

TOWN OF WESTFORD, 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 Westford, 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 Westford, 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 of Westford'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 Westford, 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 January 28, 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 - OPEB 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.

January 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Westford, we offer readers this narrative overview and analysis of the financial activities of the Town of Westford for the fiscal year ended June 30, 2012.

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, culture and recreation, employee benefits, interest, and intergovernmental. The business-type activities include water, ambulance, and recreation 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, ambulance, and recreation 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 water, ambulance, and recreation operations, 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 \$ 239,540,949 (i.e., net assets), a change of \$ 2,421,360 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 36,620,675, a change of \$ 746,325 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 7,229,076, a change of \$ 3,207,157 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 68,441,127, a change of \$ (6,592,610) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 42,635	\$ 42,188	\$ 7,061	\$ 4,803	\$ 49,696	\$ 46,991
Capital assets	<u>240,540</u>	<u>242,481</u>	<u>43,948</u>	<u>43,703</u>	<u>284,488</u>	<u>286,184</u>
Total assets	<u>283,175</u>	<u>284,669</u>	<u>51,009</u>	<u>48,506</u>	<u>334,184</u>	<u>333,175</u>
Long-term liabilities outstanding	69,451	71,554	11,468	12,198	80,919	83,752
Other liabilities	<u>11,029</u>	<u>11,242</u>	<u>2,695</u>	<u>1,061</u>	<u>13,724</u>	<u>12,303</u>
Total liabilities	<u>80,480</u>	<u>82,796</u>	<u>14,163</u>	<u>13,259</u>	<u>94,643</u>	<u>96,055</u>
Net assets:						
Invested in capital assets, net	183,054	180,951	32,079	31,344	215,133	212,295
Restricted	5,863	4,072	-	-	5,863	4,072
Unrestricted	<u>13,778</u>	<u>16,850</u>	<u>4,767</u>	<u>3,903</u>	<u>18,545</u>	<u>20,753</u>
Total net assets	<u>\$ 202,695</u>	<u>\$ 201,873</u>	<u>\$ 36,846</u>	<u>\$ 35,247</u>	<u>\$ 239,541</u>	<u>\$ 237,120</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	\$ 5,699	\$ 5,310	\$ 5,880	\$ 5,728	\$ 11,579	\$ 11,038
Operating grants and contributions	29,109	38,453	-	-	29,109	38,453
Capital grants and contributions	3,035	757	-	-	3,035	757
General revenues:						
Property taxes	60,542	58,337	-	-	60,542	58,337
Excises	2,839	2,767	-	-	2,839	2,767
Penalties and interest on taxes	991	580	-	-	991	580
Grants and contributions not restricted to specific programs	1,964	1,877	1,220	145	3,184	2,022
Investment income	831	856	7	8	838	864
Other	1,273	1,000	58	174	1,331	1,174
Total revenues	<u>106,283</u>	<u>109,937</u>	<u>7,165</u>	<u>6,055</u>	<u>113,448</u>	<u>115,992</u>
Expenses:						
General government	6,190	5,579	-	-	6,190	5,579
Public safety	8,155	8,120	-	-	8,155	8,120
Education	65,680	64,677	-	-	65,680	64,677
Public works	7,607	7,997	-	-	7,607	7,997
Health and human services	1,334	1,871	-	-	1,334	1,871
Culture and recreation	1,750	1,304	-	-	1,750	1,304
Employee benefits	12,230	13,614	-	-	12,230	13,614
Interest on long-term debt	1,646	1,838	-	-	1,646	1,838
Intergovernmental	362	409	-	-	362	409
Water operations	-	-	3,674	2,999	3,674	2,999
Ambulance operations	-	-	1,054	1,071	1,054	1,071
Recreation operations	-	-	1,295	1,243	1,295	1,243
Total expenses	<u>104,954</u>	<u>105,409</u>	<u>6,023</u>	<u>5,313</u>	<u>110,977</u>	<u>110,722</u>
Change in net assets before transfers	1,329	4,528	1,142	742	2,471	5,270
Transfers in (out)	<u>(507)</u>	<u>(420)</u>	<u>457</u>	<u>420</u>	<u>(50)</u>	<u>-</u>
Change in net assets	822	4,108	1,599	1,162	2,421	5,270
Net assets - beginning of	<u>201,873</u>	<u>197,765</u>	<u>35,247</u>	<u>34,085</u>	<u>237,120</u>	<u>231,850</u>
Net assets - end of year	<u>\$ 202,695</u>	<u>\$ 201,873</u>	<u>\$ 36,846</u>	<u>\$ 35,247</u>	<u>\$ 239,541</u>	<u>\$ 237,120</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 \$ 239,540,949, a change of \$ 2,421,360 from the prior year.

The largest portion of net assets \$ 215,132,719 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 5,863,224 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 18,545,006 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 822,308. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,974,969
Community preservation surplus - accrual basis	(1,331,121)
Nonmajor fund surplus - accrual basis	1,535,206
Principal debt service in excess of depreciation expense	(2,068,941)
Accrued other post employment benefits	(3,623,837)
Other	<u>4,336,032</u>
Total	<u>\$ 822,308</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 1,599,052. Key elements of this change are as follows:

Water enterprise	\$ 1,626,899
Ambulance enterprise	58,406
Recreation enterprise	<u>(86,253)</u>
Total	<u>\$ 1,599,052</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 \$ 36,620,675, a change of \$ 746,325 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 1,974,969
Community preservation deficit	(1,354,121)
Nonmajor funds surplus	<u>125,477</u>
Total	<u>\$ 746,325</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 \$ 7,229,076, while total fund balance was \$ 27,491,411. 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	\$ 7,229,076	\$ 4,021,919	\$ 3,207,157	8.0%
Total fund balance	\$ 27,491,411	\$ 25,516,442	\$ 1,974,969	30.3%

The total fund balance of the general fund changed by \$ 1,974,969 during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 788,564
Budgetary appropriation turnbacks	3,051,370
Excess of tax collections over budget	232,628
Excess of prior year encumbrances, net of current year encumbrances	688,452
Use of free cash and overlay surplus	(2,292,539)
Use of designated fund balance	(55,704)
Change in stabilization	(844,933)
Raising of prior year snow and ice deficit	520,905
Other timing issues	<u>(113,774)</u>
Total	<u>\$ 1,974,969</u>

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

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
General stabilization	\$ 3,514,823	\$ 4,359,756	\$ (844,933)

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 4,767,335, a change of \$ 864,222 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

There were no differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 284,488,284 (net of accumulated depreciation), a change of \$ (1,696,237) from the prior year, as restated. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Addition of newly accepted roads	\$ 1,775,760
Chapter 90	\$ 924,074

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 68,441,127, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Westford's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Westford, Massachusetts
55 Main Street
Westford, Massachusetts 01886

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 16,579,513	\$ 5,847,624	\$ 22,427,137
Investments	24,674,582	-	24,674,582
Receivables, net of allowance for uncollectibles:			
Property taxes	352,185	-	352,185
Excises	139,640	-	139,640
Departmental and other	14,789	-	14,789
User fees	-	1,165,866	1,165,866
Intergovernmental	-	47,374	47,374
Other assets	75,833	-	75,833
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	521,662	-	521,662
Other assets	276,668	-	276,668
Capital assets			
Land and construction in progress	38,592,534	2,584,631	41,177,165
Other capital assets, net of accumulated depreciation	<u>201,947,628</u>	<u>41,363,491</u>	<u>243,311,119</u>
TOTAL ASSETS	283,175,034	51,008,986	334,184,020
LIABILITIES			
Current:			
Warrants payable	863,539	227,481	1,091,020
Accrued liabilities	855,364	69,982	925,346
Notes payable	925,000	1,500,000	2,425,000
Tax refunds payable	1,505,000	-	1,505,000
Other current liabilities	1,019,749	37,325	1,057,074
Current portion of long-term liabilities:			
Bonds payable	5,764,087	852,889	6,616,976
Compensated absences	68,920	7,278	76,198
Bond premium	26,637	-	26,637
Noncurrent:			
Bonds payable, net of current portion	50,998,244	10,825,907	61,824,151
Compensated absences, net of current portion	1,309,471	138,277	1,447,748
Bond premium, net of current portion	141,505	-	141,505
Accrued other post employment benefits	<u>17,002,204</u>	<u>504,212</u>	<u>17,506,416</u>
TOTAL LIABILITIES	80,479,720	14,163,351	94,643,071
NET ASSETS			
Invested in capital assets, net of related debt	183,054,419	32,078,300	215,132,719
Restricted for:			
State and federal grants	3,600,808	-	3,600,808
Permanent funds:			
Nonexpendable	562,032	-	562,032
Expendable	1,700,384	-	1,700,384
Unrestricted	<u>13,777,671</u>	<u>4,767,335</u>	<u>18,545,006</u>
TOTAL NET ASSETS	\$ <u>202,695,314</u>	\$ <u>36,845,635</u>	\$ <u>239,540,949</u>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$ 6,189,841	\$ 545,059	\$ 852,485	\$ -	\$ (4,792,297)	\$ -	\$ (4,792,297)
Public safety	8,155,408	1,025,044	141,711	-	(6,988,653)	-	(6,988,653)
Education	65,679,603	3,585,282	27,644,621	663,000	(33,786,700)	-	(33,786,700)
Public works	7,606,857	114,425	123,730	2,371,547	(4,997,155)	-	(4,997,155)
Health and human services	1,333,832	229,324	271,942	-	(832,566)	-	(832,566)
Culture and recreation	1,750,307	199,657	74,113	-	(1,476,537)	-	(1,476,537)
Employee benefits	12,229,703	-	-	-	(12,229,703)	-	(12,229,703)
Interest	1,645,850	-	-	-	(1,645,850)	-	(1,645,850)
Intergovernmental	362,215	-	-	-	(362,215)	-	(362,215)
Total Governmental Activities	104,953,616	5,698,791	29,108,602	3,034,547	(67,111,676)	-	(67,111,676)
Business-Type Activities:							
Water services	3,673,515	3,950,855	-	-	-	277,340	277,340
Ambulance	1,054,294	805,567	-	-	-	(248,727)	(248,727)
Recreation	1,295,502	1,123,781	-	-	-	(171,721)	(171,721)
Total Business-Type Activities	6,023,311	5,880,203	-	-	-	(143,108)	(143,108)
Total	\$ 110,976,927	\$ 11,578,994	\$ 29,108,602	\$ 3,034,547	(67,111,676)	(143,108)	(67,254,784)
General Revenues, Contributions, and Transfers:							
Property taxes					60,541,644	-	60,541,644
Excises					2,838,988	-	2,838,988
Penalties, interest and other taxes					990,632	-	990,632
Grants and contributions not restricted to specific programs					1,964,323	-	1,964,323
Intergovernmental revenue					-	1,220,300	1,220,300
Investment income					829,548	7,453	837,001
Miscellaneous					1,273,496	57,527	1,331,023
Permanent fund contributions					2,233	-	2,233
Transfers (net)					(506,880)	456,880	(50,000)
Total general revenues, contributions, and transfers					67,933,984	1,742,160	69,676,144
Change in Net Assets					822,308	1,599,052	2,421,360
Net Assets:							
Beginning of year, as restated					201,873,006	35,246,583	237,119,589
End of year					\$ 202,695,314	\$ 36,845,635	\$ 239,540,949

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 12,865,407	\$ -	\$ 3,714,106	\$ 16,579,513
Investments	18,193,708	4,022,378	2,458,496	24,674,582
Receivables:				
Property taxes	971,134	-	-	971,134
Excises	155,156	-	-	155,156
Departmental and other	<u>263</u>	<u>14,553</u>	<u>-</u>	<u>14,816</u>
TOTAL ASSETS	<u>\$ 32,185,668</u>	<u>\$ 4,036,931</u>	<u>\$ 6,172,602</u>	<u>\$ 42,395,201</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 722,823	\$ 594	\$ 140,122	\$ 863,539
Accrued liabilities	500,035	-	-	500,035
Deferred revenues	946,650	14,553	-	961,203
Notes payable	-	-	925,000	925,000
Tax refunds payable	1,505,000	-	-	1,505,000
Other liabilities	<u>1,019,749</u>	<u>-</u>	<u>-</u>	<u>1,019,749</u>
TOTAL LIABILITIES	4,694,257	15,147	1,065,122	5,774,526
Fund Balances:				
Nonspendable	-	-	562,032	562,032
Restricted	14,825,332	-	5,466,676	20,292,008
Committed	4,096,092	4,021,784	-	8,117,876
Assigned	1,340,911	-	-	1,340,911
Unassigned	<u>7,229,076</u>	<u>-</u>	<u>(921,228)</u>	<u>6,307,848</u>
TOTAL FUND BALANCES	<u>27,491,411</u>	<u>4,021,784</u>	<u>5,107,480</u>	<u>36,620,675</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,185,668</u>	<u>\$ 4,036,931</u>	<u>\$ 6,172,602</u>	<u>\$ 42,395,201</u>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

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

JUNE 30, 2012

Total governmental fund balances	\$ 36,620,675
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	240,540,162
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	848,372
<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.	(355,328)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(74,958,567)</u>
Net assets of governmental activities	<u><u>\$ 202,695,314</u></u>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 59,121,880	\$ 1,361,388	\$ -	\$ 60,483,268
Excises	2,888,535	-	-	2,888,535
Penalties, interest and other taxes	988,277	2,356	-	990,633
Betterments	16,983	-	-	16,983
Charges for services	-	-	3,931,744	3,931,744
Departmental	59,982	-	-	59,982
Intergovernmental	26,544,908	385,895	4,524,637	31,455,440
Licenses and permits	1,501,638	-	-	1,501,638
Fines and forfeitures	26,312	-	-	26,312
Investment income	716,608	68,779	44,161	829,548
Miscellaneous	1,122,398	30,000	499,997	1,652,395
Total Revenues	<u>92,987,521</u>	<u>1,848,418</u>	<u>9,000,539</u>	<u>103,836,478</u>
Expenditures:				
Current:				
General government	3,789,959	2,169,245	281,162	6,240,366
Public safety	7,666,937	-	412,495	8,079,432
Education	52,938,645	-	7,046,469	59,985,114
Public works	4,523,124	-	1,182,900	5,706,024
Health and human services	879,416	-	538,646	1,418,062
Culture and recreation	1,730,859	-	281,115	2,011,974
Employee benefits	7,346,107	-	-	7,346,107
Debt service	11,433,979	-	-	11,433,979
Intergovernmental	362,215	-	-	362,215
Total Expenditures	<u>90,671,241</u>	<u>2,169,245</u>	<u>9,742,787</u>	<u>102,583,273</u>
Excess (deficiency) of revenues over expenditures	2,316,280	(320,827)	(742,248)	1,253,205
Other Financing Sources (Uses):				
Transfers in	1,803,270	-	1,033,380	2,836,650
Transfers out	(2,144,581)	(1,033,294)	(165,655)	(3,343,530)
Total Other Financing Sources (Uses)	<u>(341,311)</u>	<u>(1,033,294)</u>	<u>867,725</u>	<u>(506,880)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,974,969	(1,354,121)	125,477	746,325
Fund Equity, at Beginning of Year	<u>25,516,442</u>	<u>5,375,905</u>	<u>4,982,003</u>	<u>35,874,350</u>
Fund Equity, at End of Year	<u>\$ 27,491,411</u>	<u>\$ 4,021,784</u>	<u>\$ 5,107,480</u>	<u>\$ 36,620,675</u>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 746,325																
<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> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">5,842,151</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(7,783,028)</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> <tr> <td></td> <td style="text-align: right;">7,568</td> </tr> </table> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">5,714,087</td> </tr> <tr> <td style="padding-left: 40px;">Amortization of refunding</td> <td style="text-align: right;">(75,833)</td> </tr> <tr> <td style="padding-left: 40px;">Amortization of bond premium</td> <td style="text-align: right;">28,757</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> <tr> <td></td> <td style="text-align: right;">33,246</td> </tr> </table> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td></td> <td style="text-align: right;"><u>(3,690,965)</u></td> </tr> </table> 		Capital outlay purchases	5,842,151	Depreciation	(7,783,028)		7,568	Repayments of debt	5,714,087	Amortization of refunding	(75,833)	Amortization of bond premium	28,757		33,246		<u>(3,690,965)</u>
Capital outlay purchases	5,842,151																
Depreciation	(7,783,028)																
	7,568																
Repayments of debt	5,714,087																
Amortization of refunding	(75,833)																
Amortization of bond premium	28,757																
	33,246																
	<u>(3,690,965)</u>																
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>822,308</u>																

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 58,889,252	\$ 58,889,252	\$ 58,889,252	\$ -
Excise	2,789,549	2,789,549	2,888,535	98,986
Penalties, interest and other taxes	767,000	767,000	988,277	221,277
Departmental	61,000	61,000	59,983	(1,017)
Betterments	39,225	39,225	16,982	(22,243)
Intergovernmental	19,177,030	19,177,030	19,515,286	338,256
Licenses and permits	1,365,000	1,365,000	1,501,638	136,638
Fines and forfeits	24,000	24,000	26,312	2,312
Investment income	691,568	691,568	673,840	(17,728)
Miscellaneous	1,090,315	1,090,315	1,122,398	32,083
Transfers in	1,303,270	1,303,270	1,303,270	-
Use of free cash	2,292,539	2,292,539	2,292,539	-
Use of designated fund balance	55,704	55,704	55,704	-
Use of settlement proceeds	250,000	250,000	250,000	-
Total Revenues and Other Sources	88,795,452	88,795,452	89,584,016	788,564
Expenditures and Other Uses:				
General government	4,468,079	4,468,079	4,103,404	364,675
Public safety	7,932,498	7,932,498	7,736,526	195,972
Education	47,102,698	47,102,698	46,258,149	844,549
Public works	4,460,514	4,460,514	4,628,351	(167,837)
Health and human services	899,883	899,883	881,462	18,421
Culture and recreation	1,745,637	1,745,637	1,693,864	51,773
Debt service	7,459,606	7,459,606	7,411,857	47,749
Intergovernmental	409,582	409,582	362,215	47,367
Employee benefits	13,104,920	13,104,920	11,456,219	1,648,701
Transfers out	691,130	691,130	691,130	-
Other uses-snow and ice deficit raised	520,905	520,905	520,905	-
Total Expenditures and Other Uses	88,795,452	88,795,452	85,744,082	3,051,370
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,839,934	\$ 3,839,934

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Fund			
	Water Fund	Ambulance Fund	Recreation Fund	Total Fund
<u>ASSETS</u>				
Current:				
Cash and short-term investments	\$ 5,439,392	\$ 259,606	\$ 148,626	\$ 5,847,624
User fees, net of allowance for uncollectibles	848,097	317,769	-	1,165,866
Due from other governments	47,374	-	-	47,374
Total current assets	6,334,863	577,375	148,626	7,060,864
Noncurrent:				
Capital Assets:				
Land and construction in progress	2,309,884	-	274,747	2,584,631
Other capital assets, net of accumulated depreciation	40,639,701	148,675	575,115	41,363,491
Total noncurrent assets	42,949,585	148,675	849,862	43,948,122
TOTAL ASSETS	49,284,448	726,050	998,488	51,008,986
<u>LIABILITIES</u>				
Current:				
Warrants payable	147,013	42,488	37,980	227,481
Accrued liabilities	69,982	-	-	69,982
Notes payable	1,500,000	-	-	1,500,000
Other liabilities	37,325	-	-	37,325
Current portion of long-term liabilities:				
Bonds payable	852,889	-	-	852,889
Compensated absences	4,342	1,127	1,809	7,278
Total current liabilities	2,611,551	43,615	39,789	2,694,955
Noncurrent:				
Bonds payable, net of current portion	10,825,907	-	-	10,825,907
Compensated absences	82,489	21,410	34,378	138,277
Accrued other post employment benefits	270,336	45,254	188,622	504,212
Total noncurrent liabilities	11,178,732	66,664	223,000	11,468,396
TOTAL LIABILITIES	13,790,283	110,279	262,789	14,163,351
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	31,079,763	148,675	849,862	32,078,300
Unrestricted	4,414,402	467,096	(114,163)	4,767,335
TOTAL NET ASSETS	\$ 35,494,165	\$ 615,771	\$ 735,699	\$ 36,845,635

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Fund			
	Water Fund	Ambulance Fund	Recreation Fund	Total Fund
Operating Revenues:				
Charges for services	\$ 3,950,855	\$ 805,567	\$ 1,123,781	\$ 5,880,203
Other	<u>57,477</u>	<u>50</u>	<u>-</u>	<u>57,527</u>
Total Operating Revenues	4,008,332	805,617	1,123,781	5,937,730
Operating Expenses:				
Operating expenses	2,308,818	1,019,565	1,145,287	4,473,670
Depreciation	1,260,927	16,540	83,476	1,360,943
Employee benefits	<u>69,476</u>	<u>18,189</u>	<u>66,739</u>	<u>154,404</u>
Total Operating Expenses	<u>3,639,221</u>	<u>1,054,294</u>	<u>1,295,502</u>	<u>5,989,017</u>
Operating Income (Loss)	369,111	(248,677)	(171,721)	(51,287)
Nonoperating Revenues (Expenses):				
Intergovernmental revenue	1,220,300	-	-	1,220,300
Investment income	6,032	953	468	7,453
Interest expense	<u>(34,294)</u>	<u>-</u>	<u>-</u>	<u>(34,294)</u>
Total Nonoperating Revenues (Expenses), Net	<u>1,192,038</u>	<u>953</u>	<u>468</u>	<u>1,193,459</u>
Net Income or Loss Before Transfers	1,561,149	(247,724)	(171,253)	1,142,172
Transfers In	<u>65,750</u>	<u>306,130</u>	<u>85,000</u>	<u>456,880</u>
Net Income	1,626,899	58,406	(86,253)	1,599,052
Net Assets at Beginning of Year	<u>33,867,266</u>	<u>557,365</u>	<u>821,952</u>	<u>35,246,583</u>
Net Assets at End of Year	<u>\$ 35,494,165</u>	<u>\$ 615,771</u>	<u>\$ 735,699</u>	<u>\$ 36,845,635</u>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities			Total
	Enterprise Funds			
	Water Fund	Ambulance Fund	Recreation Fund	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 4,056,442	\$ 673,211	\$ 1,123,780	\$ 5,853,433
Payments to vendors and employees	<u>(2,240,585)</u>	<u>(999,685)</u>	<u>(1,104,924)</u>	<u>(4,345,194)</u>
Net Cash Provided By (Used For) Operating Activities	1,815,857	(326,474)	18,856	1,508,239
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition, construction, and disposition of capital assets	(1,605,583)	-	-	(1,605,583)
Principal payments on bonds and notes	1,641,216	-	-	1,641,216
Bond anticipation note proceeds	(878,523)	-	-	(878,523)
Interest expense	(34,294)	-	-	(34,294)
Intergovernmental revenue	<u>1,220,300</u>	<u>-</u>	<u>-</u>	<u>1,220,300</u>
Net Cash (Used For) Capital and Related Financing Activities	343,116	-	-	343,116
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	<u>65,750</u>	<u>306,130</u>	<u>85,000</u>	<u>456,880</u>
Net Cash Provided By Noncapital Financing Activities	65,750	306,130	85,000	456,880
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>6,032</u>	<u>953</u>	<u>468</u>	<u>7,453</u>
Net Cash Provided By Investing Activities	<u>6,032</u>	<u>953</u>	<u>468</u>	<u>7,453</u>
Net Change in Cash and Short-Term Investments	2,230,755	(19,391)	104,324	2,315,688
Cash and Short-Term Investments, Beginning of Year	<u>3,208,637</u>	<u>278,997</u>	<u>44,302</u>	<u>3,531,936</u>
Cash and Short-Term Investments, End of Year	<u>\$ 5,439,392</u>	<u>\$ 259,606</u>	<u>\$ 148,626</u>	<u>\$ 5,847,624</u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating income (loss)	\$ 369,111	\$ (248,677)	\$ (171,721)	\$ (51,287)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,260,927	16,540	83,476	1,360,943
Changes in assets and liabilities:				
Receivables	48,110	(132,406)	-	(84,296)
Warrants payable	66,898	17,928	36,427	121,253
Other liabilities	5,162	-	-	5,162
Compensated absences	1,359	1,952	3,935	7,246
Accrued other post employment benefits	69,476	18,189	66,739	154,404
Accrued liabilities	<u>(5,186)</u>	<u>-</u>	<u>-</u>	<u>(5,186)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,815,857</u>	<u>\$ (326,474)</u>	<u>\$ 18,856</u>	<u>\$ 1,508,239</u>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	<u>Agency Funds</u>	<u>Other Post-Employment Benefits Trust Fund</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 946,326	\$ -
Investments	<u>-</u>	<u>50,235</u>
Total Assets	946,326	50,235
<u>LIABILITIES</u>		
Warrants payable	24,057	-
Escrow deposits	<u>922,269</u>	<u>-</u>
Total Liabilities	<u>946,326</u>	<u>-</u>
<u>NET ASSETS</u>		
Total net assets held in trust	<u><u>\$ -</u></u>	<u><u>\$ 50,235</u></u>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

	Other Post-Employment Benefits Trust <u>Fund</u>
Additions:	
Interest income	\$ 235
Transfers in	<u>50,000</u>
Total additions	50,235
 Net assets:	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 50,235</u></u>

See notes to financial statements.

TOWN OF WESTFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Westford (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 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 are 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 govern-

mental 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 Community Preservation Fund accounts for funds used for the acquisition, creation, and preservation of open space historic resources, and community housing.

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:

- Water operations
- Ambulance operations
- Recreation operations

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 marketable securities, bonds, and short-term money market 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 \$ 14,685.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) 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 \$ 10,000 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

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 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.

3. Cash and Short-Term Investments

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

As of June 30, 2012, \$ 17,816,670 of the Town's bank balances of \$ 24,453,194 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 (in thousand). (All federal agency securities have an implied credit rating of AAA.):

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End			
				Aaa	Aa	A	Bbb
U.S. Treasury notes	\$ 14,676	N/A	\$ -	\$ 14,676	\$ -	\$ -	\$ -
Certificates of deposits	2,180		-	2,180	-	-	-
Corporate bonds	783		-	-	625	-	158
Mutual funds	2,961	N/A	2,961	-	-	-	-
Federal agency securities	<u>4,125</u>		<u>-</u>	<u>4,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>24,725</u>		\$ <u>2,961</u>	\$ <u>20,981</u>	\$ <u>625</u>	\$ <u>-</u>	\$ <u>158</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 government has a custodial credit risk exposure of \$ 24,674,582 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Federal National Mortgage Association	\$ 3,366,872	14%

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 (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Debt Related Securities:						
U.S. Treasury notes	\$ 14,676	\$ 1,056	\$ 4,774	\$ 7,206	\$ 1,640	\$ -
Certificates of deposit	2,180	1,033	1,147	-	-	-
Corporate bonds	783	487	296	-	-	-
Mutual funds	2,961	-	-	-	-	2,961
Federal agency securities	4,125	-	3,724	334	67	-
Total	<u>\$ 24,725</u>	<u>\$ 2,576</u>	<u>\$ 9,941</u>	<u>\$ 7,540</u>	<u>\$ 1,707</u>	<u>\$ 2,961</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 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consist of the following (in thousands):

Real Estate			
2012	\$	370	
2011		<u>12</u>	
			382
Personal Property			
2012		8	
2011		<u>1</u>	
			9
Tax Liens			<u>580</u>
Total	\$		<u><u>971</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):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 97	\$ -
Excises	\$ 16	\$ -
Utilities	\$ -	\$ 25
Other	\$ -	\$ 55

7. Intergovernmental Receivables

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

8. 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>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 142,532	\$ 52	\$ -	\$ 142,584
Machinery, equipment, and furnishings	26,902	2,777	(268)	29,411
Infrastructure	125,454	2,700	-	128,154
	<u>294,888</u>	<u>5,529</u>	<u>(268)</u>	<u>300,149</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(39,840)	(3,377)	-	(43,217)
Machinery, equipment, and furnishings	(11,061)	(1,302)	268	(12,095)
Infrastructure	(39,785)	(3,104)	-	(42,889)
	<u>(90,686)</u>	<u>(7,783)</u>	<u>268</u>	<u>(98,201)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	204,202	(2,254)	-	201,948
Capital assets, not being depreciated:				
Land	30,991	23	-	31,014
Construction in progress	7,288	290	-	7,578
	<u>38,279</u>	<u>313</u>	<u>-</u>	<u>38,592</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 242,481</u>	<u>\$ (1,941)</u>	<u>\$ -</u>	<u>\$ 240,540</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,726	\$ 13	\$ -	\$ 16,739
Machinery, equipment, and furnishings	1,870	143	-	2,013
Infrastructure	37,624	1,255	-	38,879
	<u>56,220</u>	<u>1,411</u>	<u>-</u>	<u>57,631</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(4,140)	(708)	-	(4,848)
Machinery, equipment, and furnishings	(1,317)	(86)	-	(1,403)
Infrastructure	(9,450)	(567)	-	(10,017)
	<u>(14,907)</u>	<u>(1,361)</u>	<u>-</u>	<u>(16,268)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	41,313	50	-	41,363
Capital assets, not being depreciated:				
Land	2,390	-	-	2,390
Construction in progress	-	195	-	195
	<u>2,390</u>	<u>195</u>	<u>-</u>	<u>2,585</u>
Total capital assets, not being depreciated				
Business-type activities capital assets, net	<u>\$ 43,703</u>	<u>\$ 245</u>	<u>\$ -</u>	<u>\$ 43,948</u>

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

Governmental Activities:	
General government	\$ 80
Public safety	394
Education	3,727
Public works	3,405
Culture and recreation	117
Health and Human Services	<u>60</u>
Total depreciation expense - governmental activities	<u>\$ 7,783</u>
Business-Type Activities:	
Water	\$ 1,261
Ambulance	17
Recreation	<u>83</u>
Total depreciation expense - business-type activities	<u>\$ 1,361</u>

9. Warrants and Accounts Payable

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

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

11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

12. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2012:

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/12</u>
General purpose	0.75%	12/16/11	12/13/12	\$ 925,000
Bond anticipation	0.05%	06/28/12	06/14/13	<u>1,500,000</u>
Total				<u>\$ 2,425,000</u>

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

	Balance Beginning <u>of Year</u>	New <u>Issues</u>	<u>Maturities</u>	Balance End of <u>Year</u>
General purpose	\$ 925,000	\$ 925,000	\$ (925,000)	\$ 925,000
Bond anticipation note	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Total	<u>\$ 925,000</u>	<u>\$ 2,425,000</u>	<u>\$ (925,000)</u>	<u>\$ 2,425,000</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>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/12</u>
Fire station construction	12/15/13	4.17%	\$ 210,000
Classroom construction Day/Abbott	12/15/13	4.19%	110,000
Land acquisition Drew Farms	12/15/13	4.17%	20,000
Title V	08/01/19	0.00%	32,331
Elementary school construction	06/01/22	4.14%	12,305,000
Elementary school construction	12/01/22	4.49%	1,555,000
Middle school construction	06/01/22	4.14%	11,730,000
Middle school construction	12/01/22	4.49%	1,480,000
Abbott School wastewater facility	06/01/13	3.45%	100,000

(continued)

(continued)

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/12
Highway garage	06/01/18	3.68%	300,000
Middle school land purchase	06/01/13	3.45%	30,000
Fire substation construction	06/01/13	3.45%	20,000
Highway garage construction	04/15/24	3.0 - 4.625%	5,765,000
School bid repair (Abbott windows)	04/15/14	3.0 - 3.875%	200,000
School - Abbott septic	04/15/14	3.0 - 3.875%	80,000
East Boston camps CPA	04/01/19	4.0 - 5.5%	4,750,000
Highway garage construction	06/15/16	3.97%	320,000
Town Center sewer extension	06/15/19	3.98%	700,000
Academy refunding	06/30/20	4.00%	7,970,000
Senior center	09/15/12	2.57%	95,000
Academy refunding 2	04/01/18	3.01%	2,670,000
Modular classroom refunding	04/01/18	3.01%	580,000
Town Hall	04/15/10	3.68%	2,140,000
Senior center	11/15/09	3.47%	3,600,000
Total Governmental Activities:			\$ <u>56,762,331</u>

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/12
<u>Water Enterprise</u>			
Filtration plant - MWPAT	02/01/21	1.11%	\$ 1,215,000
MWPAT	08/01/22	1.13%	7,237,574
Water bonds	09/15/23	3.60%	416,000
Water bonds	09/15/23	3.60%	349,000
Water bonds	04/01/18	3.01%	395,000
MWPAT DW 08-15	07/15/30	2.00%	262,913
MWPAT DW 09-07	07/15/30	2.00%	1,803,309
Total Business-Type Activities:			\$ <u>11,678,796</u>
Total Long-term Debt:			\$ <u>68,441,127</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	\$ 5,764,087	\$ 2,314,048	\$ 8,078,135
2014	5,589,087	2,111,757	7,700,844
2015	5,304,087	1,922,561	7,226,648
2016	5,364,014	1,715,222	7,079,236
2017	5,394,014	1,498,054	6,892,068
2018 - 2022	23,147,042	4,177,047	27,324,089
2023 - 2027	5,300,000	451,412	5,751,412
Thereafter	900,000	60,375	960,375
Total	\$ <u>56,762,331</u>	\$ <u>14,250,476</u>	\$ <u>71,012,807</u>

The following governmental funds have been designated as the sources 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	\$ 852,889	\$ 210,953	\$ 1,063,842
2014	887,137	188,279	1,075,416
2015	918,996	170,734	1,089,730
2016	1,015,891	153,500	1,169,391
2017	1,042,827	133,944	1,176,771
2018 - 2022	5,019,543	375,797	5,395,340
2023 - 2027	1,439,108	83,406	1,522,514
Thereafter	502,405	20,346	522,751
Total	\$ <u>11,678,796</u>	\$ <u>1,336,959</u>	\$ <u>13,015,755</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	\$ 62,476	\$ -	\$ (5,714)	\$ 56,762	\$ 5,764	\$ 50,998
Other:						
Compensated absences	1,311	67	-	1,378	69	1,309
Bond premium	197	-	(29)	168	26	142
Accrued other post- employment benefits	<u>13,378</u>	<u>3,624</u>	<u>-</u>	<u>17,002</u>	<u>-</u>	<u>17,002</u>
Totals	\$ <u>77,362</u>	\$ <u>3,691</u>	\$ <u>(5,743)</u>	\$ <u>75,310</u>	\$ <u>5,859</u>	\$ <u>69,451</u>

	Total Balance <u>7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 12,557	\$ -	\$ (878)	\$ 11,679	\$ 853	\$ 10,826
Other:						
Compensated absences	138	7	-	145	7	138
Accrued other post-employment benefits	<u>350</u>	<u>154</u>	<u>-</u>	<u>504</u>	<u>-</u>	<u>504</u>
Totals	<u>\$ 13,045</u>	<u>\$ 161</u>	<u>\$ (878)</u>	<u>\$ 12,328</u>	<u>\$ 860</u>	<u>\$ 11,468</u>

14. 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.

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, stabilization funds and various special revenue funds.

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

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

Following is a breakdown of the Town's fund balances at June 30, 2012:

	General Fund	CPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 562,032	\$ 562,032
Total Nonspendable	-	-	562,032	562,032
Restricted				
Reserve for debt service	14,825,332	-	-	14,825,332
Capital project funds	-	-	78,948	78,948
Special revenue funds	-	-	3,687,344	3,687,344
Expendable permanent funds	-	-	1,700,384	1,700,384
Total Restricted	14,825,332	-	5,466,676	20,292,008
Committed				
Reserve for continuing appropriations	581,269	-	-	581,269
Community preservation act funds	-	4,021,784	-	4,021,784
Stabilization	3,514,823	-	-	3,514,823
Total Committed	4,096,092	4,021,784	-	8,117,876
Assigned				
Encumbrances	1,340,911	-	-	1,340,911
Total Assigned	1,340,911	-	-	1,340,911
Unassigned				
	7,229,076	-	(921,228)	6,307,848
Total Unassigned	7,229,076	-	(921,228)	6,307,848
Total Fund Balances	\$ 27,491,411	\$ 4,021,784	\$ 5,107,480	\$ 36,620,675

16. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to overexpend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 7,229,076
Snow and ice deficit	246,197
Tax refund estimate	<u>1,505,000</u>
Statutory (UMAS) Balance	<u>\$ 8,980,273</u>

17. Subsequent Events

Debt

Subsequent to June 30, 2012, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 1,672,500	0.50%	12/13/12	06/14/13

18. **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.

19. **Post-Employment Healthcare and Life Insurance Benefits**

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets 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 255 retirees and 922 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 40% 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)	\$ 5,935,894
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	5,935,894
Contributions made	<u>(2,157,653)</u>
Increase in net OPEB obligation	3,778,241
Net OPEB obligation - beginning of year	<u>13,728,175</u>
Net OPEB obligation - end of year	<u><u>\$ 17,506,416</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>
2012	\$ 5,935,894	34%	\$ 17,506,416
2011	\$ 5,841,336	34%	\$ 13,728,175
2010	\$ 6,404,188	22.3%	\$ 9,886,681

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)	\$ 67,054,824
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 67,054,824</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 48,923,957</u>
UAAL as a percentage of covered payroll	<u>137%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 11%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

20. 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. 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 System issues a publicly available financial report which can be obtained through the Middlesex County Retirement System.

A. Plan Description

The Town contributes to the Middlesex County Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Middlesex County Retirement System at 40 Thorndike Street, New Superior Court House, East Cambridge, Massachusetts 02141.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$ 3,030,843, \$ 2,666,208, and \$ 2,562,317, respectively, which were equal to its annual required contributions for each of these years.

C. 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.

In fiscal year 2012, the Commonwealth of Massachusetts contributed \$ 7,029,622 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

21. 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.

22. Beginning Fund Balance Net Assets Restatement

The beginning (July 1, 2011) fund balances of the Town have been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 194,287,750
To capitalize previously accepted roads	<u>7,585,256</u>
As restated	<u>\$ 201,873,006</u>

23. Implementation of New GASB Standards

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 WESTFORD, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2012
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 55,489,005	\$ 55,489,005	0.0%	\$ 46,875,061	118.4%
7/1/2010	\$ -	\$ 67,054,824	\$ 67,054,824	0.0%	\$ 48,923,957	137.1%

See Independent Auditors' Report.