063</u>	<u>891,690</u>	<u>3,955,678</u>
Fund Equity, at End of Year	<u>\$ 2,616,219</u>	<u>\$ 181,702</u>	<u>\$ 1,707,623</u>	<u>\$ 4,505,544</u>

See notes to financial statements.

TOWN OF TOWNSEND, 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, 2011

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 549,866</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: </li> </ul>	
Capital outlay purchases	471,831
Depreciation	(1,223,084)
<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 net change in deferred revenue. </li> </ul>	
	(29,637)
<ul style="list-style-type: none"> <li>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: </li> </ul>	
Issuance of debt	(1,575,000)
Repayments of debt	1,203,262
<ul style="list-style-type: none"> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. </li> </ul>	
	9,993
<ul style="list-style-type: none"> <li>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. </li> </ul>	
	<u>82,500</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>(510,269)</u></b>

See notes to financial statements.

TOWN OF TOWNSEND, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 13,355,954	\$ 13,355,954	\$ 13,355,954	\$ -
Excise	890,000	890,000	897,882	7,882
Penalties, interest and other taxes	52,000	52,000	88,259	36,259
Charges for services	116,300	116,300	116,704	404
Intergovernmental	1,348,512	1,348,512	1,374,472	25,960
Licenses and permits	116,700	116,700	92,072	(24,628)
Investment income	15,000	15,000	18,846	3,846
Miscellaneous	582	582	3,824	3,242
Transfers in	518,579	518,579	530,081	11,502
Use of free cash and overlay surplus	<u>1,048,239</u>	<u>1,593,332</u>	<u>1,593,332</u>	<u>-</u>
Total Revenues and Other Sources	17,461,866	18,006,959	18,071,426	64,467
<b>Expenditures and Other Uses:</b>				
General government	1,112,414	1,218,169	1,168,584	49,585
Public safety	2,662,517	2,662,517	2,561,619	100,898
Education	8,873,619	8,873,619	8,873,619	-
Public works	832,932	991,323	982,359	8,964
Sanitation	696,996	696,996	635,703	61,293
Health and human services	173,792	179,739	176,100	3,639
Culture and recreation	181,741	181,741	177,203	4,538
Debt service	833,887	833,887	762,712	71,175
Intergovernmental	70,318	70,318	70,318	-
Employee benefits	1,199,650	1,199,650	1,156,429	43,221
Transfers out	<u>824,000</u>	<u>1,099,000</u>	<u>1,099,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>17,461,866</u>	<u>18,006,959</u>	<u>17,663,646</u>	<u>343,313</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>407,780</u>	\$ <u>407,780</u>

See notes to financial statements.

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Water Fund</u>
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ 845,684
User fees, net of allowance for uncollectibles	326,823
Intergovernmental receivables	577
Other assets	<u>338</u>
Total current assets	1,173,422
Noncurrent:	
Capital assets, net of accumulated depreciation	3,396,160
Capital assets, not being depreciated	<u>662,257</u>
Total noncurrent assets	<u>4,058,417</u>
<b>TOTAL ASSETS</b>	<b>5,231,839</b>
<b><u>LIABILITIES</u></b>	
Current:	
Warrants payable	17,110
Accrued liabilities	13,422
Other current liabilities	4,622
Current portion of long-term liabilities:	
Bonds payable	<u>101,278</u>
Total current liabilities	136,432
Noncurrent:	
Bonds payable, net of current portion	<u>1,491,920</u>
Total noncurrent liabilities	<u>1,491,920</u>
<b>TOTAL LIABILITIES</b>	<b>1,628,352</b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	2,410,452
Unrestricted	<u>1,193,035</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>3,603,487</u></u></b>

See notes to financial statements.

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund
<b>Operating Revenues:</b>	
Charges for services	\$ 1,104,450
Other	<u>124,000</u>
Total Operating Revenues	1,228,450
<b>Operating Expenses:</b>	
Personnel services	218,235
Non-personnel services	259,574
Depreciation	<u>120,883</u>
Total Operating Expenses	<u>598,692</u>
Operating Income	629,758
<b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental revenue	195,813
Investment income	11,968
Interest expense	<u>(49,508)</u>
Total Nonoperating Revenues (Expenses), Net	<u>158,273</u>
Income Before Transfers	788,031
<b>Transfers:</b>	
Transfers in	369,898
Transfers out	<u>(143,408)</u>
Change in Net Assets	1,014,521
Net Assets at Beginning of Year, as restated	<u>2,588,966</u>
Net Assets at End of Year	<u><u>\$ 3,603,487</u></u>

See notes to financial statements.

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Water Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 1,257,803
Payments to vendors and employees	<u>(497,971)</u>
Net Cash Provided By Operating Activities	759,832
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Transfers in	369,898
Transfers out	(143,408)
Intergovernmental revenue	<u>195,813</u>
Net Cash Provided By Noncapital Financing Activities	422,303
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and construction of capital assets	(202,015)
Proceeds from issuance of bonds and notes	86,000
Principal payments on bonds and notes	(649,476)
Interest expense	<u>(49,508)</u>
Net Cash (Used For) Provided By Capital and Related Financing Activities	(814,999)
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	<u>11,968</u>
Net Cash Provided By Investing Activities	<u>11,968</u>
Net Change in Cash and Short-Term Investments	379,104
Cash and Short-Term Investments, Beginning of Year	<u>466,580</u>
Cash and Short-Term Investments, End of Year	<u>\$ 845,684</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income	\$ 629,758
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	120,883
Changes in assets and liabilities:	
User fees	28,191
Other assets	(338)
Warrants and accounts payable	(14,025)
Accrued liabilities	(6,137)
Other liabilities	<u>1,500</u>
Net Cash Provided By Operating Activities	<u>\$ 759,832</u>

See notes to financial statements.

TOWN OF TOWNSEND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ <u>149,677</u>	\$ <u>263,296</u>
Total Assets	149,677	263,296
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Other liabilities	<u>-</u>	<u>263,296</u>
Total Liabilities	<u>-</u>	<u>263,296</u>
<b><u>NET ASSETS</u></b>		
Total net assets held in trust	\$ <u><u>149,677</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.



TOWN OF TOWNSEND, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Interest income	\$ <u>4,694</u>
Total additions	4,694
<b>Deductions:</b>	
Education	1,000
Health and human services	<u>4,777</u>
Total deductions	<u>5,777</u>
Net decrease	(1,083)
<b>Net assets:</b>	
Beginning of year	<u>150,760</u>
End of year	\$ <u><u>149,677</u></u>

See notes to financial statements.

# TOWN OF TOWNSEND, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Townsend, Massachusetts (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 2011, 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 Changes in Net Assets) 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 governmental 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 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.

- The *Title V Betterment fund* accounts for resources and costs associated with the Town's septic loan program. The Town borrows funds from the State to provide low interest loans to homeowners to upgrade failed septic systems. Repayments of loans are used for future debt service payments.

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 account for the Town's water operations.

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

The *agency fund* is custodial in nature and is used to account for funds held for others.

#### 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” has limited 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 2011 tax levy reflected an excess capacity of \$ 47,314.

*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 three 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	5 - 40
Machinery and equipment	3 - 10
Vehicles	5
Library books	10
Software	3

*H. Compensated Absences*

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The total amount of sick and vacation costs in future years is not material to the basic financial statements and has not been recorded in the basic financial statements.

*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., the Board of Selectmen).
- 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 Board of Selectmen presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. Recommendations are presented by the Finance Committee and Capital Planning Committee. 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 and proprietary funds 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)	\$ 16,038,269	\$ 16,397,658
Other financing sources/uses (GAAP Basis)	<u>530,081</u>	<u>437,398</u>
Subtotal (GAAP Basis)	16,568,350	16,835,056
Adjust tax revenue to accrual basis	(83,286)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(192,704)
Add end-of-year appropriation carryforwards from expenditures	-	246,294
To record use of free cash	1,593,332	-
To reverse the effect of non- budgeted Stabilization activity	<u>(6,970)</u>	<u>775,000</u>
Budgetary Basis	<u>\$ 18,071,426</u>	<u>\$ 17,663,646</u>

**D. Deficit Fund Equity**

The Town's special revenue funds reflect various individual deficit fund balance accounts, which will be funded by future 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. 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 does not have a deposit policy for custodial credit risk.

As of June 30, 2011, \$ 5,041,973 of the Town's bank balance(s) of \$ 6,052,262 was exposed to custodial credit risk as uninsured or uncollateralized.

#### 4. 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, 2011 consist of the following (in thousands):

Real Estate		
2011	\$ 332	
2010	120	
2009	50	
2008	19	
Prior	<u>35</u>	
		556
Personal Property		
2011	3	
2010	3	
2009	<u>1</u>	
		7
Tax Liens		668
Deferred Taxes		<u>25</u>
Total		<u>\$ 1,256</u>

#### 5. 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	\$ 152	\$ -
Tax liens	67	-
Excises	30	-
Utilities	-	36

## 6. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011.

## 7. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows (in thousands):

	<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	\$ 22,472	\$ 249	\$ -	\$ 22,721
Capital improvements (other than buildings)	666	-	-	666
Machinery, equipment, and furnishings	4,149	107	(22)	4,234
Vehicles	1,090	48	(44)	1,094
Library books	426	32	-	458
Software	31	-	-	31
Infrastructure	<u>9,463</u>	<u>263</u>	<u>-</u>	<u>9,726</u>
Total capital assets, being depreciated	38,297	699	(66)	38,930
Less accumulated depreciation for:				
Buildings and improvements	(2,112)	(565)	-	(2,677)
Capital improvements (other than buildings)	(199)	(28)	-	(227)
Machinery, equipment, and furnishings	(2,347)	(318)	22	(2,643)
Vehicles	(910)	(89)	44	(955)
Library books	(260)	(29)	-	(289)
Software	(31)	-	-	(31)
Infrastructure	<u>(3,250)</u>	<u>(194)</u>	<u>-</u>	<u>(3,444)</u>
Total accumulated depreciation	<u>(9,109)</u>	<u>(1,223)</u>	<u>66</u>	<u>(10,266)</u>
Total capital assets, being depreciated, net	29,188	(524)	-	28,664
Capital assets, not being depreciated:				
Land	3,401	-	-	3,401
Art and historical treasures	55	-	-	55
Construction in progress	<u>278</u>	<u>7</u>	<u>(235)</u>	<u>50</u>
Total capital assets, not being depreciated	<u>3,734</u>	<u>7</u>	<u>(235)</u>	<u>3,506</u>
Governmental activities capital assets, net	<u>\$ 32,922</u>	<u>\$ (517)</u>	<u>\$ (235)</u>	<u>\$ 32,170</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,357	\$ 337	\$ -	\$ 1,694
Capital improvements (other than buildings)	694	-	-	694
Machinery, equipment, and furnishings	315	-	-	315
Vehicles	106	-	-	106
Infrastructure	<u>2,129</u>	<u>-</u>	<u>-</u>	<u>2,129</u>
Total capital assets, being depreciated	4,601	337	-	4,938
Less accumulated depreciation for:				
Buildings and improvements	(233)	(36)	-	(269)
Capital improvements (other than buildings)	(267)	(14)	-	(281)
Machinery, equipment, and furnishings	(199)	(24)	-	(223)
Vehicles	(99)	(5)	-	(104)
Infrastructure	<u>(623)</u>	<u>(42)</u>	<u>-</u>	<u>(665)</u>
Total accumulated depreciation	<u>(1,421)</u>	<u>(121)</u>	<u>-</u>	<u>(1,542)</u>
Total capital assets, being depreciated, net	3,180	216	-	3,396
Capital assets, not being depreciated:				
Land	662	-	-	662
Construction in progress	<u>135</u>	<u>-</u>	<u>(135)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>797</u>	<u>-</u>	<u>(135)</u>	<u>662</u>
Business-type activities capital assets, net	<u>\$ 3,977</u>	<u>\$ 216</u>	<u>\$ (135)</u>	<u>\$ 4,058</u>

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

<b>Governmental Activities:</b>	
General government	\$ 562
Public safety	299
Public works	333
Culture and recreation	<u>29</u>
Total depreciation expense - governmental activities	<u>\$ 1,223</u>
<b>Business-Type Activities:</b>	
Water	<u>\$ 121</u>
Total depreciation expense - business-type activities	<u>\$ 121</u>

## 8. Warrants Payable

Warrants payable represent fiscal year 2011 expenditures paid by July 15, 2011.

**9. 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, 2011 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

**10. Anticipation Notes Payable**

The following summarizes activity in notes payable during fiscal year 2011:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Ladder/Rescue truck	\$ 805,000	\$ -	\$ (805,000)	\$ -
Witch's Brook Water Company	<u>324,000</u>	<u>-</u>	<u>(324,000)</u>	<u>-</u>
Total	<u>\$ 1,129,000</u>	<u>\$ -</u>	<u>\$ (1,129,000)</u>	<u>\$ -</u>

**11. 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:

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/11</u>
Title V	08/01/19	5.375-5.50%	\$ 97,831
Public buildings	06/15/22	4.25-5.00%	490,000
Land acquisition I	06/15/22	4.50-5.00%	290,000
Land acquisition II	06/15/19	4.50-5.00%	75,000
Landfill closure I	06/15/24	4.25-5.00%	845,000
Landfill closure II (72%)	06/15/24	4.25-5.00%	295,200
Title V	08/01/22	5.00-5.25%	86,953
Plow truck	06/01/12	4.00%	26,000
Fire engine	06/01/12	4.00%	70,000
Title V	07/15/27	0.00%	161,924
Memorial Hall - refunding	07/15/27	2.00-3.00%	738,000
Land acquisition - refunding	07/15/27	2.00-3.00%	72,000
Fire truck	07/15/27	2.00-3.00%	<u>765,000</u>
Total Governmental Activities:			<u>\$ 4,012,908</u>

<u>Business-Type Activities:</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/11</u>
Water pumping station	07/15/25	2.00%	\$ 549,142
Water improvements - East Side	07/15/26	2.00%	843,256
Witch's Brook water company (Landfill closure II - 28%)	06/15/24	4.25-5.00%	114,800
Water - refunding	12/17/17	2.00-3.00%	<u>86,000</u>
Total Business-Type Activities:			<u>\$ 1,593,198</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 535,369	\$ 141,347	\$ 676,716
2013	434,159	124,511	558,670
2014	429,334	111,021	540,355
2015	419,334	97,059	516,393
2016	419,138	82,149	501,287
2017 - 2021	1,362,107	216,151	1,578,258
2022 - 2026	394,418	29,650	424,068
2027 - 2028	19,049	-	19,049
Total	<u>\$ 4,012,908</u>	<u>\$ 801,888</u>	<u>\$ 4,814,796</u>

The general fund has been designated as the source to repay the general obligation long-term debt outstanding as of June 30, 2011:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 101,278	\$ 34,285	\$ 135,563
2013	101,831	32,065	133,896
2014	103,415	29,787	133,202
2015	105,032	27,438	132,470
2016	101,681	25,056	126,737
2017 - 2021	502,132	90,904	593,036
2022 - 2026	516,854	33,682	550,536
2027	60,975	610	61,585
Total	<u>\$ 1,593,198</u>	<u>\$ 273,827</u>	<u>\$ 1,867,025</u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/10	Additions	Reductions	Total Balance 6/30/11	Less Current Portion	Equals Long-Term Portion 6/30/11
<u>Governmental Activities</u>						
Bonds payable	\$ 3,641	\$ 1,575	\$ (1,203)	\$ 4,013	\$ (535)	\$ 3,478
Other:						
Landfill closure	532	-	(83)	449	(15)	434
Totals	<u>\$ 4,173</u>	<u>\$ 1,575</u>	<u>\$ (1,286)</u>	<u>\$ 4,462</u>	<u>\$ (550)</u>	<u>\$ 3,912</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,833	\$ 86	\$ (326)	\$ 1,593	\$ (101)	\$ 1,492
Totals	<u>\$ 1,833</u>	<u>\$ 86</u>	<u>\$ (326)</u>	<u>\$ 1,593</u>	<u>\$ (101)</u>	<u>\$ 1,492</u>

#### D. Advance and Current Refundings

##### Current Year

On December 15, 2010, the Town issued general obligation bonds in the amount of \$ 896,000 with interest rates ranging from 2.0% to 3.0% to current refund \$ 1,005,000 of the June 15, 1999 Bonds, comprised of serial bonds with an interest rates ranging from 4.80 to 5.10%. The 1999 serial bonds mature on December 15, 2011 through December 15, 2017 and were called on February 1, 2011.

The general obligation refunding bonds were issued at a true interest cost of 1.62%. The refunding met the requirements of an in-substance debt defeasance and the serial bonds were removed from the Town's financial statements.

As a result of the 1999 current refunding, the Town reduced its total debt service cash flow requirements by \$ 117,496, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 100,260.

#### **12. Landfill Closure and Postclosure 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. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill capacity used as of each balance sheet date.

The \$ 449,500 reported as landfill closure and postclosure care liability at June 30, 2011 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill.

#### **13. 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.



## 14. 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.

In fiscal year 2011, 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, 2011:

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 general fund reserves for prepaid expenditures and 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 general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, 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 special revenue 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.

Following is a breakdown of the Town's fund balances at June 30, 2011:

	General Fund	Title V Betterments	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Prepaid expenditures	\$ 2,601	\$ -	\$ -	\$ 2,601
Nonexpendable permanent funds	-	-	295,981	295,981
Total Nonspendable	2,601	-	295,981	298,582
<b>Restricted</b>				
For bond premiums	37,042	-	-	37,042
Debt service	-	181,702	-	181,702
Bonded projects	-	-	177,737	177,737
Special revenue funds	-	-	1,111,355	1,111,355
Expendable permanent funds	-	-	140,643	140,643
Total Restricted	37,042	181,702	1,429,735	1,648,479
<b>Committed</b>				
Stabilization fund	1,677,270	-	-	1,677,270
For continuing appropriations	215,033	-	-	215,033
Total Committed	1,892,303	-	-	1,892,303
<b>Assigned</b>				
For encumbrances	31,261	-	-	31,261
For next year's expenditures	7,500	-	-	7,500
Total Assigned	38,761	-	-	38,761
<b>Unassigned</b>				
	645,512	-	(18,093)	627,419
Total Unassigned	645,512	-	(18,093)	627,419
Total Fund Balance	\$ 2,616,219	\$ 181,702	\$ 1,707,623	\$ 4,505,544

## 15. **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.

## 16. Post-Employment Healthcare and Life Insurance Benefits

### Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, 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, 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 January 1, 2011, the actuarial valuation date, approximately 7 retirees and 51 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, disability, 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 100% of the cost of the medical, disability, and life insurance plans, as determined by the Town. The Town contributes the remainder of the plan costs on a pay-as-you-go basis.

#### D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2011 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, 2011, the amount actually contributed to the plan, and the

change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2011.

Annual Required Contribution (ARC)	\$ 11,400
Interest on net OPEB obligation	-
Adjustment to ARC	<u>-</u>
Annual OPEB cost	11,400
Contributions made	<u>(11,400)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of	
		OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 11,400	100%	\$ -
2010	\$ 11,400	100%	\$ -

The Town's net OPEB obligation as of June 30, 2011 is recorded as a component of the "other long-term liabilities" line item.

**E. Funded Status and Funding Progress**

The funded status of the plan as of January 1, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 160,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 160,000</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>N/A</u></u>
UAAL as a percentage of covered payroll	<u><u>N/A</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribu-

tions 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 the 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.

In the January 1, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual health-care cost trend rate of 8.5%, which decreases to a 4.5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

**17. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, 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. The System issues a publicly available financial report that can be obtained through the Middlesex County Retirement System administrative office.

*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, 2011, 2010, and 2009 were \$ 454,061, \$ 435,369, and \$ 460,805, 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, 2011 was not available.

*C. Massachusetts Teacher Retirement System (MTRS) - Plan Description*

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 MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, 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 Town is not required to contribute.

*D. 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 not available.

## 18. 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.

## 19. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2011, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/10 (as previously reported)	<u>Reclassification</u>	Fund Equity 6/30/10 (as restated)
General fund	\$ 1,987,625	\$ 895,300	\$ 2,882,925
Stabilization	895,300	(895,300)	-
Fire truck	(805,000)	805,000	-
Title V Betterments	-	181,063	181,063
Nonmajor funds	<u>1,877,753</u>	<u>(986,063)</u>	<u>891,690</u>
Total	<u>\$ 3,955,678</u>	<u>\$ -</u>	<u>\$ 3,955,678</u>

**20. Beginning Fund Balance Net Assets Restatement**

The beginning (July 1, 2010) net assets of the Town have been restated as follows:

Government-Wide Financial Statements:

	<u>Business-Type Activities</u>
As previously reported	\$ 2,152,066
ARRA revenue restatement	128,610
Unbilled revenue restatement	<u>308,290</u>
As restated	<u><u>\$ 2,588,966</u></u>

Fund Basis Financial Statements:

	<u>Water Fund</u>
As previously reported	\$ 2,152,066
ARRA revenue restatement	128,610
Unbilled revenue restatement	<u>308,290</u>
As restated	<u><u>\$ 2,588,966</u></u>



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

**June 30, 2011  
(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/11	\$ -	\$ 160,000	\$ 160,000	0.0%	N/A	N/A

See Independent Auditors' Report.

**TOWN OF TOWNSEND, MASSACHUSETTS**  
**DEPARTMENTAL RECEIVABLE - FIRE/EMERGENCY MEDICAL SERVICES (EMS)**  
**OTHER INFORMATION**  
**June 30, 2011**  
**(Unaudited)**

The receivable balance due to the Town for EMS from third party billing totaled \$ 172,512 as of June 30, 2011. The Town voted to merge the Fire Department with the Ambulance Service at the start of the 2008 fiscal year. The Fire/EMS Department provides the Town with Fire service, Basic Life Support (BLS), and Advanced Life Support (ALS) medical services. Townsend has several contractual agreements to provide ALS service to surrounding communities, in accordance with Massachusetts General Law (MGL) Chapter 40, Section 4A. These agreements automatically renew each year unless notification is given 60 days prior to the expiration. By operations of law, the term cannot exceed 25 years. Detailed run sheets are maintained for each patient and are used to bill for services. Third-party billing services are contracted from Coastal Medical Billing, Inc. Billing per contractual agreement with surrounding towns depends on which community is transporting the patient. Monthly detailed reports are provided for collections. Costs incurred for EMS services are identified by code on timesheets and schedules of bills payable submitted for payment. Communities under contractual agreement have no requirement to furnish funding for capital needs for ALS service, nor are they in financial risk to the Town of Townsend for lack of patient payment. Townsend only receives payment from the community under the contract once the collection from the patient occurs. The schedule below highlights call volume statistics.

Calls for BLS Townsend	214
Calls for ALS Townsend	410
Calls for ALS out of Town	526
Calls cancelled	<u>39</u>
<b>Total EMS calls</b>	<b><u><u>1,189</u></u></b>

The call volume for ALS out of town represents 44% of the total call volume, while 22% of the total revenue is from town billing agreements. The information reported below reflects identified EMS activities within the Fire/EMS Department reported in both the general fund and special revenue fund.

**Special Revenue Fund - Revenue Collected**

Third Party Billing		\$ 247,506
Town Agreement Billing		
Groton	36,738	
Lunenburg	7,282	
Ashby	15,303	
Pepperell	<u>10,103</u>	
		<u>69,426</u>
<b>Total</b>		<b><u>316,932</u></b>

**General Fund - Expenditures**

Salaries and Wages		(340,466)
Professional Services		(17,148)
Medical Supplies		(22,095)
Equipment Repairs and Supplies		(15,060)
Dues & Memberships		(1,200)
Equipment Replacement		<u>(1,610)</u>
<b>Total</b>		<b><u>(397,579)</u></b>

**Net Operating Loss** \$ (80,647)