

TOWN OF TOWNSEND, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2012

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of 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, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town'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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress information 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.

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 46 and 47, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Melanson, Heath + Company P.C.

Andover, Massachusetts
November 12, 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, 2012. **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 \$38,143 (i.e., net assets), a change of \$828 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$4,836, a change of \$330 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,161, a change of \$515 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$4,967, a change of \$(639) 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 6,682	\$ 6,256	\$ 1,485	\$ 1,174	\$ 8,167	\$ 7,430
Capital assets	31,928	32,170	3,970	4,058	35,898	36,228
Total assets	<u>38,610</u>	<u>38,426</u>	<u>5,455</u>	<u>5,232</u>	<u>44,065</u>	<u>43,658</u>
Long-term liabilities outstanding	4,059	4,462	1,489	1,593	5,548	6,055
Other liabilities	270	252	106	36	376	288
Total liabilities	<u>4,329</u>	<u>4,714</u>	<u>1,595</u>	<u>1,629</u>	<u>5,924</u>	<u>6,343</u>
Net assets:						
Invested in capital assets, net	28,785	28,627	2,424	2,410	31,209	31,037
Restricted	1,909	1,908	-	-	1,909	1,908
Unrestricted	3,589	3,177	1,436	1,193	5,025	4,370
Total net assets	<u>\$ 34,283</u>	<u>\$ 33,712</u>	<u>\$ 3,860</u>	<u>\$ 3,603</u>	<u>\$ 38,143</u>	<u>\$ 37,315</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 888	\$ 966	\$ 1,012	\$ 1,228	\$ 1,900	\$ 2,194
Operating grants and contributions	226	210	-	-	226	210
Capital grants and contributions	413	337	-	196	413	533
General revenues:						
Property taxes	13,684	12,873	-	-	13,684	12,873
Excises	974	1,014	-	-	974	1,014
Penalties and interest on taxes	145	88	-	-	145	88
Grants and contributions not restricted to specific programs	1,347	1,357	-	-	1,347	1,357
Investment income	27	47	23	12	50	59
Other	43	330	-	-	43	330
Total revenues	<u>17,747</u>	<u>17,222</u>	<u>1,035</u>	<u>1,436</u>	<u>18,782</u>	<u>18,658</u>
Expenses:						
General government	1,994	2,027	-	-	1,994	2,027
Public safety	3,445	3,485	-	-	3,445	3,485
Education	8,859	8,908	-	-	8,859	8,908
Public works	1,453	1,389	-	-	1,453	1,389
Sanitation	742	749	-	-	742	749
Human services	225	233	-	-	225	233
Culture and recreation	363	327	-	-	363	327
Interest on long-term debt	128	317	-	-	128	317
Intergovernmental	70	71	-	-	70	71
Water operations	-	-	675	648	675	648
Total expenses	<u>17,279</u>	<u>17,506</u>	<u>675</u>	<u>648</u>	<u>17,954</u>	<u>18,154</u>
Change in net assets before transfers	468	(284)	360	788	828	504
Transfers in (out)	<u>103</u>	<u>(226)</u>	<u>(103)</u>	<u>226</u>	<u>-</u>	<u>-</u>
Change in net assets	571	(510)	257	1,014	828	504
Net assets - beginning 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>
Net assets - end of year	<u>\$ 34,283</u>	<u>\$ 33,712</u>	<u>\$ 3,860</u>	<u>\$ 3,603</u>	<u>\$ 38,143</u>	<u>\$ 37,315</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 \$38,143, a change of \$828 from the prior year.

The largest portion of net assets \$31,209 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 \$1,909 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$5,025 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 \$571. Key elements of this change are as follows:

General fund deficiency before transfers	\$ (101)
Enterprise fund indirect costs	103
Capital asset additions from current revenues	801
Principal debt service in excess of depreciation expense	(712)
Special revenue fund revenues in excess of expenditures	297
Other	<u>183</u>
Total	<u>\$ 571</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$257.

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 \$4,836, a change of \$330 in comparison to the prior year. Key elements of this change are as follows:

General fund deficiency before transfers	\$ (101)
Enterprise fund indirect costs	103
Title V Betterment revenue	27
Special revenue fund revenues in excess of expenditures	297
Capital project fund revenues in excess of expenditures	12
Expendable trust fund expenditures in excess of revenues	(10)
Nonexpendable trust fund revenue	<u>2</u>
Total	\$ <u><u>330</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 \$1,161, while total fund balance was \$3,110. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,161	\$ 646	\$ 515	7.1%
Total fund balance	3,110	2,617	493	18.9%

The total fund balance of the general fund changed by \$493 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (235)
Revenues in excess of budget	208
Expenditures less than budget	626
Change in stabilization accounts	(103)
Other	<u>(3)</u>
Total	\$ <u><u>493</u></u>

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

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
General stabilization	\$ <u>1,575</u>	\$ <u>1,677</u>	\$ <u>(102)</u>
Total	\$ <u><u>1,575</u></u>	\$ <u><u>1,677</u></u>	\$ <u><u>(102)</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 \$1,436, a change of \$243 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 \$124. Major reasons for these amendments include:

- \$52 increase related to the snow and ice deficit
- \$41 increase related to the October 2011 storm
- \$31 other various appropriations

These increases were funded from free cash and transfers from other funds.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$35,898 (net of accumulated depreciation), a change of \$(330) 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:

- \$408 Various street improvements
- \$274 Public safety equipment
- \$174 Ambulance
- \$ 51 Police cruisers
- \$ 51 Energy improvements
- \$ 32 Memorial Hall improvements
- \$ 33 Library books

Business-type activities:

- \$ 30 Construction in process

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 \$4,967, 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, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 4,896,180	\$ 1,183,682	\$ 6,079,862
Receivables, net of allowance for uncollectibles:			
Property taxes	631,299	-	631,299
Excises	125,086	-	125,086
User fees	-	298,827	298,827
Departmental and other	416,104	-	416,104
Intergovernmental	36,531	577	37,108
Other assets	3,628	696	4,324
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	573,570	-	573,570
Capital assets, net of accumulated depreciation	28,415,999	3,277,845	31,693,844
Capital assets, not being depreciated	<u>3,512,157</u>	<u>692,004</u>	<u>4,204,161</u>
TOTAL ASSETS	38,610,554	5,453,631	44,064,185
LIABILITIES			
Current:			
Warrants payable	202,752	75,719	278,471
Accrued liabilities	16,609	24,590	41,199
Other current liabilities	49,544	4,637	54,181
Current portion of long-term liabilities:			
Bonds payable	434,159	101,831	535,990
Landfill	17,500	-	17,500
Capital leases	51,582	-	51,582
Noncurrent:			
Bonds payable, net of current portion	3,043,380	1,387,217	4,430,597
Landfill, net of current portion	417,000	-	417,000
Capital leases, net of current portion	<u>95,267</u>	<u>-</u>	<u>95,267</u>
TOTAL LIABILITIES	4,327,793	1,593,994	5,921,787
NET ASSETS			
Invested in capital assets, net of related debt	28,784,773	2,423,783	31,208,556
Restricted for:			
Grants and other statutory restrictions	1,480,033	-	1,480,033
Permanent funds:			
Nonexpendable	298,143	-	298,143
Expendable	130,421	-	130,421
Unrestricted	<u>3,589,391</u>	<u>1,435,854</u>	<u>5,025,245</u>
TOTAL NET ASSETS	\$ <u>34,282,761</u>	\$ <u>3,859,637</u>	\$ <u>38,142,398</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, 2012

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,994,417	\$ 151,276	\$ 102,070	\$ -	\$ (1,741,071)	\$ -	\$ (1,741,071)
Public safety	3,445,260	632,392	30,183	-	(2,782,685)	-	(2,782,685)
Education	8,858,628	-	-	-	(8,858,628)	-	(8,858,628)
Public works	1,453,223	45,167	-	413,479	(994,577)	-	(994,577)
Sanitation	742,040	-	-	-	(742,040)	-	(742,040)
Health and human services	224,640	10,808	81,773	-	(132,059)	-	(132,059)
Culture and recreation	363,467	48,438	11,930	-	(303,099)	-	(303,099)
Interest	128,588	-	-	-	(128,588)	-	(128,588)
Intergovernmental	69,683	-	-	-	(69,683)	-	(69,683)
Total Governmental Activities	17,279,946	888,081	225,956	413,479	(15,752,430)	-	(15,752,430)
Business-Type Activities:							
Water operations	675,090	1,011,781	-	-	-	336,691	336,691
Total Business-Type Activities	675,090	1,011,781	-	-	-	336,691	336,691
Total	\$ 17,955,036	\$ 1,899,862	\$ 225,956	\$ 413,479	(15,752,430)	336,691	(15,415,739)
General Revenues and Transfers:							
Property taxes					13,684,375	-	13,684,375
Excises					974,221	-	974,221
Penalties, interest and other taxes					145,152	-	145,152
Grants and contributions not restricted to specific programs					1,346,568	-	1,346,568
Investment income					27,413	22,021	49,434
Miscellaneous					42,627	-	42,627
Transfers, net					102,562	(102,562)	-
Total general revenues and transfers					16,322,918	(80,541)	16,242,377
Change in Net Assets					570,488	256,150	826,638
Net Assets:							
Beginning of year					33,712,273	3,603,487	37,315,760
End of year					\$ 34,282,761	\$ 3,859,637	\$ 38,142,398

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

TOWN OF TOWNSEND, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	Title V <u>Betterments</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and short-term investments	\$ 3,178,029	\$ 181,210	\$ 1,536,941	\$ 4,896,180
Receivables:				
Property taxes	1,441,419	-	-	1,441,419
Excises	160,822	-	-	160,822
Departmental and other	-	243,592	172,512	416,104
Intergovernmental	-	-	36,531	36,531
Other assets	<u>1,603</u>	<u>-</u>	<u>2,025</u>	<u>3,628</u>
TOTAL ASSETS	<u>\$ 4,781,873</u>	<u>\$ 424,802</u>	<u>\$ 1,748,009</u>	<u>\$ 6,954,684</u>
LIABILITIES				
Warrants payable	\$ 189,554	\$ -	\$ 13,198	\$ 202,752
Deferred revenues	1,450,633	243,592	172,512	1,866,737
Other liabilities	<u>32,186</u>	<u>-</u>	<u>17,358</u>	<u>49,544</u>
TOTAL LIABILITIES	1,672,373	243,592	203,068	2,119,033
FUND BALANCES				
Nonspendable	1,603	-	298,143	299,746
Restricted	27,805	181,210	1,428,626	1,637,641
Committed	1,837,090	-	-	1,837,090
Assigned	81,785	-	-	81,785
Unassigned	<u>1,161,217</u>	<u>-</u>	<u>(181,828)</u>	<u>979,389</u>
TOTAL FUND BALANCES	<u>3,109,500</u>	<u>181,210</u>	<u>1,544,941</u>	<u>4,835,651</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,781,873</u>	<u>\$ 424,802</u>	<u>\$ 1,748,009</u>	<u>\$ 6,954,684</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 ASSETS

JUNE 30, 2012

Total governmental fund balances	\$ 4,835,651
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,928,156
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,594,451
<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.	(16,609)
<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>(4,058,888)</u>
Net assets of governmental activities	<u>\$ 34,282,761</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, 2012

	<u>General</u>	<u>Title V Betterments</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 13,603,495	\$ -	\$ -	\$ 13,603,495
Excises	965,138	-	-	965,138
Penalties, interest and other taxes	145,152	-	-	145,152
Charges for services	125,747	-	622,764	748,511
Intergovernmental	1,373,404	-	625,194	1,998,598
Licenses and permits	104,264	-	-	104,264
Investment income	11,210	-	16,206	27,416
Miscellaneous	-	27,062	42,365	69,427
Total Revenues	<u>16,328,410</u>	<u>27,062</u>	<u>1,306,529</u>	<u>17,662,001</u>
Expenditures:				
Current:				
General government	1,099,996	-	66,697	1,166,693
Public safety	2,606,809	-	170,883	2,777,692
Education	8,858,628	-	-	8,858,628
Public works	906,551	-	611,643	1,518,194
Sanitation	627,745	-	-	627,745
Health and human services	146,438	-	42,060	188,498
Culture and recreation	202,367	-	114,084	316,451
Employee benefits	1,253,768	-	-	1,253,768
Debt service	657,104	-	-	657,104
Intergovernmental	69,683	-	-	69,683
Total Expenditures	<u>16,429,089</u>	<u>-</u>	<u>1,005,367</u>	<u>17,434,456</u>
Excess (deficiency) of revenues over expenditures	(100,679)	27,062	301,162	227,545
Other Financing Sources (Uses):				
Transfers in	869,207	-	68,324	937,531
Transfers out	<u>(275,247)</u>	<u>(27,554)</u>	<u>(532,168)</u>	<u>(834,969)</u>
Total Other Financing Sources (Uses)	<u>593,960</u>	<u>(27,554)</u>	<u>(463,844)</u>	<u>102,562</u>
Change in fund balance	493,281	(492)	(162,682)	330,107
Fund Equity, at Beginning of Year	<u>2,616,219</u>	<u>181,702</u>	<u>1,707,623</u>	<u>4,505,544</u>
Fund Equity, at End of Year	<u>\$ 3,109,500</u>	<u>\$ 181,210</u>	<u>\$ 1,544,941</u>	<u>\$ 4,835,651</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, 2012

Net changes in fund balances - Total governmental funds	\$ 330,107														
<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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">1,022,533</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,264,690)</td> </tr> </table> • 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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">85,871</td> </tr> </table> • 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(163,905)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">552,425</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(6,853)</td> </tr> </table> • 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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>15,000</u></td> </tr> </table> 		Capital outlay purchases	1,022,533	Depreciation	(1,264,690)		85,871	Issuance of debt	(163,905)	Repayments of debt	552,425		(6,853)		<u>15,000</u>
Capital outlay purchases	1,022,533														
Depreciation	(1,264,690)														
	85,871														
Issuance of debt	(163,905)														
Repayments of debt	552,425														
	(6,853)														
	<u>15,000</u>														
Change in net assets of governmental activities	\$ <u><u>570,488</u></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, 2012

	<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	\$ 13,674,432	\$ 13,674,432	\$ 13,674,432	\$ -
Excise	817,000	817,000	965,138	148,138
Penalties, interest and other taxes	51,000	51,000	145,152	94,152
Charges for services	105,000	105,000	125,747	20,747
Intergovernmental	1,366,519	1,366,519	1,373,404	6,885
Licenses and permits	86,000	86,000	104,264	18,264
Investment income	12,000	12,000	3,230	(8,770)
Miscellaneous	40,412	40,412	-	(40,412)
Transfers in	892,212	905,231	874,187	(31,044)
Use of free cash	<u>124,425</u>	<u>235,466</u>	<u>235,466</u>	<u>-</u>
Total Revenues and Other Sources	17,169,000	17,293,060	17,501,020	207,960
Expenditures and Other Uses:				
General government	1,249,752	1,265,620	1,115,298	150,322
Public safety	2,808,526	2,818,626	2,640,056	178,570
Education	8,858,628	8,858,628	8,858,628	-
Public works	863,647	956,739	901,568	55,171
Sanitation	747,796	747,796	624,016	123,780
Health and human services	158,201	158,201	141,172	17,029
Culture and recreation	203,128	203,128	202,367	761
Debt service	702,396	702,396	657,104	45,292
Intergovernmental	71,743	71,743	69,683	2,060
Employee benefits	1,305,183	1,310,183	1,257,449	52,734
Transfers out	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>17,169,000</u>	<u>17,293,060</u>	<u>16,667,341</u>	<u>625,719</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>833,679</u>	\$ <u>833,679</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Water Fund
ASSETS	
Current:	
Cash and short-term investments	\$ 1,183,682
User fees, net of allowance for uncollectibles	298,827
Intergovernmental receivables	577
Other assets	<u>696</u>
Total current assets	1,483,782
Noncurrent:	
Capital assets, net of accumulated depreciation	3,277,845
Capital assets, not being depreciated	<u>692,004</u>
Total noncurrent assets	<u>3,969,849</u>
TOTAL ASSETS	5,453,631
LIABILITIES	
Current:	
Warrants payable	75,719
Accrued liabilities	24,590
Other current liabilities	4,637
Current portion of long-term liabilities:	
Bonds payable	<u>101,831</u>
Total current liabilities	206,777
Noncurrent:	
Bonds payable, net of current portion	<u>1,387,217</u>
Total noncurrent liabilities	<u>1,387,217</u>
TOTAL LIABILITIES	1,593,994
NET ASSETS	
Invested in capital assets, net of related debt	2,423,783
Unrestricted	<u>1,435,854</u>
TOTAL NET ASSETS	<u>\$ 3,859,637</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 ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Water Fund
Operating Revenues:	
Charges for services	\$ <u>1,011,781</u>
Total Operating Revenues	1,011,781
Operating Expenses:	
Personnel services	220,092
Non-personnel services	291,230
Depreciation	<u>118,315</u>
Total Operating Expenses	<u>629,637</u>
Operating Income	382,144
Nonoperating Revenues (Expenses):	
Investment income	22,021
Interest expense	<u>(45,453)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(23,432)</u>
Income Before Transfers	358,712
Transfers:	
Transfers in	39,824
Transfers out	<u>(142,386)</u>
Change in Net Assets	256,150
Net Assets at Beginning of Year	<u>3,603,487</u>
Net Assets at End of Year	\$ <u><u>3,859,637</u></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, 2012

	Water Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 1,040,354
Payments to vendors and employees	<u>(442,465)</u>
Net Cash Provided By Operating Activities	597,889
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers in	39,824
Transfers out	<u>(142,386)</u>
Net Cash (Used for) Noncapital Financing Activities	(102,562)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(29,747)
Principal payments on bonds and notes	(104,150)
Interest expense	<u>(45,453)</u>
Net Cash (Used For) Provided By Capital and Related Financing Activities	(179,350)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>22,021</u>
Net Cash Provided By Investing Activities	<u>22,021</u>
Net Change in Cash and Short-Term Investments	337,998
Cash and Short-Term Investments, Beginning of Year	<u>845,684</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,183,682</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 382,144
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	118,315
Changes in assets and liabilities:	
User fees	28,573
Other assets	(935)
Warrants payable	58,609
Accrued liabilities	<u>11,183</u>
Net Cash Provided By Operating Activities	<u>\$ 597,889</u>

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

TOWN OF TOWNSEND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ <u>145,702</u>	\$ <u>283,607</u>
Total Assets	145,702	283,607
<u>LIABILITIES AND NET ASSETS</u>		
Other liabilities	<u>-</u>	<u>283,607</u>
Total Liabilities	<u>-</u>	<u>283,607</u>
<u>NET ASSETS</u>		
Total net assets held in trust	\$ <u><u>145,702</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 ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest income	\$ <u>3,561</u>
Total additions	3,561
Deductions:	
Education	500
Health and human services	<u>7,036</u>
Total deductions	<u>7,536</u>
Net decrease	(3,975)
Net assets:	
Beginning of year	<u>149,677</u>
End of year	\$ <u><u>145,702</u></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 2012, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 2012 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 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 Assets.

J. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).

- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the 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)	\$ 16,328,410	\$ 16,429,089
Other financing sources/uses (GAAP Basis)	<u>869,207</u>	<u>275,247</u>
Subtotal (GAAP Basis)	17,197,617	16,704,336
Adjust tax revenue to accrual basis	70,937	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(246,294)
Add end-of-year appropriation carryforwards from expenditures	-	284,546
To record use of free cash	235,466	-
To reverse the effect of non- budgeted Stabilization activity	<u>(3,000)</u>	<u>(75,247)</u>
Budgetary Basis	<u>\$ 17,501,020</u>	<u>\$ 16,667,341</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, 2012, \$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, 2012 consist of the following (in thousands):

Real Estate		
2012	\$ 525	
2011	138	
2010	54	
2009	26	
Prior	<u>21</u>	
		764
Personal Property		
2012	8	
2011	2	
2010	<u>3</u>	
		13
Tax Liens		637
Deferred Taxes		<u>27</u>
Total		<u>\$ 1,441</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	\$ 172	\$ -
Tax liens	64	-
Excises	36	-
Utilities	-	52

6. Intergovernmental Receivables

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

7. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,721	\$ 83	\$ -	\$ 22,804
Capital improvements (other than buildings)	666	-	-	666
Machinery, equipment, and furnishings	4,234	374	-	4,608
Vehicles	1,094	118	(48)	1,164
Library books	458	33	-	491
Software	31	-	-	31
Infrastructure	<u>9,726</u>	<u>409</u>	<u>-</u>	<u>10,135</u>
Total capital assets, being depreciated	38,930	1,017	(48)	39,899
Less accumulated depreciation for:				
Buildings and improvements	(2,677)	(575)	-	(3,252)
Capital improvements (other than buildings)	(227)	(25)	-	(252)
Machinery, equipment, and furnishings	(2,643)	(334)	-	(2,977)
Vehicles	(955)	(99)	48	(1,006)
Library books	(289)	(30)	-	(319)
Software	(31)	-	-	(31)
Infrastructure	<u>(3,444)</u>	<u>(202)</u>	<u>-</u>	<u>(3,646)</u>
Total accumulated depreciation	<u>(10,266)</u>	<u>(1,265)</u>	<u>48</u>	<u>(11,483)</u>
Total capital assets, being depreciated, net	28,664	(248)	-	28,416
Capital assets, not being depreciated:				
Land	3,401	-	-	3,401
Art and historical treasures	55	-	-	55
Construction in progress	<u>50</u>	<u>6</u>	<u>-</u>	<u>56</u>
Total capital assets, not being depreciated	<u>3,506</u>	<u>6</u>	<u>-</u>	<u>3,512</u>
Governmental activities capital assets, net	<u>\$ 32,170</u>	<u>\$ (242)</u>	<u>\$ -</u>	<u>\$ 31,928</u>

	Beginning Balance	Increases	Decreases	Ending Balance
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	-	-	4,938
Less accumulated depreciation for:				
Buildings and improvements	(269)	(39)	-	(308)
Capital improvements (other than buildings)	(281)	(14)	-	(295)
Machinery, equipment, and furnishings	(223)	(21)	-	(244)
Vehicles	(104)	(2)	-	(106)
Infrastructure	<u>(665)</u>	<u>(42)</u>	<u>-</u>	<u>(707)</u>
Total accumulated depreciation	<u>(1,542)</u>	<u>(118)</u>	<u>-</u>	<u>(1,660)</u>
Total capital assets, being depreciated, net	3,396	(118)	-	3,278
Capital assets, not being depreciated:				
Land	662	-	-	662
Construction in progress	<u>-</u>	<u>30</u>	<u>-</u>	<u>30</u>
Total capital assets, not being depreciated	<u>662</u>	<u>30</u>	<u>-</u>	<u>692</u>
Business-type activities capital assets, net	<u>\$ 4,058</u>	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ 3,970</u>

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

Governmental Activities:	
General government	\$ 564
Public safety	297
Public works	374
Culture and recreation	<u>30</u>
Total depreciation expense - governmental activities	<u>\$ 1,265</u>
Business-Type Activities:	
Water	<u>\$ 118</u>
Total depreciation expense - business-type activities	<u>\$ 118</u>

8. Warrants Payable

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

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, 2012 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

10. 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>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/12</u>
Title V	08/01/19	5.375-5.50%	\$ 86,852
Public buildings	06/15/22	4.25-5.00%	445,000
Land acquisition I	06/15/22	4.50-5.00%	260,000
Land acquisition II	06/15/19	4.50-5.00%	65,000
Landfill closure I	06/15/24	4.25-5.00%	780,000
Landfill closure II (72%)	06/15/24	4.25-5.00%	273,600
Title V	08/01/22	5.00-5.25%	79,688
Title V	07/15/27	0.00%	152,399
Memorial Hall - refunding	07/15/27	2.00-3.00%	624,000
Land acquisition - refunding	07/15/27	2.00-3.00%	61,000
Fire truck	07/15/27	2.00-3.00%	<u>650,000</u>
Total Governmental Activities:			<u>\$ 3,477,539</u>

(continued)

(continued)

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
Water pumping station	07/15/25	2.00%	\$ 517,434
Water improvements - East Side	07/15/26	2.00%	795,214
Witch's Brook water company (Landfill closure II - 28%)	06/15/24	4.25-5.00%	106,400
Water - refunding	12/17/17	2.00-3.00%	<u>70,000</u>
Total Business-Type Activities:			<u>\$ 1,489,048</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 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	374,138	81,509	455,647
2018 - 2022	1,156,493	166,666	1,323,159
2023 - 2027	235,419	13,264	248,683
2028	<u>9,524</u>	<u>-</u>	<u>9,524</u>
Total	<u>\$ 3,477,539</u>	<u>\$ 676,179</u>	<u>\$ 4,153,718</u>

The general fund has been designated as the source to repay the general obligation long-term debt outstanding as of June 30, 2012:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	93,364	22,698	116,062
2018 - 2022	511,068	79,603	590,671
2023 - 2027	<u>472,657</u>	<u>22,894</u>	<u>495,551</u>
Total	<u>\$ 1,489,048</u>	<u>\$ 239,541</u>	<u>\$ 1,728,589</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/11	Additions	Reductions	Total Balance 6/30/12	Less Current Portion	Equals Long-Term Portion 6/30/12
<u>Governmental Activities</u>						
Bonds payable	\$ 4,013	\$ -	\$ (535)	\$ 3,478	\$ (434)	\$ 3,044
Other:						
Landfill closure	449	-	(15)	434	(18)	416
Capital leases	-	164	(17)	147	(52)	95
Totals	<u>\$ 4,462</u>	<u>\$ 164</u>	<u>\$ (567)</u>	<u>\$ 4,059</u>	<u>\$ (504)</u>	<u>\$ 3,555</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,593	\$ -	\$ (104)	\$ 1,489	\$ (102)	\$ 1,387
Totals	<u>\$ 1,593</u>	<u>\$ -</u>	<u>\$ (104)</u>	<u>\$ 1,489</u>	<u>\$ (102)</u>	<u>\$ 1,387</u>

D. Advance and Current Refundings

Prior 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.

Defeased debt for the 1999 issue still outstanding at June 30, 2012 is \$0.

11. 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 \$434,500 reported as landfill closure and postclosure care liability at June 30, 2012 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill.

12. 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.

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, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes 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, capital reserve 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, 2012:

	General Fund	Title V Betterments	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenditures	\$ 1,603	\$ -	\$ -	\$ 1,603
Nonexpendable permanent funds	-	-	298,143	298,143
	<hr/>	<hr/>	<hr/>	<hr/>
Total Nonspendable	1,603	-	298,143	299,746
Restricted				
For bond premiums	27,805	-	-	27,805
Debt service	-	181,210	-	181,210
Capital projects	-	-	189,539	189,539
Special revenue funds	-	-	1,108,666	1,108,666
Expendable permanent funds	-	-	130,421	130,421
	<hr/>	<hr/>	<hr/>	<hr/>
Total Restricted	27,805	181,210	1,428,626	1,637,641
Committed				
Stabilization fund	1,574,700	-	-	1,574,700
For continuing appropriations	262,390	-	-	262,390
	<hr/>	<hr/>	<hr/>	<hr/>
Total Committed	1,837,090	-	-	1,837,090

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	General Fund	Title V Betterments	Nonmajor Governmental Funds	Total Governmental Funds
Assigned				
For encumbrances	22,156	-	-	22,156
For next year's expenditures	59,629	-	-	59,629
Total Assigned	81,785	-	-	81,785
Unassigned	1,161,217	-	(181,828)	979,389
Total Unassigned	1,161,217	-	(181,828)	979,389
Total Fund Balance	\$ 3,109,500	\$ 181,210	\$ 1,544,941	\$ 4,835,651

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 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, 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 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2011.

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

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%	\$ -

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

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 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%.

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, 2012, 2011, and 2010 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, 2012 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. Implementation of GASB 68

The GASB has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Middlesex County Retirement System's actuarially accrued liability.

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

**June 30, 2012
(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, 2012
(Unaudited)

The receivable balance due to the Town for EMS from third party billing totaled \$172,512 as of June 30, 2012. 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	241
Calls for ALS Townsend	443
Calls for ALS out of Town	428
Calls cancelled	<u>74</u>
Total EMS calls	<u><u>1,186</u></u>

The call volume for ALS out of town represents 36% of the total call volume, while 14% 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		\$ 331,668
Town Agreement Billing		
Groton	33,173	
Lunenburg	5,462	
Ashby	15,304	
Pepperell	<u>1,125</u>	
		<u>55,064</u>
	Total	<u><u>386,732</u></u>
General Fund - Expenditures		
Salaries and Wages		(359,222)
Professional Services		(19,178)
Medical Supplies		(22,272)
Equipment Repairs and Supplies		(14,916)
Dues & Memberships		(2,100)
Equipment Replacement		<u>(52,748)</u>
	Total	<u><u>(470,436)</u></u>
Net Operating Loss		\$ <u><u>(83,704)</u></u>

See Independent Auditors' Report.