

**TOWN OF UXBRIDGE, 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 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, 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 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, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Melanson, Heath + Company P.C.*  
Andover, Massachusetts  
July 31, 2013

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

As management of the Town, we offer readers this narrative overview and analysis of the financial activities of the Town 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, 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 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 \$60,577 (i.e., net assets), a change of \$13,361 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,969, a change of \$(11,603) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$829, a change of \$(155) in comparison to the prior year.
- Bonds payable at the close of the current fiscal year was \$39,755 (exclusive of premiums and deferred loss), a change of \$1,195 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.

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 22,417	\$ 34,980	\$ 5,619	\$ 4,030	\$ 28,036	\$ 39,010
Capital assets	<u>70,673</u>	<u>42,825</u>	<u>20,273</u>	<u>19,481</u>	<u>90,946</u>	<u>62,306</u>
Total assets	<u>93,090</u>	<u>77,805</u>	<u>25,892</u>	<u>23,511</u>	<u>118,982</u>	<u>101,316</u>
Long-term liabilities outstanding	42,445	40,701	10,720	7,775	53,165	48,476
Other liabilities	<u>5,086</u>	<u>4,922</u>	<u>154</u>	<u>702</u>	<u>5,240</u>	<u>5,624</u>
Total liabilities	<u>47,531</u>	<u>45,623</u>	<u>10,874</u>	<u>8,477</u>	<u>58,405</u>	<u>54,100</u>
Net assets:						
Invested in capital assets, net	45,709	33,433	11,208	12,139	56,917	45,572
Restricted	5,117	3,464	-	-	5,117	3,464
Unrestricted	<u>(5,267)</u>	<u>(4,715)</u>	<u>3,810</u>	<u>2,895</u>	<u>(1,457)</u>	<u>(1,820)</u>
Total net assets	<u>\$ 45,559</u>	<u>\$ 32,182</u>	<u>\$ 15,018</u>	<u>\$ 15,034</u>	<u>\$ 60,577</u>	<u>\$ 47,216</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	\$ 1,787	\$ 1,854	\$ 3,643	\$ 3,558	\$ 5,430	\$ 5,412
Operating grants and contributions	13,980	13,930	-	-	13,980	13,930
Capital grants and contributions	94	116	-	-	94	116
General revenues:						
Property taxes	20,485	20,359	-	-	20,485	20,359
Excises	1,521	1,375	-	-	1,521	1,375
Penalties and interest on taxes	2,592	433	-	-	2,592	433
Grants and contributions not restricted to specific programs	16,750	5,206	-	-	16,750	5,206
Investment income	93	111	26	21	119	132
Other	499	125	-	-	499	125
Total revenues	<u>57,801</u>	<u>43,509</u>	<u>3,669</u>	<u>3,579</u>	<u>61,470</u>	<u>47,088</u>
Expenses:						
General government	1,513	1,291	-	-	1,513	1,291
Public safety	2,697	2,428	-	-	2,697	2,428
Education	26,613	26,053	-	-	26,613	26,053
Public works	1,468	1,789	-	-	1,468	1,789
Health and human services	610	432	-	-	610	432
Culture and recreation	514	507	-	-	514	507
Employee benefits	9,394	9,328	-	-	9,394	9,328
Interest on long-term debt	991	882	-	-	991	882
Intergovernmental	1,105	1,228	-	-	1,105	1,228
Water services	-	-	1,288	1,215	1,288	1,215
Sewer services	-	-	1,319	1,360	1,319	1,360
Ambulance services	-	-	597	503	597	503
Total expenses	<u>44,905</u>	<u>43,938</u>	<u>3,204</u>	<u>3,078</u>	<u>48,109</u>	<u>47,016</u>
Change in net assets before transfers	12,896	(429)	465	501	13,361	72
Transfers in (out)	<u>481</u>	<u>211</u>	<u>(481)</u>	<u>(211)</u>	-	-
Change in net assets	13,377	(218)	(16)	290	13,361	72
Net assets - beginning 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>
Net assets - end of year	<u>\$ 45,559</u>	<u>\$ 32,182</u>	<u>\$ 15,018</u>	<u>\$ 15,034</u>	<u>\$ 60,577</u>	<u>\$ 47,216</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 \$60,577, a change of \$13,361 from the prior year. The largest portion of net assets \$56,917 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 \$5,117 represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a deficit of \$(1,457), which was caused primarily because of unfunded the net OPEB obligation (see note 18).

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$13,377. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 915
Enterprise fund transfers, net	481
Nonmajor governmental funds revenues in excess of expenditures	198
Receipt of MSBA grant previously recognized at the government-wide level	(903)
Capital asset additions from current year revenue	15,803
Increase in net OPEB obligation	(3,310)
Other	193
	<hr/>
Total	\$ <u>13,377</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$(16). Key elements of this change are as follows:

Water fund	\$ 137
Sewer fund	(29)
Nonmajor fund	(124)
	<hr/>
Total	\$ <u>(16)</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 \$9,969, a change of \$(11,603) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 915
Enterprise fund transfers, net	481
Receipt of High School Construction bond premium	125
Special revenue fund revenues in excess of expenditures	161
High School Construction fund expenditures in excess of revenues and bond proceeds	(13,404)
Nonmajor capital project fund bond proceeds in excess of expenditures	88
Trust fund revenues in excess of expenditures	<u>31</u>
Total	<u>\$ (11,603)</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 \$829, while total fund balance was \$5,135. 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	\$ 829	\$ 984	\$ (155)	2.1%
Total fund balance	5,135	3,388	1,747	13.3%

The total fund balance of the general fund changed by \$1,747 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (281)
Revenues in excess of budget	1,864
Expenditures less than budget	637
Property tax collections less than budget	(510)
Expenditures of prior year encumbrances less than current year encumbrances	107
Change in stabilization accounts	<u>(70)</u>
Total	<u>\$ 1,747</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>
Stabilization	\$ 855	\$ 925	\$ (70)

**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 \$15,018, a change of \$(16) 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 did not change in total, however, individual line items changed through re-appropriations of 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 \$90,946 (net of accumulated depreciation), a change of \$28,640 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 \$39,755 (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, 2012

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 7,975,234	\$ 5,273,286	\$ 13,248,520
Investments	2,502,543	-	2,502,543
Receivables, net of allowance for uncollectibles:			
Property taxes	63,247	-	63,247
Excises	118,901	-	118,901
User fees	-	345,532	345,532
Intergovernmental	3,697,168	-	3,697,168
Prepaid assets	1,510,606	-	1,510,606
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,130,355	-	1,130,355
Intergovernmental	5,419,521	-	5,419,521
Capital assets being depreciated, net	26,586,176	13,567,255	40,153,431
Capital assets not being depreciated	<u>44,086,531</u>	<u>6,706,181</u>	<u>50,792,712</u>
<b>TOTAL ASSETS</b>	<b>93,090,282</b>	<b>25,892,254</b>	<b>118,982,536</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,522,286	68,071	1,590,357
Accrued liabilities	3,556,131	86,602	3,642,733
Other current liabilities	7,403	-	7,403
Current portion of long-term liabilities:			
Bonds payable	2,296,174	525,000	2,821,174
Accrued employee benefits	21,085	5,280	26,365
Estimated landfill closure and postclosure care costs	24,550	-	24,550
Noncurrent:			
Bonds payable, net of current portion	27,743,001	9,670,000	37,413,001
Accrued employee benefits, net of current portion	400,620	100,330	500,950
Estimated landfill closure and postclosure care costs, net of current portion	308,650	-	308,650
Net OPEB obligation	<u>11,651,390</u>	<u>418,610</u>	<u>12,070,000</u>
<b>TOTAL LIABILITIES</b>	<b>47,531,290</b>	<b>10,873,893</b>	<b>58,405,183</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,709,441	11,208,128	56,917,569
Restricted for:			
Grants and other statutory restrictions	4,661,931	-	4,661,931
Permanent funds:			
Nonexpendable	81,040	-	81,040
Expendable	373,431	-	373,431
Unrestricted	<u>(5,266,851)</u>	<u>3,810,233</u>	<u>(1,456,618)</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>45,558,992</u></b>	<b>\$ <u>15,018,361</u></b>	<b>\$ <u>60,577,353</u></b>

See notes to financial statements.



TOWN OF UXBRIDGE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>High School Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 4,058,304	\$ 1,996,355	\$ 1,920,575	\$ 7,975,234
Investments	1,294,598	-	1,207,945	2,502,543
Receivables:				
Property taxes	1,413,242	-	-	1,413,242
Excises	204,551	-	-	204,551
Intergovernmental	-	2,287,371	506,543	2,793,914
Other assets	<u>1,510,606</u>	<u>-</u>	<u>-</u>	<u>1,510,606</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,481,301</u></b>	<b><u>\$ 4,283,726</u></b>	<b><u>\$ 3,635,063</u></b>	<b><u>\$ 16,400,090</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 197,988	\$ 1,280,395	\$ 43,903	\$ 1,522,286
Accrued liabilities	1,530,972	1,637,913	115,136	3,284,021
Deferred revenue	1,617,794	-	-	1,617,794
Other liabilities	<u>-</u>	<u>-</u>	<u>7,403</u>	<u>7,403</u>
<b>TOTAL LIABILITIES</b>	<b>3,346,754</b>	<b>2,918,308</b>	<b>166,442</b>	<b>6,431,504</b>
Fund Balances:				
Nonspendable	-	-	81,040	81,040
Restricted	614,682	1,365,418	3,669,944	5,650,044
Committed	1,359,781	-	-	1,359,781
Assigned	2,331,123	-	-	2,331,123
Unassigned	<u>828,961</u>	<u>-</u>	<u>(282,363)</u>	<u>546,598</u>
<b>TOTAL FUND BALANCES</b>	<b><u>5,134,547</u></b>	<b><u>1,365,418</u></b>	<b><u>3,468,621</u></b>	<b><u>9,968,586</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 8,481,301</u></b>	<b><u>\$ 4,283,726</u></b>	<b><u>\$ 3,635,063</u></b>	<b><u>\$ 16,400,090</u></b>

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, 2012

<b>Total governmental fund balances</b>	\$ 9,968,586
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	70,672,707
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,312,504
<ul style="list-style-type: none"><li>• MSBA receivables are not collectible in the current period and, therefore, are not reported in the governmental funds.</li></ul>	6,322,775
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(272,110)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable and OPEB, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (see note 13)</li></ul>	<u>(42,445,470)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 45,558,992</u></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, 2012

	<u>General</u>	<u>High School Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 21,987,673	\$ -	\$ -	\$ 21,987,673
Excise taxes	1,514,997	-	-	1,514,997
Interest, penalties, and other taxes	1,461,818	-	-	1,461,818
Fines and forfeitures	93,662	-	138	93,800
Departmental	97,427	-	1,168,103	1,265,530
Licenses and permits	287,184	-	-	287,184
Intergovernmental	14,117,203	15,357,415	2,252,271	31,726,889
Investment income	44,299	28,489	9,404	82,192
Contributions	-	-	151,539	151,539
Other	5,977	-	492,964	498,941
Total Revenues	<u>39,610,240</u>	<u>15,385,904</u>	<u>4,074,419</u>	<u>59,070,563</u>
<b>Expenditures:</b>				
Current:				
General government	1,226,652	-	260,651	1,487,303
Public safety	2,284,852	-	147,889	2,432,741
Education	22,625,580	-	3,075,768	25,701,348
Public works	1,042,639	-	116,847	1,159,486
Health and human services	364,275	-	229,090	593,365
Culture and leisure	463,077	-	52,047	515,124
Employee benefits	6,083,435	-	-	6,083,435
Debt service	3,499,950	-	-	3,499,950
Capital outlay	-	28,987,101	389,852	29,376,953
Intergovernmental	1,104,528	-	-	1,104,528
Total Expenditures	<u>38,694,988</u>	<u>28,987,101</u>	<u>4,272,144</u>	<u>71,954,233</u>
Excess (deficiency) of revenues over expenditures	915,252	(13,601,197)	(197,725)	(12,883,670)
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	-	197,000	478,000	675,000
Bond premiums	125,174	-	-	125,174
Transfers in	1,003,301	-	533,919	1,537,220
Transfers out	(296,730)	-	(759,985)	(1,056,715)
Total Other Financing Sources (Uses)	<u>831,745</u>	<u>197,000</u>	<u>251,934</u>	<u>1,280,679</u>
Changes in fund balances	1,746,997	(13,404,197)	54,209	(11,602,991)
Fund Balances, at Beginning of Year	<u>3,387,550</u>	<u>14,769,615</u>	<u>3,414,412</u>	<u>21,571,577</u>
Fund Balances, at End of Year	<u>\$ 5,134,547</u>	<u>\$ 1,365,418</u>	<u>\$ 3,468,621</u>	<u>\$ 9,968,586</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, 2012

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (11,602,991)</b>						
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">29,810,921</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,963,841)</td> </tr> </table> </li> </ul>		Capital outlay purchases	29,810,921	Depreciation	(1,963,841)		
Capital outlay purchases	29,810,921						
Depreciation	(1,963,841)						
<ul style="list-style-type: none"> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <span style="float: right;">(366,106)</span></li> </ul>							
<ul style="list-style-type: none"> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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 13) <span style="float: right;">1,561,544</span></li> </ul>							
<ul style="list-style-type: none"> <li>• Receipt of MSBA grant previously recognized at the government-wide level, combined with the special item adjustment. <span style="float: right;">(903,254)</span></li> </ul>							
<ul style="list-style-type: none"> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">146,869</span></li> </ul>							
<ul style="list-style-type: none"> <li>• 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 border="0" style="margin-left: 40px;"> <tr> <td>Increase in compensated absences</td> <td style="text-align: right;">(20,081)</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>(3,310,390)</u></td> </tr> </table> </li> </ul>		Increase in compensated absences	(20,081)	Decrease in the landfill liability	24,550	Increase in net OPEB obligation	<u>(3,310,390)</u>
Increase in compensated absences	(20,081)						
Decrease in the landfill liability	24,550						
Increase in net OPEB obligation	<u>(3,310,390)</u>						
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>13,377,221</u></b>						

See notes to financial statements.

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Transfers:</b>				
Property taxes	\$ 22,497,805	\$ 22,497,805	\$ 22,497,805	\$ -
Excise taxes	1,461,000	1,461,000	1,514,997	53,997
Interest, penalties, and other taxes	125,000	125,000	1,461,818	1,336,818
Fines and forfeitures	68,000	68,000	93,662	25,662
Departmental	113,500	113,500	97,427	(16,073)
Licenses and permits	100,000	100,000	287,184	187,184
Intergovernmental	11,409,639	11,409,639	11,414,213	4,574
Investment income	27,000	27,000	27,581	581
Miscellaneous	169,822	169,822	131,151	(38,671)
Transfers in	1,451,966	1,451,966	1,832,647	380,681
Use of free cash	280,815	280,815	280,815	-
Other sources	70,537	70,537	-	(70,537)
<b>Total Revenues and Other Sources</b>	<b>37,775,084</b>	<b>37,775,084</b>	<b>39,639,300</b>	<b>1,864,216</b>
<b>Expenditures:</b>				
General government	1,317,576	1,315,044	1,302,577	12,467
Public safety	2,234,415	2,280,295	2,272,107	8,188
Education	20,053,223	20,053,223	20,038,825	14,398
Public works	1,002,086	986,332	917,352	68,980
Health and human services	358,523	398,031	350,200	47,831
Culture and leisure	458,100	458,100	428,039	30,061
Employee benefits	6,192,017	6,194,549	6,185,385	9,164
Intergovernmental	1,257,475	1,257,475	1,104,528	152,947
Debt service	4,604,939	4,535,305	4,242,811	292,494
Transfers out	296,730	296,730	296,730	-
<b>Total Expenditures</b>	<b>37,775,084</b>	<b>37,775,084</b>	<b>37,138,554</b>	<b>636,530</b>
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,500,746	\$ 2,500,746

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Fund</u>	
<b><u>ASSETS</u></b>				
Current:				
Cash	\$ 3,368,570	\$ 1,753,469	\$ 151,247	\$ 5,273,286
User fees, net of allowance for uncollectibles	<u>134,240</u>	<u>102,670</u>	<u>108,622</u>	<u>345,532</u>
Total current assets	3,502,810	1,856,139	259,869	5,618,818
Noncurrent:				
Capital assets being depreciated, net	8,114,105	5,321,995	131,155	13,567,255
Capital assets not being depreciated	<u>5,468,815</u>	<u>1,237,366</u>	<u>-</u>	<u>6,706,181</u>
Total noncurrent assets	<u>13,582,920</u>	<u>6,559,361</u>	<u>131,155</u>	<u>20,273,436</u>
<b>TOTAL ASSETS</b>	17,085,730	8,415,500	391,024	25,892,254
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	43,349	22,024	2,698	68,071
Accrued liabilities	61,650	16,255	8,697	86,602
Current portion of long-term liabilities:				
Bonds payable	425,000	100,000	-	525,000
Accrued employee benefits	<u>1,869</u>	<u>2,389</u>	<u>1,022</u>	<u>5,280</u>
Total current liabilities	531,868	140,668	12,417	684,953
Noncurrent:				
Bonds payable, net of current portion	8,915,000	755,000	-	9,670,000
Accrued employee benefits, net of current portion	35,516	45,397	19,417	100,330
Net OPEB obligation	<u>121,518</u>	<u>224,220</u>	<u>72,872</u>	<u>418,610</u>
Total noncurrent liabilities	<u>9,072,034</u>	<u>1,024,617</u>	<u>92,289</u>	<u>10,188,940</u>
<b>TOTAL LIABILITIES</b>	9,603,902	1,165,285	104,706	10,873,893
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	5,327,301	5,749,672	131,155	11,208,128
Unrestricted	<u>2,154,527</u>	<u>1,500,543</u>	<u>155,163</u>	<u>3,810,233</u>
<b>TOTAL NET ASSETS</b>	\$ <u>7,481,828</u>	\$ <u>7,250,215</u>	\$ <u>286,318</u>	\$ <u>15,018,361</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, 2012

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Fund</u>	
<b>Operating Revenues:</b>				
Charges for services	\$ <u>1,670,042</u>	\$ <u>1,381,057</u>	\$ <u>591,795</u>	\$ <u>3,642,894</u>
Total Operating Revenues	1,670,042	1,381,057	591,795	3,642,894
<b>Operating Expenses:</b>				
Personnel services	317,865	384,248	444,585	1,146,698
Non-personnel services	445,910	497,716	75,523	1,019,149
Depreciation	<u>201,090</u>	<u>402,149</u>	<u>76,986</u>	<u>680,225</u>
Total Operating Expenses	<u>964,865</u>	<u>1,284,113</u>	<u>597,094</u>	<u>2,846,072</u>
Operating Income (Loss)	705,177	96,944	(5,299)	796,822
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	16,723	8,452	604	25,779
Interest expense	<u>(323,071)</u>	<u>(35,182)</u>	<u>-</u>	<u>(358,253)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(306,348)</u>	<u>(26,730)</u>	<u>604</u>	<u>(332,474)</u>
Income (Loss) Before Transfers	398,829	70,214	(4,695)	464,348
<b>Transfers:</b>				
Transfers out	<u>(261,870)</u>	<u>(99,609)</u>	<u>(119,026)</u>	<u>(480,505)</u>
Change in Net Assets	136,959	(29,395)	(123,721)	(16,157)
Net Assets at Beginning of Year	<u>7,344,869</u>	<u>7,279,610</u>	<u>410,039</u>	<u>15,034,518</u>
Net Assets at End of Year	\$ <u><u>7,481,828</u></u>	\$ <u><u>7,250,215</u></u>	\$ <u><u>286,318</u></u>	\$ <u><u>15,018,361</u></u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Non-Major Fund	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 1,700,183	\$ 1,436,680	\$ 593,860	\$ 3,730,723
Payments to vendors and employees	<u>(1,261,650)</u>	<u>(832,487)</u>	<u>(494,465)</u>	<u>(2,588,602)</u>
Net Cash Provided By Operating Activities	438,533	604,193	99,395	1,142,121
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfers out	<u>(261,870)</u>	<u>(99,609)</u>	<u>(119,026)</u>	<u>(480,505)</u>
Net Cash (Used For) Noncapital Financing Activities	(261,870)	(99,609)	(119,026)	(480,505)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition and construction of capital assets	(1,436,653)	(30,597)	(6,013)	(1,473,263)
Principal payments on bonds and notes	(585,000)	(95,000)	-	(680,000)
Proceeds from bonds and notes	3,500,000	-	-	3,500,000
Interest expense	<u>(323,071)</u>	<u>(35,182)</u>	<u>-</u>	<u>(358,253)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	1,155,276	(160,779)	(6,013)	988,484
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	<u>16,723</u>	<u>8,452</u>	<u>604</u>	<u>25,779</u>
Net Cash Provided By Investing Activities	<u>16,723</u>	<u>8,452</u>	<u>604</u>	<u>25,779</u>
Net Change in Cash and Short-Term Investments	1,348,662	352,257	(25,040)	1,675,879
Cash and Short-Term Investments, Beginning of Year	<u>2,019,908</u>	<u>1,401,212</u>	<u>176,287</u>	<u>3,597,407</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,368,570</u>	<u>\$ 1,753,469</u>	<u>\$ 151,247</u>	<u>\$ 5,273,286</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>				
Operating income (loss)	\$ 705,177	\$ 96,944	\$ (5,299)	\$ 796,822
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	201,090	402,149	76,986	680,225
Changes in assets and liabilities:				
User fees receivables	30,141	55,623	2,065	87,829
Warrants payable	15,821	(6,397)	(4,899)	4,525
Accrued liabilities	(549,995)	(10,622)	30,542	(530,075)
Other liabilities	<u>36,299</u>	<u>66,496</u>	<u>-</u>	<u>102,795</u>
Net Cash Provided By Operating Activities	<u>\$ 438,533</u>	<u>\$ 604,193</u>	<u>\$ 99,395</u>	<u>\$ 1,142,121</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Agency Funds
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ 216,219
Other assets	<u>128,908</u>
Total Assets	<u><u>\$ 345,127</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Warrants payable	\$ 9,371
Other liabilities	<u>335,756</u>
Total Liabilities	<u><u>\$ 345,127</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 (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 inter-governmental 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 2012 tax levy reflected an excess capacity of \$89,419.

*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., 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)	\$ 39,610,240	\$ 38,694,988
Other financing sources/uses (GAAP Basis)	<u>1,128,475</u>	<u>296,730</u>
Subtotal (GAAP Basis)	40,738,715	38,991,718
Adjust tax revenue to accrual basis	510,132	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(513,702)
Add end-of-year appropriation carryforwards from expenditures	-	620,667
To record use of free cash and overlay surplus	280,815	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(2,702,990)	(2,702,990)
To record enterprise fund debt transfers	742,861	742,861
Other	<u>69,767</u>	<u>-</u>
Budgetary Basis	<u>\$ 39,639,300</u>	<u>\$ 37,138,554</u>

*D. Deficit Fund Equity*

The Town's special revenue 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." The Town does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$714,358 of the Town's bank

balance of \$15,700,875 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 Aaa</u>
Certificates of deposits	\$ 1,750	\$ 1,750	\$ -
Common equities	<u>753</u>	<u>753</u>	<u>-</u>
Total investments	<u>\$ 2,503</u>	<u>\$ 2,503</u>	<u>\$ -</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.

All of the Town's investment of \$2,502,543 has a custodial credit risk exposure because the related securities are uninsured and unregistered and 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:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Paragon Commercial Bank CD	\$ 247	9.9%
JPM Contingent Mkty CD	247	9.9%
State Bank of India CD	205	8.2%
Goldman Sachs CD	198	7.9%
GE Capital Retail Bank CD	188	7.5%
GE Capital Financial Inc. CD	174	7.0%
Novo Nordisk A/S	160	6.4%
Israel Discount Bank of NY CD	<u>154</u>	6.2%
Total	\$ <u><u>1,573</u></u>	

*D. 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, 2012 consist of the following (in thousands):

Real Estate		
2012	\$ 1	
2011	2	
Prior	<u>43</u>	46
Personal Property		
2012	21	
2011	23	
2010	10	
Prior	<u>33</u>	87
Tax Liens		1,256
Deferred Taxes		<u>24</u>
Total		<u>\$ 1,413</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	\$ 94
Tax liens	126
Excises	<u>86</u>
Total	<u>\$ 306</u>

**7. Intergovernmental Receivables**

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

**8. Interfund Transfers In and (Out)**

The Town's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them. The transfers from the enterprise funds to the general fund are made to cover indirect costs of enterprise funds not incurred in but paid by the general fund.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers in the fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2012.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,003,301	\$ 296,730
Nonmajor Governmental Funds:		
Community Access Programming	267,300	436,333
Community Schools	12,068	-
Technology Upgrade/Sustainability Program	103,666	-
Unemployment Compensation fund	115,915	-
IDEA ARRA fund	7,920	-
Title I ARRA fund	27,050	-
School Lunch fund	-	61,713
Extended School Day Program	-	65,573
Preschool Day Program	-	23,691
Project Independence Education Program	-	37,694
Taft Memorial Parks fund	-	41,596
Planning and Economic Development fund	-	42,273
Other special revenue funds	-	13,461
Capital project funds	-	37,651
Major Enterprise Funds:		
Water fund	-	261,870
Sewer fund	-	99,609
Nonmajor Enterprise Funds:		
Ambulance fund	-	119,026
Total	\$ <u>1,537,220</u>	\$ <u>1,537,220</u>

## 9. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 38,076	\$ 9	\$ -	\$ 38,085
Machinery, equipment, and furnishings	10,086	685	-	10,771
Infrastructure	<u>18,635</u>	<u>187</u>	<u>-</u>	<u>18,822</u>
Total capital assets, being depreciated	66,797	881	-	67,678
Less accumulated depreciation for:				
Buildings and improvements	(17,744)	(874)	-	(18,618)
Machinery, equipment, and furnishings	(7,950)	(609)	-	(8,559)
Infrastructure	<u>(13,434)</u>	<u>(481)</u>	<u>-</u>	<u>(13,915)</u>
Total accumulated depreciation	<u>(39,128)</u>	<u>(1,964)</u>	<u>-</u>	<u>(41,092)</u>
Total capital assets, being depreciated, net	27,669	(1,083)	-	26,586
Capital assets, not being depreciated:				
Land	5,905	-	-	5,905
Construction in progress	<u>9,251</u>	<u>29,018</u>	<u>(87)</u>	<u>38,182</u>
Total capital assets, not being depreciated	<u>15,156</u>	<u>29,018</u>	<u>(87)</u>	<u>44,087</u>
Governmental activities capital assets, net	<u>\$ 42,825</u>	<u>\$ 27,935</u>	<u>\$ (87)</u>	<u>\$ 70,673</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,538	\$ 13	\$ -	\$ 6,551
Machinery, equipment, and furnishings	3,664	6	-	3,670
Infrastructure	<u>17,686</u>	<u>17</u>	<u>-</u>	<u>17,703</u>
Total capital assets, being depreciated	27,888	36	-	27,924
Less accumulated depreciation for:				
Buildings and improvements	(4,719)	(175)	-	(4,894)
Machinery, equipment, and furnishings	(1,926)	(225)	-	(2,151)
Infrastructure	<u>(7,032)</u>	<u>(280)</u>	<u>-</u>	<u>(7,312)</u>
Total accumulated depreciation	<u>(13,677)</u>	<u>(680)</u>	<u>-</u>	<u>(14,357)</u>
Total capital assets, being depreciated, net	14,211	(644)	-	13,567
Capital assets, not being depreciated:				
Land	1,360	-	-	1,360
Construction in progress	<u>3,910</u>	<u>1,436</u>	<u>-</u>	<u>5,346</u>
Total capital assets, not being depreciated	<u>5,270</u>	<u>1,436</u>	<u>-</u>	<u>6,706</u>
Business-type activities capital assets, net	<u>\$ 19,481</u>	<u>\$ 792</u>	<u>\$ -</u>	<u>\$ 20,273</u>

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

Governmental Activities:	
General government	\$ 80
Public safety	271
Education	1,039
Public works	531
Health and human services	16
Culture and recreation	<u>27</u>
Total depreciation expense - governmental activities	<u>\$ 1,964</u>

Business-Type Activities:	
Water	\$ 201
Sewer	402
Other	<u>77</u>
Total depreciation expense - business-type activities	<u>\$ 680</u>

**10. Warrants Payable**

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

**11. 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.

**12. Anticipation Notes Payable**

The following summarizes activity in notes payable during fiscal year 2012:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental notes	\$ 347,486	\$ 347,486	\$ (694,972)	\$ -
Water notes	<u>-</u>	<u>285,000</u>	<u>(285,000)</u>	<u>-</u>
Total	<u>\$ 347,486</u>	<u>\$ 632,486</u>	<u>\$ (979,972)</u>	<u>\$ -</u>

### 13. 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 Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
Police station	08/15/17	3.70 - 4.75%	\$ 375,000
Highway garage	08/15/17	3.70 - 4.75%	125,000
2005 Refunded School bonds	11/15/16	2.50 - 4.00%	3,595,000
Sludge - DES	08/15/15	3.70 - 4.75%	30,000
Taft school roof	04/01/27	3.55 - 4.25%	95,000
DPW sidewalk tractor	04/01/17	3.55 - 4.25%	50,000
Land acquisition I	04/01/27	3.55 - 4.25%	635,000
Land acquisition II	04/01/27	3.55 - 4.25%	425,000
High School Bonds	08/15/30	2.50 - 5.00%	19,375,000
School refunding	05/15/19	2.00-5.00%	4,180,000
Fire Dept 1	05/15/22	2.00-5.00%	150,000
Fire Dept 2	05/15/22	2.00-5.00%	150,000
DPW equipment	05/15/22	2.00-5.00%	178,000
School	05/15/32	2.00-5.00%	<u>197,000</u>
Total Governmental Activities:			<u>\$ 29,560,000</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
Sludge Project	08/01/18	3.00 - 4.20%	\$ 375,000
Sewer Roof	04/01/18	3.55 - 4.25%	200,000
Water Project	04/15/24	3.90 - 4.60%	1,205,000
Water Land Purchase	11/15/24	2.25 - 5.00%	960,000
Wastewater Treatment Facility	04/01/28	3.55 - 4.25%	280,000
Water	04/01/28	3.55 - 4.25%	3,960,000
Water	05/15/32	2.00-5.00%	<u>3,215,000</u>
Total Business-Type Activities:			<u>\$ 10,195,000</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	\$ 2,250,000	\$ 1,157,203	\$ 3,407,203
2014	2,320,000	1,085,749	3,405,749
2015	2,385,000	1,007,298	3,392,298
2016	2,435,000	923,029	3,358,029
2017	2,505,000	829,295	3,334,295
2018 - 2022	6,500,000	3,189,323	9,689,323
2023 - 2027	5,945,000	1,897,153	7,842,153
2028 - 2032	<u>5,220,000</u>	<u>475,000</u>	<u>5,695,000</u>
Total	<u>\$ 29,560,000</u>	<u>\$ 10,564,050</u>	<u>\$ 40,124,050</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, 2012:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 525,000	\$ 384,406	\$ 909,406
2014	550,000	364,684	914,684
2015	570,000	343,539	913,539
2016	595,000	321,576	916,576
2017	615,000	298,406	913,406
2018 - 2022	3,020,000	1,120,050	4,140,050
2023 - 2027	2,955,000	527,525	3,482,525
2028 - 2032	<u>1,365,000</u>	<u>100,728</u>	<u>1,465,728</u>
Total	<u>\$ 10,195,000</u>	<u>\$ 3,460,914</u>	<u>\$ 13,655,914</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 <u>7/1/11</u>	Additions	Reductions	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 31,185	\$ 4,855	\$ (6,480)	\$ 29,560	\$ (2,250)	\$ 27,310
Deferred adjustments:						
Deferred loss on refunding	(270)	-	19	(251)	19	(232)
Unamortized bond premiums	685	125	(80)	730	(65)	665
Total bonds payable	31,600	4,980	(6,541)	30,039	(2,296)	27,743
Other:						
Accrued employee benefits	402	40	(20)	422	(21)	401
Landfill closure	358	-	(25)	333	(24)	309
Net OPEB obligation	8,341	4,140	(830)	11,651	-	11,651
Totals	\$ <u>40,701</u>	\$ <u>9,160</u>	\$ <u>(7,416)</u>	\$ <u>42,445</u>	\$ <u>(2,341)</u>	\$ <u>40,104</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 7,375	\$ 3,215	\$ (395)	\$ 10,195	\$ (525)	\$ 9,670
Other:						
Accrued employee benefits	101	10	(5)	106	(5)	101
Net OPEB obligation	299	149	(29)	419	-	419
Totals	\$ <u>7,775</u>	\$ <u>3,374</u>	\$ <u>(429)</u>	\$ <u>10,720</u>	\$ <u>(530)</u>	\$ <u>10,190</u>

#### 14. 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 \$333,200 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. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

#### 15. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes 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 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. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted through Town Meeting.

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	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Nonexpendable permanent funds	\$ -	\$ -	\$ 81,040	\$ 81,040
Total Nonexpendable	-	-	81,040	81,040
<b>Restricted</b>				
For debt service	614,682	-	-	614,682
Thayer Library fund	-	-	774,298	774,298
School Choice fund	-	-	688,306	688,306
Circuit Breaker Reimbursement fund	-	-	413,902	413,902
Kindergarten Day Program	-	-	270,889	270,889
Community Access Programming	-	-	202,601	202,601
Technology Upgrade/Sustainability Program	-	-	103,809	103,809
Supplemental Education revolving fund	-	-	83,296	83,296
Technical Assistance Grant	-	-	76,845	76,845
Fire Department Donations	-	-	67,583	67,583
Extended School Day Program	-	-	66,337	66,337
Ambulance Donations	-	-	57,858	57,858
Wetlands Protection Fees	-	-	57,108	57,108
Planning and Economic Development fund	-	-	54,408	54,408
School Playground Maintenance fund	-	-	54,018	54,018
Other special revenue funds	-	-	324,507	324,507
High School Construction fund	-	1,365,418	-	1,365,418
Other capital project funds	-	-	748	748
Expendable permanent funds	-	-	373,431	373,431
Total Restricted	614,682	1,365,418	3,669,944	5,650,044
<b>Committed</b>				
For continuing appropriations:				
General government	27,148	-	-	27,148
Public safety	1,782	-	-	1,782
Public works	118,162	-	-	118,162
Culture and recreation	17,906	-	-	17,906
Stabilization	854,504	-	-	854,504
Community Access Programming	340,279	-	-	340,279
Total Committed	1,359,781	-	-	1,359,781
<b>Assigned</b>				
For encumbrances:				
General government	93,828	-	-	93,828
Public safety	4,580	-	-	4,580
Education	214,217	-	-	214,217
Public works	25,478	-	-	25,478
Health and human services	1,600	-	-	1,600
Culture and recreation	14,016	-	-	14,016
Employee benefits	101,950	-	-	101,950
For next year's expenditures	1,875,454	-	-	1,875,454
Total Assigned	2,331,123	-	-	2,331,123
Unassigned	828,961	-	(282,363)	546,598
Total Unassigned	828,961	-	(282,363)	546,598
Total Fund Balance	\$ 5,134,547	\$ 1,365,418	\$ 3,468,621	\$ 9,968,586

**16. 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.

**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 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 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>(860,000)</u>
Increase in net OPEB obligation	3,430,000
Net OPEB obligation - beginning of year	<u>8,640,000</u>
Net OPEB obligation - end of year	<u>\$ 12,070,000</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>
2012	\$ 4,290,000	20.0%	\$ 12,070,000
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, 2012 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 advanced 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 2012, the Commonwealth of Massachusetts contributed \$2,702,990 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. Implementation of New GASB Standards

- The GASB has issued Statement 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by eliminating the deferred charges. The Town anticipates that by eliminating the deferred charges, its net assets will be reduced accordingly.
- 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 Town's actuarially accrued liability.

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

**June 30, 2012  
(Unaudited)  
(Amounts Expressed in thousands)**

**Other Post-Employment Benefits**

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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.