

TOWN OF TOWNSEND, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24

PAGE

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Funding Progress 46

OTHER INFORMATION:

Departmental Receivable – Fire/Emergency Medical Services (EMS) 47

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Townsend, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Departmental Receivable, Fire/Emergency Medical Services, identified on pages 47 and 48 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melanson Heath

May 15, 2014

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, 2013. **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 Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes 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 \$38,348 (i.e., net position), a change of \$206 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$4,887, a change of \$52 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,116, a change of \$406 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$4,434, a change of \$(533) 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>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 7,081	\$ 6,682	\$ 1,752	\$ 1,485	\$ 8,833	\$ 8,167
Capital assets	31,240	31,928	3,856	3,970	35,096	35,898
Total assets	<u>38,321</u>	<u>38,610</u>	<u>5,608</u>	<u>5,455</u>	<u>43,929</u>	<u>44,065</u>
Long-term liabilities outstanding	3,556	4,059	1,390	1,489	4,946	5,548
Other liabilities	583	270	52	106	635	376
Total liabilities	<u>4,139</u>	<u>4,329</u>	<u>1,442</u>	<u>1,595</u>	<u>5,581</u>	<u>5,924</u>
Net position:						
Net investment in capital assets	28,175	28,785	2,466	2,424	30,641	31,209
Restricted	1,599	1,559	-	-	1,599	1,559
Unrestricted	4,409	3,939	1,699	1,436	6,108	5,374
Total net position	<u>\$ 34,183</u>	<u>\$ 34,283</u>	<u>\$ 4,165</u>	<u>\$ 3,860</u>	<u>\$ 38,348</u>	<u>\$ 38,142</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 879	\$ 888	\$ 1,060	\$ 1,012	\$ 1,939	1,900
Operating grants and contributions	298	226	-	-	298	226
Capital grants and contributions	134	413	-	-	134	413
General revenues:						
Property taxes	13,986	13,684	-	-	13,986	13,684
Excises	1,030	974	-	-	1,030	974
Penalties and interest on taxes	228	145	-	-	228	145
Grants and contributions not restricted to specific programs	1,318	1,347	-	-	1,318	1,347
Investment income	31	27	21	23	52	50
Other	84	43	-	-	84	43
Total revenues	<u>17,988</u>	<u>17,747</u>	<u>1,081</u>	<u>1,035</u>	<u>19,069</u>	<u>18,782</u>
Expenses:						
General government	2,056	1,994	-	-	2,056	1,994
Public safety	3,637	3,445	-	-	3,637	3,445
Education	9,445	8,859	-	-	9,445	8,859
Public works	1,466	1,453	-	-	1,466	1,453
Sanitation	753	742	-	-	753	742
Human services	255	225	-	-	255	225
Culture and recreation	415	363	-	-	415	363
Interest on long-term debt	128	128	-	-	128	128
Intergovernmental	68	70	-	-	68	71
Water operations	-	-	640	675	640	675
Total expenses	<u>18,223</u>	<u>17,279</u>	<u>640</u>	<u>675</u>	<u>18,863</u>	<u>17,955</u>
Change in net assets before transfers	(235)	468	441	360	206	827
Transfers in (out)	135	103	(135)	(103)	-	-
Change in net position	(100)	571	306	257	206	827
Net position - beginning of year	<u>34,283</u>	<u>33,712</u>	<u>3,859</u>	<u>3,603</u>	<u>38,142</u>	<u>37,315</u>
Net position - end of year	<u>\$ 34,183</u>	<u>\$ 34,283</u>	<u>\$ 4,165</u>	<u>\$ 3,860</u>	<u>\$ 38,348</u>	<u>\$ 38,142</u>

As noted earlier, net position 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 position was \$38,348, a change of \$206 from the prior year.

The largest portion of net position, \$30,641, 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 position, \$1,599, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,108, 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 position of \$(100). Key elements of this change are as follows:

General fund deficiency before transfers	\$ (517)
Enterprise fund indirect costs	135
Capital asset additions from current revenues	582
Principal debt service in excess of depreciation expense	(785)
Special revenue fund revenues in excess of expenditures (Primarily Ambulance fund)	558
Other	<u>(73)</u>
Total	<u>\$ (100)</u>

Business-type activities. Business-type activities (Water fund) for the year resulted in a change in net position of \$305.

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 \$4,887, a change of \$52 in comparison to the prior year. Key elements of this change are as follows:

General fund deficiency before transfers	\$ (517)
Enterprise fund indirect costs	135
Special revenue fund revenues in excess of expenditures	558
Capital project fund expenditures in excess of revenues	(122)
Expendable trust fund expenditures in excess of revenues	(6)
Nonexpendable trust fund revenue	<u>4</u>
Total	\$ <u><u>52</u></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 \$2,116, while total fund balance was \$3,186. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,116	\$ 1,710	\$ 406	12.2%
Total fund balance	3,186	3,110	76	18.3%

The total fund balance of the general fund changed by \$76 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (708)
Revenues in excess of budget	345
Expenditures less than budget	313
Change in stabilization accounts	107
Other	<u>19</u>
Total	\$ <u><u>76</u></u>

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization	\$ 1,067	\$ 1,064	\$ 3
Capital stabilization	<u>615</u>	<u>511</u>	<u>104</u>
Total	<u>\$ 1,682</u>	<u>\$ 1,575</u>	<u>\$ 107</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 position of the enterprise funds at the end of the year amounted to \$1,699, a change of \$263 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 \$210. Major reasons for these amendments include:

- \$176 increase related to the snow and ice appropriations
- \$ 34 other various appropriations

These increases were funded 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 \$35,096 (net of accumulated depreciation), a change of \$(802) 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:

- \$237 Public safety equipment
- \$175 Various street improvements
- \$ 60 Police cruisers
- \$ 53 Genova land acquisition

Business-type activities:

The Water fund did not capitalize any new assets during fiscal year 2013.

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 \$4,434, 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 Town'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 POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 5,315,099	\$ 1,453,244	\$ 6,768,343
Receivables, net of allowance for uncollectibles:			
Property taxes	466,077	-	466,077
Excises	130,651	-	130,651
User fees	-	296,308	296,308
Departmental and other	405,640	-	405,640
Intergovernmental	156,724	-	156,724
Other assets	10,380	1,111	11,491
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	596,503	-	596,503
Capital assets, net of accumulated depreciation	27,431,614	3,163,794	30,595,408
Capital assets, not being depreciated	<u>3,808,539</u>	<u>692,004</u>	<u>4,500,543</u>
TOTAL ASSETS	38,321,227	5,606,461	43,927,688
LIABILITIES			
Current:			
Warrants payable	405,064	23,696	428,760
Accrued liabilities	14,764	23,041	37,805
Other current liabilities	162,619	4,652	167,271
Current portion of long-term liabilities:			
Bonds payable	429,334	103,415	532,749
Landfill	20,000	-	20,000
Capital leases	54,737	-	54,737
Noncurrent:			
Bonds payable, net of current portion	2,614,051	1,286,674	3,900,725
Landfill, net of current portion	397,000	-	397,000
Capital leases, net of current portion	<u>40,530</u>	<u>-</u>	<u>40,530</u>
TOTAL LIABILITIES	4,138,099	1,441,478	5,579,577
NET POSITION			
Net investment in capital assets	28,175,028	2,465,709	30,640,737
Restricted for:			
Grants and other statutory restrictions	1,173,012	-	1,173,012
Permanent funds:			
Nonexpendable	302,043	-	302,043
Expendable	124,010	-	124,010
Unrestricted	<u>4,409,035</u>	<u>1,699,274</u>	<u>6,108,309</u>
TOTAL NET POSITION	\$ <u>34,183,128</u>	\$ <u>4,164,983</u>	\$ <u>38,348,111</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 2,056,401	\$ 166,138	\$ 156,294	\$ -	\$ (1,733,969)	\$ -	\$ (1,733,969)
Public safety	3,637,289	578,807	50,617	-	(3,007,865)	-	(3,007,865)
Education	9,444,928	-	-	-	(9,444,928)	-	(9,444,928)
Public works	1,465,794	40,944	-	134,088	(1,290,762)	-	(1,290,762)
Sanitation	753,114	-	-	-	(753,114)	-	(753,114)
Health and human services	255,232	31,759	80,008	-	(143,465)	-	(143,465)
Culture and recreation	413,973	61,009	11,557	-	(341,407)	-	(341,407)
Interest	128,460	-	-	-	(128,460)	-	(128,460)
Intergovernmental	67,507	-	-	-	(67,507)	-	(67,507)
Total Governmental Activities	18,222,698	878,657	298,476	134,088	(16,911,477)	-	(16,911,477)
Business-Type Activities:							
Water operations	640,171	1,059,555	-	-	-	419,384	419,384
Total Business-Type Activities	640,171	1,059,555	-	-	-	419,384	419,384
Total	\$ 18,862,869	\$ 1,938,212	\$ 298,476	\$ 134,088	(16,911,477)	419,384	(16,492,093)
General Revenues and Transfers:							
Property taxes					13,985,951	-	13,985,951
Excises					1,029,591	-	1,029,591
Penalties, interest and other taxes					227,933	-	227,933
Grants and contributions not restricted to specific programs					1,318,246	-	1,318,246
Investment income					30,901	21,134	52,035
Miscellaneous					84,050	-	84,050
Transfers, net					135,172	(135,172)	-
Total general revenues and transfers					16,811,844	(114,038)	16,697,806
Change in Net Position					(99,633)	305,346	205,713
Net Position:							
Beginning of year					34,282,761	3,859,637	38,142,398
End of year					\$ 34,183,128	\$ 4,164,983	\$ 38,348,111

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

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 3,580,696	\$ 1,734,403	\$ 5,315,099
Receivables:			
Property taxes	1,236,144	-	1,236,144
Excises	161,885	-	161,885
Departmental and other	-	405,640	405,640
Intergovernmental	-	156,724	156,724
Other assets	<u>3,147</u>	<u>7,233</u>	<u>10,380</u>
TOTAL ASSETS	<u>\$ 4,981,872</u>	<u>\$ 2,304,000</u>	<u>\$ 7,285,872</u>
LIABILITIES			
Warrants payable	\$ 256,437	\$ 148,627	\$ 405,064
Other liabilities	<u>149,408</u>	<u>13,211</u>	<u>162,619</u>
TOTAL LIABILITIES	405,845	161,838	567,683
DEFERRED INFLOWS OF RESOURCES	1,390,249	440,375	1,830,624
FUND BALANCES			
Nonspendable	49,636	302,043	351,679
Restricted	19,790	1,477,351	1,497,141
Committed	895,038	-	895,038
Assigned	104,832	-	104,832
Unassigned	<u>2,116,482</u>	<u>(77,607)</u>	<u>2,038,875</u>
TOTAL FUND BALANCES	<u>3,185,778</u>	<u>1,701,787</u>	<u>4,887,565</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 4,981,872</u>	<u>\$ 2,304,000</u>	<u>\$ 7,285,872</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

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

JUNE 30, 2013

Total governmental fund balances	\$ 4,887,565
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,240,153
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,625,826
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(14,764)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,555,652)</u>
Net position of governmental activities	<u>\$ 34,183,128</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 13,984,377	\$ -	\$ 13,984,377
Excises	1,024,026	-	1,024,026
Penalties, interest and other taxes	227,933	-	227,933
Charges for services	153,268	588,801	742,069
Intergovernmental	1,337,668	378,407	1,716,075
Licenses and permits	132,085	-	132,085
Investment income	4,324	8,161	12,485
Miscellaneous	-	117,468	117,468
Total Revenues	<u>16,863,681</u>	<u>1,092,837</u>	<u>17,956,518</u>
Expenditures:			
Current:			
General government	1,157,918	42,884	1,200,802
Public safety	2,927,410	171,854	3,099,264
Education	9,444,928	-	9,444,928
Public works	871,213	263,085	1,134,298
Sanitation	632,960	-	632,960
Health and human services	168,929	48,304	217,233
Culture and recreation	227,137	133,143	360,280
Employee benefits	1,318,045	-	1,318,045
Debt service	564,459	-	564,459
Intergovernmental	67,507	-	67,507
Total Expenditures	<u>17,380,506</u>	<u>659,270</u>	<u>18,039,776</u>
Excess (deficiency) of revenues over expenditures	(516,825)	433,567	(83,258)
Other Financing Sources (Uses):			
Transfers in	617,892	-	617,892
Transfers out	(24,789)	(457,931)	(482,720)
Total Other Financing Sources (Uses)	<u>593,103</u>	<u>(457,931)</u>	<u>135,172</u>
Change in fund balance	76,278	(24,364)	51,914
Fund Equity, at Beginning of Year, as reclassified	<u>3,109,500</u>	<u>1,726,151</u>	<u>4,835,651</u>
Fund Equity, at End of Year	<u>\$ 3,185,778</u>	<u>\$ 1,701,787</u>	<u>\$ 4,887,565</u>

The accompanying notes are an integral part of these 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, 2013

Net changes in fund balances - Total governmental funds	\$ 51,914
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases	582,451
Depreciation	(1,270,454)
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 	
	31,375
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Repayments of debt	485,736
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	1,845
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
	<u>17,500</u>
Change in net position of governmental activities	\$ <u>(99,633)</u>

The accompanying notes are an integral part of these 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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 13,972,009	\$ 13,972,009	\$ 13,972,009	\$ -
Excise	940,000	940,000	1,024,026	84,026
Penalties, interest and other taxes	62,000	62,000	227,933	165,933
Charges for services	102,000	102,000	133,234	31,234
Intergovernmental	1,363,135	1,363,135	1,337,668	(25,467)
Licenses and permits	90,000	90,000	132,085	42,085
Investment income	3,000	3,000	4,324	1,324
Miscellaneous	15,083	15,083	20,034	4,951
Transfers in	873,842	873,842	914,823	40,981
Use of free cash	497,929	707,731	707,731	-
Total Revenues and Other Sources	17,918,998	18,128,800	18,473,867	345,067
Expenditures and Other Uses:				
General government	1,164,662	1,196,212	1,158,610	37,602
Public safety	3,036,997	3,038,897	2,969,658	69,239
Education	9,444,928	9,444,928	9,444,928	-
Public works	750,127	926,479	860,889	65,590
Sanitation	647,698	647,698	632,960	14,738
Health and human services	174,386	174,386	172,871	1,515
Culture and recreation	228,750	228,750	227,137	1,613
Debt service	589,250	589,250	564,459	24,791
Intergovernmental	67,387	67,387	67,507	(120)
Employee benefits	1,414,813	1,414,813	1,316,557	98,256
Transfers out	400,000	400,000	400,000	-
Total Expenditures and Other Uses	17,918,998	18,128,800	17,815,576	313,224
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 658,291	\$ 658,291

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Water Fund
ASSETS	
Current:	
Cash and short-term investments	\$ 1,453,244
User fees, net of allowance for uncollectibles	296,308
Other assets	<u>1,111</u>
Total current assets	1,750,663
Noncurrent:	
Capital assets, net of accumulated depreciation	3,163,794
Capital assets, not being depreciated	<u>692,004</u>
Total noncurrent assets	<u>3,855,798</u>
TOTAL ASSETS	5,606,461
LIABILITIES	
Current:	
Warrants payable	23,696
Accrued liabilities	23,041
Other current liabilities	4,652
Current portion of long-term liabilities:	
Bonds payable	<u>103,415</u>
Total current liabilities	154,804
Noncurrent:	
Bonds payable, net of current portion	<u>1,286,674</u>
Total noncurrent liabilities	<u>1,286,674</u>
TOTAL LIABILITIES	1,441,478
NET POSITION	
Net investment in capital assets	2,465,709
Unrestricted	<u>1,699,274</u>
TOTAL NET POSITION	<u>\$ 4,164,983</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water Fund</u>
Operating Revenues:	
Charges for services	\$ <u>1,059,555</u>
Total Operating Revenues	1,059,555
Operating Expenses:	
Personnel services	233,479
Non-personnel services	264,403
Depreciation	<u>114,051</u>
Total Operating Expenses	<u>611,933</u>
Operating Income	447,622
Nonoperating Revenues (Expenses):	
Investment income	21,134
Interest expense	<u>(28,238)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(7,104)</u>
Income Before Transfers	440,518
Transfers:	
Transfers in	31,683
Transfers out	<u>(166,855)</u>
Change in Net Position	305,346
Net Position at Beginning of Year	<u>3,859,637</u>
Net Position at End of Year	<u>\$ 4,164,983</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 1,062,074
Payments to vendors and employees	<u>(551,277)</u>
Net Cash Provided By Operating Activities	510,797
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers in	31,683
Transfers out	<u>(166,855)</u>
Net Cash (Used for) Noncapital Financing Activities	(135,172)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Principal payments on bonds and notes	(98,959)
Interest expense	<u>(28,238)</u>
Net Cash (Used For) Provided By Capital and Related Financing Activities	(127,197)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>21,134</u>
Net Cash Provided By Investing Activities	<u>21,134</u>
Net Change in Cash and Short-Term Investments	269,562
Cash and Short-Term Investments, Beginning of Year	<u>1,183,682</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,453,244</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 447,622
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	114,051
Changes in assets and liabilities:	
User fees	2,519
Other assets	162
Warrants payable	(52,023)
Accrued liabilities	<u>(1,534)</u>
Net Cash Provided By Operating Activities	<u>\$ 510,797</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ <u>146,288</u>	\$ <u>284,690</u>
Total Assets	146,288	284,690
<u>LIABILITIES AND NET POSITION</u>		
Warrants payable	-	512
Other liabilities	<u>-</u>	<u>284,178</u>
Total Liabilities	<u>-</u>	<u>284,690</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>146,288</u></u>	\$ <u><u>-</u></u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 101
Interest income	<u>3,160</u>
Total additions	3,261
Deductions:	
Education	<u>2,675</u>
Total deductions	<u>2,675</u>
Net decrease	586
Net position:	
Beginning of year	<u>145,702</u>
End of year	<u>\$ 146,288</u>

The accompanying notes are an integral part of these 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 2013, 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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from

the government-wide financial statements. Major individual 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.

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.

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 2013 tax levy reflected an excess capacity of \$50,256.

G. Capital Assets

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

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

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

Property, plant, and equipment are 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

It is the government’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and

fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

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 position”.

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 Position - Net position represents the difference between assets/deferred outflows and liabilities. Net investments in capital assets 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 position is 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. The remaining net position is 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 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 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)	\$ 16,863,681	\$ 17,380,506
Other financing sources/uses (GAAP Basis)	<u>617,892</u>	<u>24,789</u>
Subtotal (GAAP Basis)	17,481,573	17,405,295

(continued)

(continued)

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Adjust tax revenue to accrual basis	(12,368)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(284,546)
Add end-of-year appropriation carryforwards from expenditures	-	319,616
To record use of free cash	707,731	-
To reverse the effect of non- budgeted Stabilization activity	<u>296,931</u>	<u>375,211</u>
Budgetary Basis	<u>\$ 18,473,867</u>	<u>\$ 17,815,576</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, 2013, \$6,299,759 of the Town's bank balance(s) of \$7,283,883 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, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 360	
2012	119	
2011	<u>51</u>	530
Personal Property		
2013	2	
2012	8	
2011	2	
2010	<u>3</u>	15
Tax Liens		662
Deferred Taxes		<u>29</u>
Total		<u>\$ 1,236</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	\$ 107	\$ -
Tax liens	66	-
Excises	31	-
Utilities	-	33

6. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

7. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,804	\$ -	\$ -	\$ 22,804
Capital improvements (other than buildings)	666	-	-	666
Machinery, equipment, and furnishings	4,608	30	(6)	4,632
Vehicles	1,164	52	(87)	1,129
Library books	491	29	-	520
Software	31	-	(31)	-
Infrastructure	<u>10,135</u>	<u>175</u>	<u>-</u>	<u>10,310</u>
Total capital assets, being depreciated	39,899	286	(124)	40,061
Less accumulated depreciation for:				
Buildings and improvements	(3,252)	(578)	-	(3,830)
Capital improvements (other than buildings)	(252)	(25)	-	(277)
Machinery, equipment, and furnishings	(2,977)	(345)	6	(3,316)
Vehicles	(1,006)	(83)	87	(1,002)
Library books	(319)	(30)	-	(349)
Software	(31)	-	31	-
Infrastructure	<u>(3,646)</u>	<u>(210)</u>	<u>-</u>	<u>(3,856)</u>
Total accumulated depreciation	<u>(11,483)</u>	<u>(1,271)</u>	<u>124</u>	<u>(12,630)</u>
Total capital assets, being depreciated, net	28,416	(985)	-	27,431
Capital assets, not being depreciated:				
Land	3,401	53	-	3,454
Art and historical treasures	55	-	-	55
Construction in progress	<u>56</u>	<u>244</u>	<u>-</u>	<u>300</u>
Total capital assets, not being depreciated	<u>3,512</u>	<u>297</u>	<u>-</u>	<u>3,809</u>
Governmental activities capital assets, net	<u>\$ 31,928</u>	<u>\$ (688)</u>	<u>\$ -</u>	<u>\$ 31,240</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,694	\$ -	\$ -	\$ 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	4,938	-	(106)	4,832
Less accumulated depreciation for:				
Buildings and improvements	(308)	(39)	-	(347)
Capital improvements (other than buildings)	(295)	(14)	-	(309)
Machinery, equipment, and furnishings	(244)	(19)	-	(263)
Vehicles	(106)	-	106	-
Infrastructure	<u>(707)</u>	<u>(42)</u>	<u>-</u>	<u>(749)</u>
Total accumulated depreciation	<u>(1,660)</u>	<u>(114)</u>	<u>106</u>	<u>(1,668)</u>
Total capital assets, being depreciated, net	3,278	(114)	-	3,164
Capital assets, not being depreciated:				
Land	662	-	-	662
Construction in progress	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>
Total capital assets, not being depreciated	<u>692</u>	<u>-</u>	<u>-</u>	<u>692</u>
Business-type activities capital assets, net	<u>\$ 3,970</u>	<u>\$ (114)</u>	<u>\$ -</u>	<u>\$ 3,856</u>

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

Governmental Activities:	
General government	\$ 578
Public safety	321
Public works	342
Culture and recreation	<u>30</u>
Total depreciation expense - governmental activities	<u>\$ 1,271</u>
Business-Type Activities:	
Water	<u>\$ 114</u>
Total depreciation expense - business-type activities	<u>\$ 114</u>

8. Warrants Payable

Warrants payable represent fiscal year 2013 expenditures paid by July 15, 2013.

9. 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 Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/13</u>
Title V	08/01/19	5.375-5.50%	\$ 75,873
Public buildings	06/15/22	4.25-5.00%	400,000
Land acquisition I	06/15/22	4.50-5.00%	230,000
Land acquisition II	06/15/19	4.50-5.00%	55,000
Landfill closure I	06/15/24	4.25-5.00%	715,000
Landfill closure II (72%)	06/15/24	4.25-5.00%	252,000
Title V	08/01/22	5.00-5.25%	72,638
Title V	07/15/27	0.00%	142,874
Memorial Hall - refunding	07/15/27	2.00-3.00%	510,000
Land acquisition - refunding	07/15/27	2.00-3.00%	50,000
Fire truck	07/15/27	2.00-3.00%	<u>540,000</u>
Total Governmental Activities:			<u>\$ 3,043,385</u>

<u>Business-Type Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/13</u>
Water pumping station	07/15/25	2.00%	\$ 485,085
Water improvements - East Side	07/15/26	2.00%	752,004
Witch's Brook water company (Landfill closure II - 28%)	06/15/24	4.25-5.00%	98,000
Water - refunding	12/17/17	2.00-3.00%	<u>55,000</u>
Total Business-Type Activities:			<u>\$ 1,390,089</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 429,334	\$ 111,021	\$ 540,355
2015	419,334	97,059	516,393
2016	419,138	82,149	501,287
2017	374,138	65,872	440,010
2018	374,138	52,482	426,620
2019-2023	889,479	116,800	1,006,279
2024-2028	<u>137,824</u>	<u>10,646</u>	<u>148,470</u>
Total	<u>\$ 3,043,385</u>	<u>\$ 536,029</u>	<u>\$ 3,579,414</u>

The general fund has been designated as the source to repay the general obligation long-term debt outstanding as of June 30, 2013:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 103,415	\$ 29,787	\$ 133,202
2015	105,032	27,438	132,470
2016	101,681	25,056	126,737
2017	103,364	22,698	126,062
2018	100,080	20,355	120,435
2019-2023	506,584	68,354	574,938
2014-2027	<u>369,933</u>	<u>13,788</u>	<u>383,721</u>
Total	<u>\$ 1,390,089</u>	<u>\$ 207,476</u>	<u>\$ 1,597,565</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 3,478	\$ -	(434)	\$ 3,044	\$ (429)	\$ 2,615
Other:						
Landfill closure	434	-	(17)	417	(20)	397
Capital leases	147	-	(52)	95	(55)	40
Totals	\$ 4,059	\$ -	\$ (503)	\$ 3,556	\$ (504)	\$ 3,052
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,489	\$ -	(99)	\$ 1,390	\$ (103)	\$ 1,287
Totals	\$ 1,489	\$ -	\$ (99)	\$ 1,390	\$ (103)	\$ 1,287

10. 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 \$417,000 reported as landfill closure and postclosure care liability at June 30, 2013 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill.

11. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

	Fund Basis	
	Governmental Funds	
	<u>General</u>	<u>Nonmajor</u>
Unavailable property taxes	\$ 1,228,364	\$ -
Unavailable excise taxes	161,885	-
Unavailable betterments	-	228,699
Unavailable ambulance revenue	-	176,941
Unavailable state grant	-	34,735
Total	<u>\$ 1,390,249</u>	<u>\$ 440,375</u>

12. **Restricted Net Position**

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

Permanent fund restricted net position is 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.

13. **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, 2013:

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, 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, 2013:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Prepaid expenditures	\$ 3,147	\$ -	\$ 3,147
For judgments	46,489	-	46,489
Nonexpendable permanent funds	-	302,043	302,043
Total Nonspendable	49,636	302,043	351,679
Restricted			
Debt service	19,790	180,329	200,119
Capital projects	-	67,334	67,334
Special revenue funds	-	1,105,678	1,105,678
Expendable permanent funds	-	124,010	124,010
Total Restricted	19,790	1,477,351	1,497,141
Committed			
Capital stabilization accounts	615,003	-	615,003
For continuing appropriations:			
General government	93,678	-	93,678
Public safety	81,863	-	81,863
Public works	100,000	-	100,000
Employee benefits	4,494	-	4,494
Total Committed	895,038	-	895,038

(continued)

(continued)

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assigned			
For encumbrances:			
General government	19,565	-	19,565
Public safety	13,960	-	13,960
Public works	500	-	500
Employee benefits	5,556	-	5,556
For next year's expenditures	<u>65,251</u>	<u>-</u>	<u>65,251</u>
Total Assigned	104,832	-	104,832
Unassigned - Unrestricted stabilization	1,067,090	-	1,067,090
Unassigned	<u>1,049,392</u>	<u>(77,607)</u>	<u>971,785</u>
Total Unassigned	<u>2,116,482</u>	<u>(77,607)</u>	<u>2,038,875</u>
Total Fund Balance	<u>\$ 3,185,778</u>	<u>\$ 1,701,787</u>	<u>\$ 4,887,565</u>

14. 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.

15. 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 Position 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 June 30, 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, 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 health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2013 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, 2013, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2011.

Annual Required Contribution (ARC)	\$ 12,540
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	12,540
Contributions made	<u>(12,540)</u>
	<hr/>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
	<hr/>
Net OPEB obligation - end of year	<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
2012	\$ 12,540	100%	\$ -
2011	\$ 11,400	100%	\$ -
2010	\$ 11,400	100%	\$ -

The Town's net OPEB obligation as of June 30, 2013 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 June 30, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 176,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 176,000</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>N/A</u>
UAAL as a percentage of covered payroll	<u>N/A</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 contributions of the employer are subject to continual revision as actual results are

compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to 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 June 30, 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%.

16. 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, 2013, 2012, and 2011 were \$465,246, \$454,061, and \$435,369, 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, 2013 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.

17. 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.

18. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2013, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/12 (as previously reported)	Reclassification	Fund Equity 6/30/12 (as restated)
General fund	\$ 3,109,500	\$ -	\$ 3,109,500
Title V Betterments	181,210	(181,210)	-
Nonmajor funds	<u>1,544,941</u>	<u>181,210</u>	<u>1,726,151</u>
Total	\$ <u>4,835,651</u>	\$ <u>-</u>	\$ <u>4,835,651</u>

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

**June 30, 2013
(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)	UAAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/11	\$ -	\$ 176,000	\$ 176,000	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, 2013
(Unaudited)

The receivable balance due to the Town for EMS from third party billing totaled \$176,906 as of June 30, 2013. 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	299
Calls for ALS Townsend	344
Calls for ALS out of Town	222
Calls cancelled	<u>26</u>
Total EMS calls	<u><u>891</u></u>

The call volume for ALS out of town represents 25% of the total call volume, while 11% 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		\$ 295,033
Town Agreement Billing		
Groton	8,694	
Lunenburg	6,380	
Ashby	17,006	
Pepperell	<u>2,616</u>	
		<u>34,696</u>
	Total	<u>329,729</u>
General Fund - Expenditures		
Salaries and Wages		(328,880)
Professional Services		(15,928)
Medical Supplies		(22,810)
Equipment Repairs and Supplies		(12,042)
Dues & Memberships		(1,800)
Equipment Replacement		<u>(42,365)</u>
	Total	<u>(423,825)</u>
Net Operating Loss		<u>\$ (94,096)</u>

See Independent Auditors' Report.