

TOWN OF UXBRIDGE, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Uxbridge, 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 Uxbridge, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Uxbridge's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Uxbridge, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis appearing on the following pages, and the supplementary information appearing on page 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supple-

Additional Offices:

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

mentary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 2, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.
Andover, Massachusetts
July 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include water, sewer, and ambulance activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be

divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer, and ambulance 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 and sewer operations, both of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary infor-

mation which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 47,216 (i.e., net assets), a change of \$ 72 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 21,572, a change of \$ 15,991 in comparison to the prior year, primarily from the issuance of \$ 20,000 in bonds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 984 a change of \$ (573) in comparison to the prior year.
- Bonds payable at the close of the current fiscal year was \$ 38,560 (exclusive of premiums and deferred loss), a change of \$ 18,275 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 34,980	\$ 19,278	\$ 4,030	\$ 4,085	\$ 39,010	\$ 23,363
Capital assets	<u>42,825</u>	<u>35,158</u>	<u>19,481</u>	<u>19,201</u>	<u>62,306</u>	<u>54,359</u>
Total assets	<u>77,805</u>	<u>54,436</u>	<u>23,511</u>	<u>23,286</u>	<u>101,316</u>	<u>77,722</u>
Long-term liabilities outstanding	40,701	18,262	7,775	8,123	48,476	26,385
Other liabilities	<u>4,922</u>	<u>3,775</u>	<u>702</u>	<u>418</u>	<u>5,624</u>	<u>4,193</u>
Total liabilities	<u>45,623</u>	<u>22,037</u>	<u>8,477</u>	<u>8,541</u>	<u>54,100</u>	<u>30,578</u>
Net assets:						
Invested in capital assets, net	33,433	32,721	12,139	11,737	45,572	44,458
Restricted	3,464	4,050	-	-	3,464	4,050
Unrestricted	<u>(4,715)</u>	<u>(4,371)</u>	<u>2,895</u>	<u>3,007</u>	<u>(1,820)</u>	<u>(1,364)</u>
Total net assets	<u>\$ 32,182</u>	<u>\$ 32,400</u>	<u>\$ 15,034</u>	<u>\$ 14,744</u>	<u>\$ 47,216</u>	<u>\$ 47,144</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,854	\$ 1,831	\$ 3,558	\$ 3,416	\$ 5,412	\$ 5,247
Operating grants and contributions	13,930	14,416	-	-	13,930	14,416
Capital grants and contributions	3,981	105	-	-	3,981	105
General revenues:						
Property taxes	20,359	19,535	-	-	20,359	19,535
Excises	1,375	1,657	-	-	1,375	1,657
Penalties and interest on taxes	433	479	-	-	433	479
Grants and contributions not restricted to specific programs	1,341	1,416	-	-	1,341	1,416
Investment income	111	77	21	20	132	97
Other	125	317	-	-	125	317
Total revenues	<u>43,509</u>	<u>39,833</u>	<u>3,579</u>	<u>3,436</u>	<u>47,088</u>	<u>43,269</u>
Expenses:						
General government	1,291	1,304	-	-	1,291	1,304
Public safety	2,428	2,630	-	-	2,428	2,630
Education	26,053	26,026	-	-	26,053	26,026
Public works	1,789	1,550	-	-	1,789	1,550
Human services	432	444	-	-	432	444
Culture and recreation	507	514	-	-	507	514
Employee benefits	9,328	8,139	-	-	9,328	8,139
Interest on long-term debt	882	546	-	-	882	546
Intergovernmental	1,228	1,295	-	-	1,228	1,295
Water services	-	-	1,215	1,001	1,215	1,001
Sewer services	-	-	1,360	1,156	1,360	1,156
Ambulance services	-	-	503	570	503	570
Total expenses	<u>43,938</u>	<u>42,448</u>	<u>3,078</u>	<u>2,727</u>	<u>47,016</u>	<u>45,175</u>
Change in net assets	(429)	(2,615)	501	709	72	(1,906)
Transfers, net	211	(145)	(211)	145	-	-
Change in net assets	(218)	(2,760)	290	854	72	(1,906)
Net assets - beginning of year	32,400	35,160	14,744	13,890	47,144	49,050
Net assets - end of year	<u>\$ 32,182</u>	<u>\$ 32,400</u>	<u>\$ 15,034</u>	<u>\$ 14,744</u>	<u>\$ 47,216</u>	<u>\$ 47,144</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 \$ 47,216, a change of \$ 72 from the prior year. The largest portion of net assets \$ 45,572 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 3,464 represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a deficit of \$ (1,820), which was caused primarily because of unfunded the net OPEB obligation (see footnote 18).

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (218). Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (291)
Enterprise fund transfers, net	211
Nonmajor governmental funds revenues in excess of expenditures	246
Receipt of MSBA grant previously recognized at the government-wide level	(903)
Capital asset additions from current year revenue	3,866
Increase in net OPEB obligation	(3,369)
Other	<u>22</u>
Total	<u>\$ (218)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 290. Key elements of this change are as follows:

Water fund	\$ 375
Sewer fund	(63)
Nonmajor fund	<u>(22)</u>
Total	<u>\$ 290</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 21,572, a change of \$ 15,991 in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$	(291)
Enterprise fund transfers, net		211
Receipt of High School Construction Bond premium		685
Special revenue fund revenues in excess of expenditures		307
High School Construction fund revenues and bond proceeds exceeding capital expenditures		15,139
Nonmajor capital project fund expenditures		(87)
Trust fund revenues in excess of expenditures		<u>27</u>
Total	\$	<u>15,991</u>

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

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 984, while total fund balance was \$ 3,388. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 984	\$ 1,557	\$ (573)	2.7%
Total fund balance ¹	3,388	2,870	518	9.2%

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

The total fund balance of the general fund changed by \$ 518 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (638)
Revenues in excess of budget	1,466
Expenditures less than budget	147
Tax collections less than budget	(441)
Change in Stabilization accounts	(83)
Change in encumbrances	<u>67</u>
Total	\$ <u><u>518</u></u>

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

	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
Stabilization	\$ 924	\$ 1,007	\$ (83)

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.

Net assets of the enterprise funds at the end of the year amounted to \$ 15,034, a change of \$ 290 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

The original budget increased during the fiscal year by \$ 241 from various supplemental appropriations, which were funded by the use of overlay surplus and transfers from other available 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 \$ 62,306 (net of accumulated depreciation), a change of \$ 7,947 from the prior year. This investment in capital assets includes buildings, equipment, improvements, infrastructure, land, and construction in progress.

The major capital asset event during the current fiscal year was activity related. Current year new additions exceeded depreciation, which resulted in a net increase in capital assets for both governmental and business-type activities.

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

Change in credit rating. The Town's credit rating did not change during the fiscal year.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 38,560 (exclusive of premiums and deferred loss), all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Office of Treasurer/Collector
Town of Uxbridge
21 South Main Street
Uxbridge, Massachusetts 01569

TOWN OF UXBRIDGE, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 20,999,172	\$ 3,597,407	\$ 24,596,579
Investments	2,694,589	-	2,694,589
Receivables, net of allowance for uncollectibles:			
Property taxes	53,442	-	53,442
Excises	112,583	-	112,583
User fees	-	433,361	433,361
Intergovernmental	3,283,766	-	3,283,766
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,512,585	-	1,512,585
Intergovernmental	6,322,775	-	6,322,775
Capital assets being depreciated, net	27,669,421	14,210,870	41,880,291
Capital assets not being depreciated	<u>15,156,206</u>	<u>5,269,528</u>	<u>20,425,734</u>
TOTAL ASSETS	77,804,539	23,511,166	101,315,705
LIABILITIES			
Current:			
Warrants payable	2,176,626	63,546	2,240,172
Accrued liabilities	2,390,160	638,522	3,028,682
Notes payable	347,486	-	347,486
Other current liabilities	7,403	-	7,403
Current portion of long-term liabilities:			
Bonds payable	2,056,287	395,000	2,451,287
Accrued employee benefits	20,081	5,029	25,110
Estimated landfill closure and postclosure care costs	24,550	-	24,550
Noncurrent:			
Bonds payable, net of current portion	29,544,432	6,980,000	36,524,432
Accrued employee benefits, net of current portion	381,543	95,551	477,094
Estimated landfill closure and postclosure care costs, net of current portion	333,200	-	333,200
Net OPEB obligation	<u>8,341,000</u>	<u>299,000</u>	<u>8,640,000</u>
TOTAL LIABILITIES	45,622,768	8,476,648	54,099,416
NET ASSETS			
Invested in capital assets, net of related debt	33,432,685	12,139,277	45,571,962
Restricted for:			
Grants and other statutory restrictions	3,040,515	-	3,040,515
Permanent funds:			
Nonexpendable	81,040	-	81,040
Expendable	342,606	-	342,606
Unrestricted	<u>(4,715,075)</u>	<u>2,895,241</u>	<u>(1,819,834)</u>
TOTAL NET ASSETS	\$ <u>32,181,771</u>	\$ <u>15,034,518</u>	\$ <u>47,216,289</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,291,461	\$ 161,788	\$ 25,183	\$ -	\$ (1,104,490)	\$ -	\$ (1,104,490)
Public safety	2,428,257	206,140	63,462	-	(2,158,655)	-	(2,158,655)
Education	26,052,843	1,215,914	13,589,073	3,865,397	(7,382,459)	-	(7,382,459)
Public works	1,788,847	25,923	-	115,307	(1,647,617)	-	(1,647,617)
Health and human services	432,216	7,648	222,762	-	(201,806)	-	(201,806)
Culture and recreation	506,847	236,866	29,755	-	(240,226)	-	(240,226)
Employee benefits	9,327,736	-	-	-	(9,327,736)	-	(9,327,736)
Interest	881,444	-	-	-	(881,444)	-	(881,444)
Intergovernmental	1,227,997	-	-	-	(1,227,997)	-	(1,227,997)
Total Governmental Activities	43,937,648	1,854,279	13,930,235	3,980,704	(24,172,430)	-	(24,172,430)
Business-Type Activities:							
Water services	1,215,062	1,553,699	-	-	-	338,637	338,637
Sewer services	1,360,201	1,382,852	-	-	-	22,651	22,651
Other (nonmajor)	502,576	621,223	-	-	-	118,647	118,647
Total Business-Type Activities	3,077,839	3,557,774	-	-	-	479,935	479,935
Total	\$ <u>47,015,487</u>	\$ <u>5,412,053</u>	\$ <u>13,930,235</u>	\$ <u>3,980,704</u>	(24,172,430)	479,935	(23,692,495)
General Revenues and Transfers:							
Property taxes					20,358,470	-	20,358,470
Excises					1,375,255	-	1,375,255
Penalties, interest and other taxes					432,564	-	432,564
Grants and contributions not restricted to specific programs					1,340,629	-	1,340,629
Investment income					111,332	21,474	132,806
Other					125,180	-	125,180
Transfers, net					211,023	(211,023)	-
Total general revenues					23,954,453	(189,549)	23,764,904
Change in Net Assets					(217,977)	290,386	72,409
Net Assets:							
Beginning of year					32,399,748	14,744,132	47,143,880
End of year					\$ <u>32,181,771</u>	\$ <u>15,034,518</u>	\$ <u>47,216,289</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	<u>General</u>	<u>High School Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 3,644,243	\$ 15,106,122	\$ 2,248,807	\$ 20,999,172
Investments	1,521,297	-	1,173,292	2,694,589
Receivables:				
Property taxes	1,814,099	-	-	1,814,099
Excises	188,495	-	-	188,495
Intergovernmental	-	2,192,808	187,704	2,380,512
TOTAL ASSETS	\$ 7,168,134	\$ 17,298,930	\$ 3,609,803	\$ 28,076,867
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 143,430	\$ 1,995,304	\$ 37,892	\$ 2,176,626
Accrued liabilities	1,634,560	336,525	96	1,971,181
Deferred revenue	2,002,594	-	-	2,002,594
Notes payable	-	197,486	150,000	347,486
Other liabilities	-	-	7,403	7,403
TOTAL LIABILITIES	3,780,584	2,529,315	195,391	6,505,290
Fund Balances:				
Nonspendable	-	-	81,040	81,040
Restricted	685,219	14,769,615	3,522,605	18,977,439
Committed	924,271	-	-	924,271
Assigned	794,517	-	-	794,517
Unassigned	983,543	-	(189,233)	794,310
TOTAL FUND BALANCES	3,387,550	14,769,615	3,414,412	21,571,577
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,168,134	\$ 17,298,930	\$ 3,609,803	\$ 28,076,867

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

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

JUNE 30, 2011

Total governmental fund balances	\$ 21,571,577
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	42,825,627
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,678,610
<ul style="list-style-type: none">• MSBA receivables are not collectible in the current period and, therefore, are not reported in the governmental funds.	7,226,029
<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.	(418,979)
<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. (see note 12)	<u>(40,701,093)</u>
Net assets of governmental activities	\$ <u>32,181,771</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	High School Construction <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Property taxes	\$ 19,934,068	\$ -	\$ -	\$ 19,934,068
Excise taxes	1,506,804	-	-	1,506,804
Interest, penalties, and other taxes	600,629	-	-	600,629
Fines and forfeitures	74,828	-	2,814	77,642
Departmental	105,281	-	1,405,468	1,510,749
Licenses and permits	145,143	-	5,538	150,681
Intergovernmental	14,012,082	3,865,397	2,277,343	20,154,822
Investment income	97,807	-	13,525	111,332
Contributions	-	-	115,207	115,207
Other	19,650	-	105,530	125,180
Total Revenues	<u>36,496,292</u>	<u>3,865,397</u>	<u>3,925,425</u>	<u>44,287,114</u>
Expenditures:				
Current:				
General government	1,158,372	-	191,117	1,349,489
Public safety	2,305,617	-	62,550	2,368,167
Education	22,357,800	-	3,011,266	25,369,066
Public works	1,166,642	-	155,812	1,322,454
Health and human services	324,457	-	93,347	417,804
Culture and leisure	455,576	-	77,632	533,208
Employee benefits	5,958,990	-	-	5,958,990
Debt service	1,831,850	-	-	1,831,850
Capital outlay	-	8,726,108	87,400	8,813,508
Intergovernmental	1,227,997	-	-	1,227,997
Total Expenditures	<u>36,787,301</u>	<u>8,726,108</u>	<u>3,679,124</u>	<u>49,192,533</u>
Excess (deficiency) of revenues over expenditures	(291,009)	(4,860,711)	246,301	(4,905,419)
Other Financing Sources (Uses):				
Bond proceeds	-	20,000,000	-	20,000,000
Bond premiums	685,219	-	-	685,219
Transfers in	756,784	-	450,395	1,207,179
Transfers out	(633,326)	-	(362,830)	(996,156)
Total Other Financing Sources (Uses)	<u>808,677</u>	<u>20,000,000</u>	<u>87,565</u>	<u>20,896,242</u>
Changes in fund balances	517,668	15,139,289	333,866	15,990,823
Fund Balances, at Beginning of Year, as restated	<u>2,869,882</u>	<u>(369,674)</u>	<u>3,080,546</u>	<u>5,580,754</u>
Fund Balances, at End of Year	<u>\$ 3,387,550</u>	<u>\$ 14,769,615</u>	<u>\$ 3,414,412</u>	<u>\$ 21,571,577</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 15,990,823																		
<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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="text-align: right;">9,553,761</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,885,961)</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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">124,788</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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount reflects the net effect of these differences in the treatment of long-term debt and related items. (see note 12) <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(19,364,469)</td> </tr> </table> • Receipt of MSBA grant previously recognized at the government-wide level, combined with the special item adjustment. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(903,254)</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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(370,344)</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Increase in compensated absences</td> <td style="text-align: right;">(19,125)</td> </tr> <tr> <td>Decrease in the landfill liability</td> <td style="text-align: right;">24,550</td> </tr> <tr> <td>Increase in net OPEB obligation</td> <td style="text-align: right;"><u>(3,368,746)</u></td> </tr> </table> 	Capital outlay purchases	9,553,761	Depreciation	(1,885,961)		124,788		(19,364,469)		(903,254)		(370,344)	Increase in compensated absences	(19,125)	Decrease in the landfill liability	24,550	Increase in net OPEB obligation	<u>(3,368,746)</u>	
Capital outlay purchases	9,553,761																		
Depreciation	(1,885,961)																		
	124,788																		
	(19,364,469)																		
	(903,254)																		
	(370,344)																		
Increase in compensated absences	(19,125)																		
Decrease in the landfill liability	24,550																		
Increase in net OPEB obligation	<u>(3,368,746)</u>																		
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(217,977)</u>																		

TOWN OF UXBRIDGE, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers:				
Property taxes	\$ 20,375,909	\$ 20,375,909	\$ 20,375,909	\$ -
Excise taxes	1,445,000	1,445,000	1,506,804	61,804
Interest, penalties, and other taxes	125,000	125,000	600,629	475,629
Fines and forfeitures	100,000	100,000	74,828	(25,172)
Departmental	83,500	83,500	105,281	21,781
Licenses and permits	110,000	110,000	145,143	35,143
Intergovernmental	11,386,699	11,386,699	11,370,775	(15,924)
Investment income	21,000	21,000	67,571	46,571
Miscellaneous	49,585	49,585	19,650	(29,935)
Transfers in	1,137,779	1,354,050	1,565,388	211,338
Other sources	613,019	638,019	1,323,238	685,219
Total Revenues and Other Sources	35,447,491	35,688,762	37,155,216	1,466,454
Expenditures:				
General government	1,161,545	1,186,545	1,165,839	20,706
Public safety	2,307,198	2,312,198	2,310,806	1,392
Education	19,674,944	19,674,944	19,673,934	1,010
Public works	1,230,856	1,230,856	1,226,929	3,927
Health and human services	355,782	355,782	327,490	28,292
Culture and leisure	465,970	465,970	465,005	965
Employee benefits	6,015,741	6,015,741	6,003,200	12,541
Intergovernmental	1,298,247	1,298,247	1,227,997	70,250
Debt service	2,535,460	2,535,460	2,527,591	7,869
Transfers out	401,748	613,019	613,019	-
Total Expenditures	35,447,491	35,688,762	35,541,810	146,952
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,613,406	\$ 1,613,406

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Fund</u>	
<u>ASSETS</u>				
Current:				
Cash	\$ 2,019,908	\$ 1,401,212	\$ 176,287	\$ 3,597,407
User fees, net of allowance for uncollectibles	<u>164,381</u>	<u>158,293</u>	<u>110,687</u>	<u>433,361</u>
Total current assets	2,184,289	1,559,505	286,974	4,030,768
Noncurrent:				
Capital assets being depreciated, net	8,315,195	5,693,547	202,128	14,210,870
Capital assets not being depreciated	<u>4,032,162</u>	<u>1,237,366</u>	<u>-</u>	<u>5,269,528</u>
Total noncurrent assets	<u>12,347,357</u>	<u>6,930,913</u>	<u>202,128</u>	<u>19,480,398</u>
TOTAL ASSETS	14,531,646	8,490,418	489,102	23,511,166
<u>LIABILITIES</u>				
Current:				
Warrants payable	27,528	28,421	7,597	63,546
Accrued liabilities	611,645	26,877	-	638,522
Current portion of long-term liabilities:				
Bonds payable	300,000	95,000	-	395,000
Accrued employee benefits	<u>1,780</u>	<u>2,276</u>	<u>973</u>	<u>5,029</u>
Total current liabilities	940,953	152,574	8,570	1,102,097
Noncurrent:				
Bonds payable, net of current portion	6,125,000	855,000	-	6,980,000
Accrued employee benefits, net of current portion	33,824	43,234	18,493	95,551
Net OPEB obligation	<u>87,000</u>	<u>160,000</u>	<u>52,000</u>	<u>299,000</u>
Total noncurrent liabilities	<u>6,245,824</u>	<u>1,058,234</u>	<u>70,493</u>	<u>7,374,551</u>
TOTAL LIABILITIES	7,186,777	1,210,808	79,063	8,476,648
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	5,939,346	5,997,803	202,128	12,139,277
Unrestricted	<u>1,405,523</u>	<u>1,281,807</u>	<u>207,911</u>	<u>2,895,241</u>
TOTAL NET ASSETS	<u>\$ 7,344,869</u>	<u>\$ 7,279,610</u>	<u>\$ 410,039</u>	<u>\$ 15,034,518</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Non-Major Fund	
Operating Revenues:				
Charges for services	\$ <u>1,553,699</u>	\$ <u>1,382,852</u>	\$ <u>621,223</u>	\$ <u>3,557,774</u>
Total Operating Revenues	1,553,699	1,382,852	621,223	3,557,774
Operating Expenses:				
Personnel services	255,555	404,653	362,169	1,022,377
Non-personnel services	428,703	525,681	87,349	1,041,733
Depreciation	<u>201,583</u>	<u>378,661</u>	<u>53,058</u>	<u>633,302</u>
Total Operating Expenses	<u>885,841</u>	<u>1,308,995</u>	<u>502,576</u>	<u>2,697,412</u>
Operating Income	667,858	73,857	118,647	860,362
Nonoperating Revenues (Expenses):				
Investment income	7,162	12,698	1,614	21,474
Interest expense	<u>(329,221)</u>	<u>(51,206)</u>	<u>-</u>	<u>(380,427)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(322,059)</u>	<u>(38,508)</u>	<u>1,614</u>	<u>(358,953)</u>
Income Before Transfers	345,799	35,349	120,261	501,409
Transfers:				
Transfers in	153,805	-	-	153,805
Transfers out	<u>(124,643)</u>	<u>(97,849)</u>	<u>(142,336)</u>	<u>(364,828)</u>
Change in Net Assets	374,961	(62,500)	(22,075)	290,386
Net Assets at Beginning of Year	<u>6,969,908</u>	<u>7,342,110</u>	<u>432,114</u>	<u>14,744,132</u>
Net Assets at End of Year	\$ <u><u>7,344,869</u></u>	\$ <u><u>7,279,610</u></u>	\$ <u><u>410,039</u></u>	\$ <u><u>15,034,518</u></u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Non-Major Fund	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 1,533,112	\$ 1,379,117	\$ 639,370	\$ 3,551,599
Payments to vendors and employees	(649,547)	(993,879)	(653,662)	(2,297,088)
Net Cash Provided By Operating Activities	883,565	385,238	(14,292)	1,254,511
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	153,805	-	-	153,805
Transfers out	(124,643)	(97,849)	(142,336)	(364,828)
Net Cash Provided By (Used For) Noncapital Financing Activities	29,162	(97,849)	(142,336)	(211,023)
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(359,522)	-	-	(359,522)
Principal payments on bonds and notes	(295,000)	(90,000)	-	(385,000)
Interest expense	(329,221)	(51,206)	-	(380,427)
Net Cash (Used For) Capital and Related Financing Activities	(983,743)	(141,206)	-	(1,124,949)
<u>Cash Flows From Investing Activities:</u>				
Investment income	7,162	12,698	1,614	21,474
Net Cash Provided By Investing Activities	7,162	12,698	1,614	21,474
Net Change in Cash and Short-Term Investments	(63,854)	158,881	(155,014)	(59,987)
Cash and Short-Term Investments, Beginning of Year	2,083,762	1,242,331	331,301	3,657,394
Cash and Short-Term Investments, End of Year	\$ 2,019,908	\$ 1,401,212	\$ 176,287	\$ 3,597,407
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating income	\$ 667,858	\$ 73,857	\$ 118,647	\$ 860,362
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	201,583	378,661	53,058	633,302
Changes in assets and liabilities:				
User fees receivables	(20,587)	(3,735)	18,147	(6,175)
Warrants payable	(15,784)	(191,661)	(135,256)	(342,701)
Accrued liabilities	55,576	23,577	(68,888)	10,265
Other liabilities	(5,081)	104,539	-	99,458
Net Cash Provided By Operating Activities	\$ 883,565	\$ 385,238	\$ (14,292)	\$ 1,254,511

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>771,694</u>
Total Assets	771,694
 <u>LIABILITIES AND NET ASSETS</u>	
Other liabilities	<u>771,694</u>
Total Liabilities	\$ <u><u>771,694</u></u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2011, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The government reports the following major governmental funds:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following major proprietary funds:

- The *Water fund* is used to report the Town's water operations.
- The *Sewer fund* is used to report the Town's sewer operations.

In addition, the Town operates an ambulance enterprise fund, which is reported as a nonmajor fund.

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.

Investments for the Trust Funds consist of corporate bonds, common equities, certificates of deposit, and federal agency securities investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2011 tax levy reflected an excess capacity of \$ 71,184.

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 \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 and improvements	7 - 40
Machinery, equipment, and furnishings	3 - 25
Infrastructure	30

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., the Board of Selectmen).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the 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)	\$ 36,496,292	\$ 36,787,301
Other financing sources/uses (GAAP Basis)	<u>1,442,003</u>	<u>633,326</u>
Subtotal (GAAP Basis)	37,938,295	37,420,627
Adjust tax revenue to accrual basis	441,841	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(446,953)
Add end of year appropriation carryforwards to expenditures	-	513,702
To record use of free cash and overlay surplus	638,019	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(2,641,307)	(2,641,307)
To record enterprise fund debt transfers	695,741	695,741
Other	<u>82,627</u>	<u>-</u>
Budgetary Basis	<u>\$ 37,155,216</u>	<u>\$ 35,541,810</u>

D. Deficit Fund Equity

The Town's special revenue, capital project, and agency funds reflect various individual deficit fund balance accounts, which will be funded by future receipts and bond issuance.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits 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." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2011, \$ 402,569 of the Town's bank balance of \$ 26,090,292 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Average Rating as of Year-end</u> <u>Aaa</u>
Federal agency securities	\$ 300	\$ N/A	\$ 300
Corporate bonds	101	N/A	101
Certificates of deposits	1,544	1,544	-
Common equities	<u>750</u>	<u>750</u>	-
Total investments	\$ <u>2,695</u>	\$ <u>2,294</u>	\$ <u>401</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

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

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

The Town has investments in one issuer greater than 5% of total investments, as follows (in thousands):

First Bank CD	\$ 151	6 %
Paragon Commercial Bank CD	250	9 %
GE Money Bank CD	215	8 %
Israel Discount Bank CD	148	5 %
State Bank of India CD	198	7 %
JPM Contingent Mkty CD	250	9 %

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Debt Related Securities:			
Federal agency securities	\$ 300	\$ -	\$ 300
Corporate bonds	<u>101</u>	<u>101</u>	<u>-</u>
Total	<u>\$ 401</u>	<u>\$ 101</u>	<u>\$ 300</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to. Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2011 consist of the following (in thousands):

Real Estate		
2011	\$	3
2010		3
2009		3
2008		3
Prior		<u>35</u>
		47
Personal Property		
2011		24
2010		11
2009		6
2008		5
Prior		<u>22</u>
		68
Tax Liens		1,681
Deferred Taxes		<u>18</u>
Total	\$	<u><u>1,814</u></u>

6. Allowance for Doubtful Accounts

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

Property taxes	\$ 80
Tax liens	168
Excises	<u>75</u>
Total	<u>\$ 323</u>

7. Intergovernmental Receivables

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

8. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 38,076	\$ -	\$ -	\$ 38,076
Machinery, equipment, and furnishings	9,552	564	(30)	10,086
Infrastructure	<u>18,520</u>	<u>115</u>	<u>-</u>	<u>18,635</u>
Total capital assets, being depreciated	66,148	679	(30)	66,797
Less accumulated depreciation for:				
Buildings and improvements	(16,877)	(867)	-	(17,744)
Machinery, equipment, and furnishings	(7,452)	(528)	30	(7,950)
Infrastructure	<u>(12,943)</u>	<u>(491)</u>	<u>-</u>	<u>(13,434)</u>
Total accumulated depreciation	<u>(37,272)</u>	<u>(1,886)</u>	<u>30</u>	<u>(39,128)</u>
Total capital assets, being depreciated, net	28,876	(1,207)	-	27,669
Capital assets, not being depreciated:				
Land	5,905	-	-	5,905
Construction in progress	<u>377</u>	<u>8,874</u>	<u>-</u>	<u>9,251</u>
Total capital assets, not being depreciated	<u>6,282</u>	<u>8,874</u>	<u>-</u>	<u>15,156</u>
Governmental activities capital assets, net	<u>\$ 35,158</u>	<u>\$ 7,667</u>	<u>\$ -</u>	<u>\$ 42,825</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	\$ 6,538	\$ -	\$ -	\$ 6,538
Machinery, equipment, and furnishings	3,664	-	-	3,664
Infrastructure	<u>17,686</u>	<u>-</u>	<u>-</u>	<u>17,686</u>
Total capital assets, being depreciated	27,888	-	-	27,888
Less accumulated depreciation for:				
Buildings and improvements	(4,543)	(176)	-	(4,719)
Machinery, equipment, and furnishings	(1,748)	(178)	-	(1,926)
Infrastructure	<u>(6,753)</u>	<u>(279)</u>	<u>-</u>	<u>(7,032)</u>
Total accumulated depreciation	<u>(13,044)</u>	<u>(633)</u>	<u>-</u>	<u>(13,677)</u>
Total capital assets, being depreciated, net	14,844	(633)	-	14,211
Capital assets, not being depreciated:				
Land	1,360	-	-	1,360
Construction in progress	<u>2,997</u>	<u>913</u>	<u>-</u>	<u>3,910</u>
Total capital assets, not being depreciated	<u>4,357</u>	<u>913</u>	<u>-</u>	<u>5,270</u>
Business-type activities capital assets, net	<u>\$ 19,201</u>	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 19,481</u>

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

Governmental Activities:

General government	\$ 49
Public safety	278
Education	955
Public works	556
Health and human services	14
Culture and recreation	<u>34</u>
Total depreciation expense - governmental activities	<u>\$ 1,886</u>

Business-Type Activities:

Water	\$ 201
Sewer	379
Other	<u>53</u>
Total depreciation expense - business-type activities	<u>\$ 633</u>

9. Warrants Payable

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

10. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2011 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2011:

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/11</u>
Bond anticipation notes	1.05%	06/17/11	09/15/11	\$ <u>347,486</u>
Total				\$ <u><u>347,486</u></u>

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation notes	\$ <u>465,000</u>	\$ <u>347,486</u>	\$ <u>(465,000)</u>	\$ <u>347,486</u>
Total	\$ <u><u>465,000</u></u>	\$ <u><u>347,486</u></u>	\$ <u><u>(465,000)</u></u>	\$ <u><u>347,486</u></u>

12. Long-Term Debt

A. General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/11
<u>Governmental Activities:</u>			
School	12/15/19	3.80 - 6.75%	\$ 5,030,000
Police station	08/15/17	3.70 - 4.75%	450,000
Highway garage	08/15/17	3.70 - 4.75%	150,000
2005 Refunded School bonds	11/15/16	2.50 - 4.00%	4,235,000
Sludge - DES	08/15/15	3.70 - 4.75%	40,000
Taft school roof	04/01/27	3.55 - 4.25%	105,000
DPW sidewalk tractor	04/01/17	3.55 - 4.25%	65,000
Land acquisition I	04/01/27	3.55 - 4.25%	665,000
Land acquisition II	04/01/27	3.55 - 4.25%	445,000
High School Bonds	08/15/30	2.50 - 5.00%	<u>20,000,000</u>
Total Governmental Activities:			<u>\$ 31,185,000</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/11
<u>Business-Type Activities:</u>			
Sludge Project	08/01/18	3.00 - 4.20%	\$ 430,000
Sewer Roof	04/01/18	3.55 - 4.25%	230,000
Water Project	04/15/24	3.90 - 4.60%	1,280,000
Water Land Purchase	11/15/24	2.25 - 5.00%	1,015,000
Wastewater Treatment Facility	04/01/28	3.55 - 4.25%	290,000
Water	04/01/28	3.55 - 4.25%	<u>4,130,000</u>
Total Business-Type Activities:			<u>\$ 7,375,000</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,005,000	\$ 1,471,594	\$ 3,476,594
2013	2,220,000	1,186,835	3,406,835
2014	2,295,000	1,105,106	3,400,106
2015	2,370,000	1,018,872	3,388,872
2016	2,425,000	925,912	3,350,912
2017-2021	7,755,000	3,781,935	11,536,935
2022-2026	5,695,000	2,422,537	8,117,537
2027-2031	<u>6,420,000</u>	<u>732,581</u>	<u>7,152,581</u>
Total	\$ <u>31,185,000</u>	\$ <u>12,645,372</u>	\$ <u>43,830,372</u>

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

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 395,000	\$ 295,284	\$ 690,284
2013	410,000	279,221	689,221
2014	435,000	262,377	697,377
2015	450,000	44,754	494,754
2016	470,000	226,467	696,467
2017-2021	2,290,000	940,786	3,230,786
2022-2026	2,230,000	474,838	2,704,838
2027-2028	<u>695,000</u>	<u>41,828</u>	<u>736,828</u>
Total	\$ <u>7,375,000</u>	\$ <u>2,565,555</u>	\$ <u>9,940,555</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/10	Additions	Reductions	Total Balance 6/30/11	Less Current Portion	Long-Term Portion 6/30/11
<u>Governmental Activities</u>						
Bonds payable	\$ 12,525	\$ 20,000	\$ (1,340)	\$ 31,185	\$ (2,005)	\$ 29,180
Deferred adjustments:						
Deferred loss on refunding	(289)	-	19	(270)	19	(251)
Unamortized bond premiums	-	685	-	685	(70)	615
Total bonds payable	12,236	20,685	(1,321)	31,600	(2,056)	29,544
Other:						
Accrued employee benefits	383	38	(19)	402	(20)	382
Landfill closure	382	-	(24)	358	(25)	333
Net OPEB obligation	4,972	4,141	(772)	8,341	-	8,341
Totals	\$ 17,973	\$ 24,864	\$ (2,136)	\$ 40,701	\$ (2,101)	\$ 38,600
<u>Business-Type Activities</u>						
Bonds payable	\$ 7,760	\$ -	\$ (385)	\$ 7,375	\$ (395)	\$ 6,980
Other:						
Accrued employee benefits	96	10	(5)	101	(5)	96
Net OPEB obligation	267	149	(117)	299	-	299
Totals	\$ 8,123	\$ 159	\$ (507)	\$ 7,775	\$ (400)	\$ 7,375

13. 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. The Town's landfill has stopped accepting waste, therefore, the Town reports these closure and postclosure care costs as a liability in the government-wide financial statements.

The \$ 357,750 reported as landfill closure and postclosure care liability at June 30, 2011 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Governmental Funds - Balances

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

In fiscal year 2011, the Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2011:

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

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

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

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

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

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

	<u>General Fund</u>	<u>High School Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 81,040	\$ 81,040
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,040</u>	<u>\$ 81,040</u>
Restricted				
Bond premiums	\$ 685,219	\$ -	\$ -	\$ 685,219
Bonded projects	-	14,769,615	37,651	14,807,266
Special revenue funds	-	-	3,142,348	3,142,348
Expendable permanent funds	-	-	342,606	342,606
	<u>\$ 685,219</u>	<u>\$ 14,769,615</u>	<u>\$ 3,522,605</u>	<u>\$ 18,977,439</u>
Committed				
Stabilization accounts	\$ 924,271	\$ -	\$ -	\$ 924,271
	<u>\$ 924,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 924,271</u>
Assigned				
Encumbrances	\$ 513,702	\$ -	\$ -	\$ 513,702
Reserved for expenditures	280,815	-	-	280,815
	<u>\$ 794,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 794,517</u>
Unassigned				
	<u>\$ 983,543</u>	<u>\$ -</u>	<u>\$ (189,233)</u>	<u>\$ 794,310</u>

15. 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.

16. Subsequent Events

Subsequent to June 30, 2011, the Town incurred the following additional debt:

Bond Anticipation Notes

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>
Governmental bond anticipation notes	1.50%	09/15/11	11/18/11	\$ 347,486
Water bond anticipation notes	0.78%	12/15/11	03/15/12	<u>285,000</u>
Total				<u>\$ 632,486</u>

General Obligation Bonds

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>
Governmental bonds	2.0-5.0%	11/10/11	11/15/32	\$ 4,855,000
Water bonds	2.0-5.0%	11/10/11	11/15/32	<u>3,215,000</u>
Total				<u>\$ 8,070,000</u>

17. 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.

18. Post-Employment Healthcare and Life Insurance Benefits

GASB Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2010, the actuarial valuation date, approximately 124 retirees and 258 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 20% 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 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	\$ 4,360,000
Interest on net OPEB obligation	240,000
Adjustment to ARC	<u>(310,000)</u>
Annual OPEB cost	4,290,000
Contributions made	<u>(888,914)</u>
Increase in net OPEB obligation	3,401,086
Net OPEB obligation - beginning of year	<u>5,238,914</u>
Net OPEB obligation - end of year	<u><u>\$ 8,640,000</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:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 4,290,000	20.7%	\$ 8,640,000
2010	\$ 3,351,506	21.8%	\$ 5,238,914
2009	\$ 3,351,506	21.8%	\$ 2,619,457

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

E. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 40,250,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 40,250,000</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 17,650,000</u>
UAAL as a percentage of covered payroll	<u>228%</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 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 July 1, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.50% investment rate of return and an initial annual healthcare cost trend rate of 9.50% which decreases to a 5.00% long-term rate for all healthcare benefits after nine years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis.

19. 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 Worcester Regional Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report that can be obtained through the County of Worcester administrative office.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 7% 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.

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.

In fiscal year 2011, the Commonwealth of Massachusetts contributed \$ 2,641,307 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

20. 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.

21. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2011, as defined by GASB Statement 34 and with the implementation of Statement 54 have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/2010 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 6/30/2010 (as restated)
General Fund	\$ 1,862,984	\$ 1,006,898	\$ 2,869,882
High School Construction Fund	-	(369,674)	(369,674)
Nonmajor Funds	<u>3,717,770</u>	<u>(637,224)</u>	<u>3,080,546</u>
Total	<u>\$ 5,580,754</u>	<u>\$ -</u>	<u>\$ 5,580,754</u>

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

June 30, 2011

(Unaudited)

(Amounts Expressed in thousands)

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]
01/01/08	\$ -	\$ 30,999	\$ 30,999	0.0%	\$ 15,441	200.8%
07/01/10	\$ -	\$ 40,250	\$ 40,250	0.0%	\$ 17,650	228.0%

See Independent Auditors' Report.