



Bill Fraher, CPA

TOWN OF ASHBURNHAM, MASSACHUSETTS

Basic Financial Statements, Required Supplementary
Information and Supplementary Information

Year ended June 30, 2012
(Except for the Electric Enterprise Fund
which is December 31, 2011)

(With Independent Auditor's Report Thereon)

TOWN OF ASHBURNHAM, MASSACHUSETTS

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Independent Auditor's Report

The Board of Selectman
Town Of Ashburnham, Massachusetts:

I 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 Ashburnham, Massachusetts, as of and for the year ended June 30, 2012 (except for the Electric Enterprise Fund which is December 31, 2011), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ashburnham's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Electric Enterprise Fund, which represents 25% of total assets, 24% of net assets and 81% of revenues of business type activities and proprietary funds of the Town of Ashburnham. Those financial statements have been audited by other auditors whose report has been furnished to me, and my opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Electric Enterprise Fund, is based on the report of the other auditors.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Electric Enterprise Fund were not audited in accordance with *Government Auditing Standards*. 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. I believe that my audit and the report of other auditors provide a reasonable basis for my opinions.

In my opinion, based on my audit and the report of other auditors, 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 Ashburnham, Massachusetts, as of June 30, 2012 (except for the Electric Enterprise Fund which is December 31, 2011), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 30, 2013 on my consideration of the Town of Ashburnham's internal control structure over financial reporting and on my 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 my 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. This report is an integral part of an audit



The Board of Selectmen
Town of Ashburnham, Massachusetts
Independent Auditor's Report

performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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. I have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management regarding 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 obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ashburnham's financial statements as a whole. The combining fund financial statements listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the U.S. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bill Fraher, CPA
Boston, Massachusetts
January 30, 2013



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of Selectmen
Town of Ashburnham, Massachusetts

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashburnham, Massachusetts, as of and for the year ended June 30, 2012 (except for the Electric Enterprise Fund which is December 31, 2011), which collectively comprise the Town's basic financial statements and have issued my report thereon dated January 30, 2013. My report includes a reference to other auditors. I conducted my audit in accordance with generally accepted auditing standards 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. Other auditors audited the financial statements of the Electric Enterprise Fund, as described in my report on the Town of Ashburnham's financial statements. The financial statements of the Electric Enterprise Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ashburnham, Massachusetts' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Ashburnham, Massachusetts' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.



The Board of Selectmen
Town of Ashburnham, Massachusetts
Report on Compliance and on Internal Control over Financial Reporting

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain other matters that I reported to management of the Town of Ashburnham, Massachusetts, in a separate letter dated January 30, 2013.

This report is intended solely for the information and use of the Board of Selectmen, management, others within the organization, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bill Fraher, CPA
Boston, Massachusetts
January 30, 2013

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2012

This section of the Town of Ashburnham's annual financial report presents a discussion and analysis of the Town's financial activities during the fiscal year ended June 30, 2012. Please read it in conjunction with the additional information at the front of this report and the financial statements, which follow this section. Amounts related to business type activities and enterprise funds include the Town's electric light department, which is included in the financial statements as of its fiscal year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities (net assets) at the close of the current fiscal year by \$41,786,772, an increase of \$680,894 (1.6%) from the prior year. Governmental activities showed an increase in net assets of \$779,973 (6.7%) due to current year operating results while business-type activities showed a decrease of \$99,079 (0.3%), due to sewer fund activity (primarily unfunded depreciation) offset by an increase in electric due to a decrease in power costs, a favorable rate structure and a storm reimbursement grant.
- Total fund balance of the Town's governmental funds at June 30, 2012 was (\$1,006,396), a decrease of \$2,713,147 from the prior year. This was primarily due to expenditures on the school capital project, on which long term debt has not yet been issued (a bond anticipation note of \$3,400,000 is outstanding at year end).
- At the end of fiscal 2012, unassigned (formerly unreserved) fund balance for the general fund was \$401,786 or 3.0% of total general fund budgeted expenditures. This is an increase from the prior year amount of \$248,828, or 61.4%. This was due to current year operating results and raising last year's snow and ice and overlay deficits in this year's tax rate.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town of Ashburnham's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 report information about the Town with a broad overview of its finances using accounting methods similar to those used by a private-sector business.

The statement of net assets presents information of all the Town's 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 health of the Town is improving or deteriorating. The statement of activities presents information showing how the Town's net assets changed during the year. All changes in net assets are reported as soon as the underlying event causing the change takes place.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2012

Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements of the Town are divided into two categories:

- **Governmental activities** – Governmental activities of the Town such as general government, public works, public safety, public roads, education, health, recreation and culture are reported here. Property taxes, state aid and local fees and charges finance most of these activities.
- **Business-type activities** – The Town charges fees to users to help it cover costs of certain services it provides. The Town's electric, water and sewer operations are included here.

The government-wide financial statements can be found on pages 12 - 13 of this report.

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. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Similar to the government activities in the government-wide financial statements, most of the Town's basic services are presented here. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of available resources. They also focus on the balance of available resources at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is short-term and government-wide funds are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and charges in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and school capital projects fund, which are each considered a major fund. Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2012

The Town adopts an annual budget for its general fund. A budgetary comparison schedule for the general fund is presented to show how actual results (on a budgetary basis of accounting) compared with the original and final budget. The governmental fund financial statements can be found on pages 14 - 15. Reconciliations to the entity wide statements appear on pages 16 - 17 and budget to actual information appears on page 18.

Proprietary funds - The Town uses enterprise funds (one type of proprietary fund) to account for electric, water and sewer activities which are all considered to be major funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 19 - 21.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The Town is the trustee, or fiduciary. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Town's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary fund financial statement can be found on page 22.

Notes to the basic 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.

The notes to the basic financial statements can be found on pages 23 - 41.

Other information - In addition to the basic financial statements and accompanying notes this report also presents supplementary information, which pertains to nonmajor governmental funds.

Supplementary information can be found on page 42 and 43.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Town's case, net assets (the amount by which assets exceeded liabilities) are \$41,786,772 at the close of the most recent fiscal year, a small increase from the prior year (1.6%). Of this amount, \$6.8 million is considered unrestricted (unrestricted net assets), compared to \$6.1 million at the end of the prior year. The unrestricted net assets of the Town's governmental activities are \$2.8 million (compared to \$2.2 million at the end of the prior year) and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of the Town's business-type activities are \$4.0 million (compared to \$3.9 million at the end of the prior year) and may be used to meet ongoing obligations of the Town's electric, water and sewer business-type activities. As can be seen, there were no significant changes from the prior year.

The largest portion of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, furniture and equipment), less any related debt to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Although the Town's investment in its 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.

During the current fiscal year, total net assets of the Town increased \$680,894 (1.6%) from the prior year. Governmental activities showed an increase in net assets of \$779,973 (6.7%) due to current year operating results while business-type activities showed a decrease of \$99,079 (0.3%), primarily due to sewer fund activity (primarily unfunded depreciation) offset by an increase in electric due to a decrease in power costs, a favorable rate structure and a storm reimbursement grant.

Governmental activities - The Town's total governmental activities revenue was \$13,664,675 a slight increase from the prior year amount of \$13,648,232. The breakdown of revenue by source is detailed below.

Revenue by Source – Governmental Activities

Charges for Services	\$ 705,311	5.1 %
Operating Grants and Contributions	483,199	3.5 %
Capital Grants and Contributions	347,950	2.5 %
Property Taxes	10,598,885	77.6%
Excise Taxes	696,775	5.1 %
Intergovernmental	800,683	5.9 %
Unrestricted Investment Earnings	4,550	0.1 %
Miscellaneous	27,322	0.2 %
Total Governmental Revenue	\$13,664,675	100.00 %

As shown in the table above, the vast majority of governmental activities revenue is derived from property taxes, with lesser amounts from excise taxes and state aid. There were no significant changes from the prior year.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

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Town's total governmental activities expenditures for fiscal year 2012 were \$13,137,047, a slight increase from the prior year amount of \$13,113,456. As shown below, education expenditures were \$6,777,470, which is 51.6% of the total.

General Government	\$ 1,554,457	11.8 %
Public Safety	2,607,173	19.8 %
Education	6,777,470	51.6 %
Public Works	1,443,111	11.0 %
Human Services	194,877	1.4 %
Recreation & Culture	248,116	1.8 %
Interest on Debt Service	311,843	2.6 %
TOTAL	\$13,137,047	100.00 %

Business-type activities - Total revenues from electric, water and sewer were \$6,633,801. Electric revenue was \$5,019,022, water revenue was \$951,390 and sewer revenue was \$663,389. Electric revenues were more than expenses and transfers by \$517,160, water revenues were more than expenses and transfers by \$101,575 and sewer revenues were less than expenses by \$717,814 (sewer amounts are due mainly to unfunded depreciation and the timing of betterment receipts).

Revenue by Sources - Business-type activities – Revenues were primarily generated from charges for services, with other revenues coming from special assessments, capital grant revenues and debt subsidies from the Commonwealth of Massachusetts.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of fiscal 2012, the Town's governmental funds reported a combined ending fund balance of (\$1,006,396) compared to \$1,706,751 at the end of fiscal year 2011, a decrease of \$2,713,147. This was primarily due to the school capital projects expenditures of \$3,000,000. Of the total fund balances at the end of fiscal 2012, \$401,786 is available for spending at the Town's discretion (general fund unassigned fund balance), \$438,453 is committed for stabilization and capital improvement funds and \$836,520 is available for special revenue fund purposes. The school capital projects fund shows a negative fund balance of \$3,380,863 which is a result of spending done in advance of any related bond issue (this negative fund balance is temporarily funded from a bond anticipation note).

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2012

The remainder of fund balance is: 1) assigned to liquidate contracts and warrants of the current period (\$147,743), 2) nonspendable permanent fund principal (\$343,105), 3) restricted for permanent fund expenditures (\$347,852) or 4) committed to fund next year's general fund operational budget (\$0 - no funds were earmarked at June 30, 2012).

The general fund is the chief operating fund of the Town. At the end of fiscal 2012 unassigned (formerly unreserved) fund balance of the general fund was \$401,786, an increase from \$248,828 last year. This increase was due primarily to current year operating result and prior year deficits raised in the 2012 tax rate. As a measure of liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 3.0% of total general fund expenditures, compared to 2.0% last year, which means that there has been an increase in general fund surplus funds in relation to the Town's total budgetary needs (although this was offset by a decrease in the stabilization and capital improvement funds).

Proprietary funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net assets of the proprietary funds at the end of the year totaled \$29,451,610, compared to \$29,550,689 last year. Unrestricted net assets totaled \$4,034,459 (compared to \$3,902,152 last year) and consist of \$2,386,972 (\$1,809,953 last year) in the electric fund, \$282,536 (\$323,051 last year) in the water fund and \$1,364,951 (\$1,769,148 last year) in the sewer fund.

Budgetary highlights - The differences between the original budget and final budget were due to Finance Committee reserve fund and end of year transfers. Actual revenue and other sources (inflows) were more than budget by \$151,889 (1.2%) with a negative property tax variance (due to a receivable increase) offset by favorable variances in all other categories. The charges (outflows) were less than budget by \$126,355 (1.0%), due to many Town departments having unexpended and unencumbered funds at year end. Total budgeted charges to appropriations were \$12,951,475 and the total budgeted resources (revenues and transfers in) were \$12,735,153. The budgeted difference of \$216,322 was to be funded from available fund balances in the general fund. Actual results show that the Town actually gained \$61,922 of available funds in the 2012 results, which partially explains the increase in unassigned fund balance.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for governmental and business-type activities as of June 30, 2012, amounts to \$49,406,310 (which is net of accumulated depreciation of \$30,854,394), up 7.7% from \$45,892,501 at the end of the prior year. The investment in capital assets includes land; buildings; improvements; machinery and equipment; park facilities; streets; sidewalks; and electric, water and sewer systems. Governmental activity infrastructure includes improvements that were put in service after 1980. The major additions in 2012 were \$3,000,000 for the school construction project and \$1,587,403 for the water tank project. Additions exceeded depreciation, resulting in the overall increase in net capital assets.

The detail of capital assets at June 30, 2012 (including light department amounts as of December 31, 2011) is as follows:

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2012

	Governmental Activities	Business-type Activities
Land and land improvements	\$ 3,211,642	\$ 317,063
Buildings & improvements	15,210,024	9,089,374
Equipment & machinery	4,893,465	3,637,120
Infrastructure	4,584,926	34,016,660
Construction in progress	3,400,000	1,900,430
Accumulated depreciation	(11,992,454)	(18,861,940)
Total	\$19,307,603	\$30,098,707

Additional information on the Town's capital assets may be found in Note 4 to the financial statements pages 31 – 32.

Long-term obligations - At June 30, 2012 the Town had a total long term obligations outstanding of \$11,450,599, compared to \$12,473,607 at the end of last year. Of the amount at June 30, 2012, \$7,678,594 relates to governmental activities and \$3,772,005 relates to business-type activities. Of this total, \$11,136,236 is related to the Town's long term debt. All debt is a general obligation of the Town, although electric, water and sewer debt service payments are made from the resources of the enterprise funds.

Additional information on the Town's long-term debt can be found in Note 7 to the financial statements beginning on page 33.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Assets

For the Year Ended June 30, 2012

(Electric Business-Type Activity is as of December 31, 2011)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,469,826	4,376,447	5,846,273
Investments	1,166,994	-	1,166,994
Receivables (net of allowance for uncollectibles)	1,908,670	1,797,476	3,706,146
Due from other governments	4,098	923,358	927,456
Materials and supplies inventory	-	177,234	177,234
Prepaid expenses	-	83,597	83,597
Other assets	-	826,597	826,597
Capital assets:			
Assets not being depreciated	6,611,642	2,217,493	8,829,135
Assets being depreciated, net	<u>12,695,961</u>	<u>27,881,214</u>	<u>40,577,175</u>
 Total assets	 <u>\$ 23,857,191</u>	 <u>38,283,416</u>	 <u>62,140,607</u>
 <u>Liabilities</u>			
Warrants and accounts payable	\$ 274,957	421,905	696,862
Other accrued liabilities	152,709	321,292	474,001
Notes payable	3,400,000	2,000,000	5,400,000
Other liabilities	15,769	2,316,604	2,332,373
Long-term liabilities:			
Due within one year:			
Compensated absences	41,799	-	41,799
Bonds and notes payable	500,625	345,459	846,084
Due in more than one year:			
Compensated absences	272,564	-	272,564
Bonds and notes payable	<u>6,863,606</u>	<u>3,426,546</u>	<u>10,290,152</u>
 Total liabilities	 <u>11,522,029</u>	 <u>8,831,806</u>	 <u>20,353,835</u>
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	8,595,760	25,417,151	34,012,911
Restricted for:			
Perpetual funds - nonexpendable	343,105	-	343,105
Perpetual funds - expendable	347,852	-	347,852
Other	279,231	-	279,231
Unrestricted	<u>2,769,214</u>	<u>4,034,459</u>	<u>6,803,673</u>
 Total net assets	 <u>\$ 12,335,162</u>	 <u>29,451,610</u>	 <u>41,786,772</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2012

(Electric Business-Type Activity is for the year ended December 31, 2011)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 1,554,457	84,670	111,946	-	(1,357,841)	-	(1,357,841)
Public safety	2,607,173	560,247	95,550	-	(1,951,376)	-	(1,951,376)
Education	6,777,470	-	38,340	-	(6,739,130)	-	(6,739,130)
Public works	1,443,111	51,469	3,000	347,950	(1,040,692)	-	(1,040,692)
Human services	194,877	8,925	91,157	-	(94,795)	-	(94,795)
Recreation and culture	248,116	-	53,788	-	(194,328)	-	(194,328)
Interest on debt service	311,843	-	89,418	-	(222,425)	-	(222,425)
Total governmental activities	13,137,047	705,311	483,199	347,950	(11,600,587)	-	(11,600,587)
Business-type activities:							
Water	756,815	623,472	327,918	-	-	194,575	194,575
Sewer	1,288,203	471,068	191,328	-	-	(625,807)	(625,807)
Electric	4,461,862	4,801,342	55,000	112,429	-	506,909	506,909
Total business-type activities	6,506,880	5,895,882	574,246	112,429	-	75,677	75,677
Total government	\$ 19,643,927	6,601,193	1,057,445	460,379	(11,600,587)	75,677	(11,524,910)
General revenues:							
Property taxes					10,598,885	-	10,598,885
Excise taxes					696,775	-	696,775
Intergovernmental					800,683	-	800,683
Unrestricted investment earnings					4,550	51,244	55,794
Miscellaneous					27,322	-	27,322
Transfers in (out)					252,345	(226,000)	26,345
Total general revenues and transfers					12,380,560	(174,756)	12,205,804
Changes in net assets					779,973	(99,079)	680,894
Net assets - beginning of year					11,555,189	29,550,689	41,105,878
Net assets - end of year					\$ 12,335,162	29,451,610	41,786,772

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Balance Sheet - Governmental Funds
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>School Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 846,757	19,137	603,932	1,469,826
Investments	370,636	-	796,358	1,166,994
Receivables:				
Property taxes	288,430	-	-	288,430
Tax liens and foreclosures	1,328,326	-	-	1,328,326
Motor vehicle excise	64,635	-	-	64,635
Departmental	107,854	-	164,005	271,859
Less: allowance for abatements	(44,580)	-	-	(44,580)
Total assets	\$ 2,962,058	19,137	1,564,295	4,545,490
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants and accounts payable	\$ 171,942	-	13,805	185,747
Other accrued liabilities	89,210	-	-	89,210
Deferred revenue	1,697,155	-	164,005	1,861,160
Notes payable	-	3,400,000	-	3,400,000
Other liabilities	15,769	-	-	15,769
Total liabilities	1,974,076	3,400,000	177,810	5,551,886
Fund balances:				
Nonspendable	-	-	343,105	343,105
Restricted	-	-	627,083	627,083
Committed	438,453	-	-	438,453
Assigned	147,743	-	416,297	564,040
Unassigned	401,786	(3,380,863)	-	(2,979,077)
Total fund balances	987,982	(3,380,863)	1,386,485	(1,006,396)
Total liabilities and fund balances	\$ 2,962,058	19,137	1,564,295	4,545,490

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	School Capital Project	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes	\$ 10,409,495	-	-	10,409,495
Excise taxes	707,289	-	-	707,289
Departmental charges for services	320,172	-	113,217	433,389
Licenses and permits	186,738	-	-	186,738
Intergovernmental	912,444	-	504,708	1,417,152
Fines and forfeits	36,814	-	-	36,814
Investment income	1,401	-	3,449	4,850
Other	9,130	19,137	233,733	262,000
Total revenues	12,583,483	19,137	855,107	13,457,727
Expenditures:				
Current:				
General government	1,046,920	-	90,200	1,137,120
Public safety	1,743,239	-	204,008	1,947,247
Education	6,669,297	3,000,000	-	9,669,297
Public works	1,252,860	-	344,927	1,597,787
Human services	89,364	-	78,000	167,364
Recreation and culture	160,636	-	23,828	184,464
Intergovernmental	45,590	-	-	45,590
Employee benefits	706,109	-	-	706,109
Other	106,189	-	-	106,189
Debt service	862,052	-	-	862,052
Total expenditures	12,682,256	3,000,000	740,963	16,423,219
Excess (deficiency) of revenues over expenditures	(98,773)	(2,980,863)	114,144	(2,965,492)
Other financing sources (uses):				
Proceeds of borrowing	-	-	-	-
Operating transfers in	358,566	-	210,000	568,566
Operating transfers out	(210,000)	-	(106,221)	(316,221)
Total other financing sources (uses)	148,566	-	103,779	252,345
Net changes in fund balances	49,793	(2,980,863)	217,923	(2,713,147)
Fund balance, beginning of year, as revised	938,189	(400,000)	1,168,562	1,706,751
Fund balance, end of year	\$ <u>987,982</u>	<u>(3,380,863)</u>	<u>1,386,485</u>	<u>(1,006,396)</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Reconciliation of the Governmental Fund Balance Sheet
To the Statement of Net Assets
For the Year Ended June 30, 2012

Total fund balances - governmental funds \$ (1,006,396)

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. These
assets consist of:

Land and land improvements	3,211,642
Infrastructure assets	4,584,926
Buildings and building improvements	15,210,024
Other capital assets	4,893,465
Construction in progress	3,400,000
Accumulated depreciation	<u>(11,992,454)</u>

Total Capital Assets 19,307,603

Other long-term assets are not available to pay for current
period expenditures and, therefore, are deferred or are
not recorded in the funds. 1,861,160

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in funds. These
liabilities consist of:

Bonds payable	(7,364,231)
Accrued interest on bonds	(152,709)
State subsidy on accrued interest on bonds	4,098
Compensated absences	<u>(314,363)</u>

Total long-term liabilities (7,827,205)

Net assets of governmental activities \$ 12,335,162

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Reconciliation of the Governmental Funds - Statement of Revenues,
Expenditures and Changes in Fund Balances To the Statement of Activities
For the Year Ended June 30, 2012

Net changes in fund balances - governmental funds **\$ (2,713,147)**

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, these amounts
are recorded as capital assets and depreciated over
their estimated useful lives. This is the amount by which
depreciation is less than capital outlays for the year. 2,744,278

Bond proceeds provide financial resources and bond payments
are recorded as expenditures in governmental funds, while
these are recorded as increases or decreases to long-term
liabilities in the statement of net assets. This is the amount
by which bond proceeds were less than long-term debt
repayments for the year. 550,209

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenue in the funds,
while revenues previously accrued in the statement of activities
may be recorded as revenue in the funds. 206,947

Some expenses in the Statement of Activities do not require
the use of current financial resources are not reported in the funds. (8,314)

Changes in net assets of governmental activities **\$ 779,973**

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance To Final Budget Favorable (Unfavorable)</u>
Resources (inflows):				
Property taxes	\$ 10,560,306	10,560,306	10,391,103	(169,203)
Excise taxes	632,400	632,400	707,289	74,889
Departmental charges for services	318,540	318,540	320,172	1,632
Licenses and permits	88,000	88,000	186,738	98,738
Intergovernmental	770,986	770,986	863,686	92,700
Fines	25,950	25,950	36,814	10,864
Investment income	6,750	6,750	13,544	6,794
Other	-	-	9,130	9,130
Transfers from other funds	332,221	332,221	358,566	26,345
Total resources	<u>12,735,153</u>	<u>12,735,153</u>	<u>12,887,042</u>	<u>151,889</u>
Charges to appropriations (outflows):				
General government	1,174,515	1,127,115	1,089,219	37,896
Public safety	1,829,305	1,839,655	1,749,681	89,974
Education	6,703,109	6,703,109	6,703,109	-
Public works	1,288,428	1,325,478	1,325,309	169
Human services	95,500	95,500	89,364	6,136
Recreation and culture	164,356	164,356	164,256	100
Debt service	851,635	851,635	851,634	1
Intergovernmental	44,990	44,990	45,590	(600)
Employee benefits	649,806	649,806	667,769	(17,963)
Insurance	116,831	116,831	106,189	10,642
Transfers to other funds	33,000	33,000	33,000	-
Total charges to appropriations	<u>12,951,475</u>	<u>12,951,475</u>	<u>12,825,120</u>	<u>126,355</u>
Excess (deficiency) of resources over charges to appropriations	<u>(216,322)</u>	<u>(216,322)</u>	<u>61,922</u>	<u>278,244</u>
Fund balance allocation	<u>216,322</u>	<u>216,322</u>		
Excess (deficiency) of resources over charges to appropriations and fund balance allocation	<u>\$ -</u>	<u>-</u>		

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Assets - Proprietary Funds

For the Year Ended June 30, 2012

(Except for Electric Enterprise which is as of December 31, 2011)

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 547,984	191,942	824,388	1,564,314
Receivables (net):				
User charges	180,863	112,471	225,605	518,939
Other	10,611	7,291	166,261	184,163
Materials and supplies inventory	-	-	177,234	177,234
Prepaid expenses	-	-	83,597	83,597
Other assets	-	-	620,875	620,875
Due from Commonwealth	26,313	157,311	-	183,624
Total current assets	<u>765,771</u>	<u>469,015</u>	<u>2,097,960</u>	<u>3,332,746</u>
Noncurrent assets:				
Cash and cash equivalents - depreciation fund	-	-	1,126,915	1,126,915
Cash and cash equivalents - customer deposits	-	-	56,537	56,537
Cash and cash equivalents - stabilization fund	-	-	1,628,681	1,628,681
Other assets	-	-	205,722	205,722
Special Assessments	-	1,094,374	-	1,094,374
Due from Commonwealth	305,286	434,448	-	739,734
Capital assets	15,066,168	25,264,769	8,629,710	48,960,647
Accumulated depreciation	(5,664,804)	(9,147,711)	(4,049,425)	(18,861,940)
Total noncurrent assets	<u>9,706,650</u>	<u>17,645,880</u>	<u>7,598,140</u>	<u>34,950,670</u>
Total assets	<u>\$ 10,472,421</u>	<u>18,114,895</u>	<u>9,696,100</u>	<u>38,283,416</u>
<u>Liabilities</u>				
Current Liabilities:				
Warrants and accounts payable	\$ 59,286	41,127	321,492	421,905
Accrued expenses	73,234	157,311	90,747	321,292
Notes payable	2,000,000	-	-	2,000,000
Bonds payable	174,759	170,700	-	345,459
Total current liabilities	<u>2,307,279</u>	<u>369,138</u>	<u>412,239</u>	<u>3,088,656</u>
Noncurrent liabilities:				
Other liabilities	-	-	2,316,604	2,316,604
Bonds payable	1,271,246	2,155,300	-	3,426,546
Total noncurrent liabilities	<u>1,271,246</u>	<u>2,155,300</u>	<u>2,316,604</u>	<u>5,743,150</u>
Total liabilities	<u>3,578,525</u>	<u>2,524,438</u>	<u>2,728,843</u>	<u>8,831,806</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	6,611,360	14,225,506	4,580,285	25,417,151
Unrestricted	282,536	1,364,951	2,386,972	4,034,459
Total net assets	<u>\$ 6,893,896</u>	<u>15,590,457</u>	<u>6,967,257</u>	<u>29,451,610</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds

For the Year Ended June 30, 2012

(Except for Electric Enterprise which is for the year ended December 31, 2011)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Operating revenues:				
Charges for services	\$ 623,472	471,068	4,695,680	5,790,220
Other operating revenues	-	-	105,662	105,662
Total operating revenues	623,472	471,068	4,801,342	5,895,882
Operating expenditures:				
Energy purchases and power production	-	234,854	3,203,115	3,437,969
Other operating expenses	331,672	283,211	983,238	1,598,121
Depreciation	272,749	536,392	253,426	1,062,567
Total operating expenditures	604,421	1,054,457	4,439,779	6,098,657
Operating income	19,051	(583,389)	361,563	(202,775)
Nonoperating revenues (expenses):				
Interest expense	(152,394)	(233,746)	(173)	(386,313)
Intergovernmental	327,918	191,328	55,000	574,246
Disaster recovery revenue	-	-	112,429	112,429
Disaster recovery expenses	-	-	-	-
Other	-	-	(21,910)	(21,910)
Investment income	-	993	50,251	51,244
Total nonoperating revenues (expenses)	175,524	(41,425)	195,597	329,696
Income before transfers	194,575	(624,814)	557,160	126,921
Operating transfers in (out)	(93,000)	(93,000)	(40,000)	(226,000)
Changes in net assets	101,575	(717,814)	517,160	(99,079)
Net assets, beginning of year	6,792,321	16,308,271	6,450,097	29,550,689
Net assets, end of year	\$ 6,893,896	15,590,457	6,967,257	29,451,610

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2012

(Except for Electric Enterprise which is as of December 31, 2011)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Cash flows from operating activities:				
Cash received from customers	\$ 626,378	695,065	4,727,803	6,049,246
Cash paid to suppliers	(199,713)	(391,716)	(3,535,528)	(4,126,957)
Cash paid to employees and for benefits	(128,881)	(151,268)	(802,329)	(1,082,478)
Payment in lieu of taxes and transfers	(93,000)	(93,000)	(40,000)	(226,000)
Net cash provided by operating activities	<u>204,784</u>	<u>59,081</u>	<u>349,946</u>	<u>613,811</u>
Cash flows from noncapital financing activities:				
Intergovernmental revenue	-	-	55,000	55,000
Interest expense, net of state subsidy	-	-	(173)	(173)
Net cash provided by capital and related financing activities:	<u>-</u>	<u>-</u>	<u>54,827</u>	<u>54,827</u>
Cash flows from capital and related financing activities:				
Capital expenditures	(1,745,201)	-	(193,567)	(1,938,768)
Intergovernmental/other revenue	280,628	-	18,890	299,518
Interest paid, net of subsidy	(57,863)	(37,620)	-	(95,483)
Net borrowing (repayments), net of subsidy	(130,757)	(227,574)	-	(358,331)
Net cash provided by capital and related financing activities:	<u>(1,653,193)</u>	<u>(265,194)</u>	<u>(174,677)</u>	<u>(2,093,064)</u>
Cash flows from investing activities:				
Proceeds from investments	-	-	575	575
Investment income	-	994	50,251	51,245
Rate stabilization reserve	-	-	14,758	14,758
Net cash provided by capital and related financing activities:	<u>-</u>	<u>994</u>	<u>65,584</u>	<u>66,578</u>
Net increase in cash and cash equivalents	(1,448,409)	(205,119)	295,680	(1,357,848)
Cash and cash equivalents, beginning of year	<u>1,996,393</u>	<u>397,061</u>	<u>3,340,841</u>	<u>5,734,295</u>
Cash and cash equivalents, end of year	<u>\$ 547,984</u>	<u>191,942</u>	<u>3,636,521</u>	<u>4,376,447</u>
Reconciliation of operating income to net cash provided				
By operating activities:				
Operating income (loss)	\$ 19,051	(583,389)	361,563	(202,775)
Depreciation	272,749	536,392	253,426	1,062,567
Payment in lieu of taxes and transfers	(93,000)	(93,000)	(40,000)	(226,000)
Rate stabilization reserve	-	-	-	-
(Increase) decrease in accounts receivable	2,906	223,998	(11,043)	215,861
(Increase) decrease in materials and supplies	-	-	(31,774)	(31,774)
(Increase) decrease in prepayments	-	-	(14,186)	(14,186)
(Increase) decrease in purchased power working capital	-	-	(37,537)	(37,537)
Increase (decrease) in accounts payable and accrued expenses	3,078	(24,920)	(1,268)	(23,110)
Increase (decrease) in deferred credits	-	-	(29,436)	(29,436)
Other, net	-	-	(99,799)	(99,799)
Net cash provided by operating activities	<u>\$ 204,784</u>	<u>59,081</u>	<u>349,946</u>	<u>613,811</u>
Supplemental disclosure of cash flow information:				
The following accounts are considered to be cash or cash equivalents for the statement of cash flows:				
Operating cash	547,984	191,942	824,388	1,564,314
Depreciation fund	-	-	1,126,915	1,126,915
Customer deposits	-	-	56,537	56,537
Rate stabilization fund	-	-	1,628,681	1,628,681
Total	<u>547,984</u>	<u>191,942</u>	<u>3,636,521</u>	<u>4,376,447</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Assets

Fiduciary Funds

June 30, 2012

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>15,933</u>
 Total assets	 <u>15,933</u>
 <u>Liabilities</u>	
Other liabilities	<u>15,933</u>
 Total liabilities	 <u>15,933</u>
 <u>Net Assets</u>	
Unrestricted	<u>-</u>
 Total net assets	 \$ <u><u>-</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 1. Reporting Entity and Significant Accounting Policies

A. Introduction

The Town of Ashburnham was incorporated as a town in 1765 under the statutes of the Commonwealth of Massachusetts. The Town operates with a selectmen-open Town meeting form of government and an elected three member Board of Selectmen. The Town provides general municipal services including public safety, education, public works, health, culture and recreation. Water, sewer and electric services are provided on an enterprise basis. The Town's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the standard setting body for governmental accounting and financial reporting.

B. Financial Reporting Entity

GAAP require that the accompanying financial statements present the Town (primary government) and its component units. Component units are included in the Town's reporting entity if their operational and financial relationships with the Town are significant. In determining the financial reporting entity, the Town considered all potential component units and found that none exist.

Joint Ventures:

The Town is a participant in Ashburnham-Westminster Regional School District. The District was created to provide education to students from Ashburnham and Westminster in grades kindergarten through twelve and is governed by a School Committees composed of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal 2012 was \$6,339,405, representing approximately 45.7% of the District's operating budget. A copy of the District's financial statement is available from the Superintendent, 11 Oakmont Drive, Ashburnham, MA 01430.

The Town is a participant in the Montachusett Regional Vocational School District. The District was created to provide vocational technical education to students in Ashburnham and other communities and is governed by a School Committees composed of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal year 2012 was \$329,892, which represents approximately 4.5% of the School's operating budget. A copy of the District's financial statement is available from the Superintendent, 1050 Westminster Street, Fitchburg, MA 01420.

C. Financial Statement Presentation

The financial condition and results of operations of the Town's funds are presented as of and for the year ended June 30, 2012 (except for the Electric Enterprise Fund which is as of and for the year ended December 31, 2011). The accounting policies of the Town conform to GAAP.

D. Government-wide and Fund Financial Statements

The Town's basic financial statements include both government-wide and fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the Town. For the most part, the effect of interfund activities has been removed from these statements.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 1. Reporting Entity and Significant Accounting Policies (continued)

D. Government-wide and Fund Financial Statements (continued)

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

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

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. GAAP requires that major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town's general, school capital project, water, sewer and electric funds are reported as major funds. The Town reports the following fund financial statements:

Governmental Funds

General Fund - This fund is the Town's primary operating fund. This accounts for all financial resources of the general government, except those accounted for in another funds.

School Capital Project Fund - This fund is used to account for the school construction project.

Other Governmental Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Water Enterprise Fund - This fund is used to account for the Town's water operations.

Sewer Enterprise Fund - This fund is used to account for the Town's sewer operations.

Electric Enterprise Fund - This fund is used to account for the Town's electric operations.

Fiduciary Funds

Agency Funds - These funds are used to report resources held by the Town in a purely custodial capacity (assets equal liabilities).

E. Measurement Focus and Basis of Accounting

The government-wide, propriety, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and propriety fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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. The Town considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes and interest associated with

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2012

Note 1. Reporting Entity and Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting (continued)

the current fiscal year are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

All governmental and business-type activities and enterprise funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

F. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

State statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. The Town, with certain restrictions, can also purchase obligations of United States Government or its agencies, repurchase agreements, money market funds and units of the Massachusetts Municipal Depository Trust (MMDT), an investment pool established by the State Treasurer.

In addition, certain other governmental funds have other investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

The Town pools cash to facilitate the management of cash. Each fund presents its pro rata share of the combined cash account as cash and cash equivalents in the accompanying basic financial statements. The Town has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent and deposits with the MMDT. Investments are reported at fair value.

b. Property Taxes

The Town is responsible for assessing and collecting property taxes in accordance with enabling state laws. Property taxes are determined, each year, on the full and fair cash value of taxable properties as of January 1st. The tax levy is divided into two billings and is payable on a semiannual basis. The first billing is an estimate of the current year's levy based on the prior year's taxes and is due on November 1st. The second billing reflects adjustments to the current year's actual levy and is due on May 1st. Taxes due and unpaid after the due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivable in the fiscal year billed.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Assets or Equity (continued)

b. Property Taxes (continued)

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2 1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2 %, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a Town-wide referendum vote.

c. Inventories

The costs of inventories are not material and the purchase method is used in all funds except for the electric enterprise fund. The electric enterprise fund uses the average cost method of recording inventory for materials and supplies.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the roadways and curbing assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of three years. Such assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	7 - 20
Vehicles and equipment	3 - 10
Infrastructure	30 - 100

The electric enterprise fund, as allowed under the general laws of Massachusetts, depreciates all plant at a fixed rate of 3%.

e. Compensated Absences and Employee Benefits

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and certain sick leave absences. In the government-wide and proprietary fund financial statements, this liability is recognized when the associated benefit has been earned. For sick leave benefits, a liability is recognized when the sick

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Assets or Equity (continued)

e. Compensated Absences and Employee Benefits

leave benefit (primarily sick leave buy back benefits) is fully vested. The Town does not provide for health insurance for retirees; thus there is no liability for other post-employment benefits.

f. 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. Bond premiums and discounts, as well as issuance costs, are (if material) deferred and amortized over the life of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance's are reported as other financing sources while discounts received on debt issuance's are reported as other financing uses. Issuance costs are reported as debt service expenditures.

g. Fund Balances - Governmental Funds

GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented for the 2011 financial statements. In the governmental fund financial statements, fund balance is divided into five categories - nonspendable, restricted, committed, assigned and unassigned. Presented below is a discussion of each GASB 54 fund balance classification.

Nonspendable - Amounts that cannot be spent because they are either not in spendable form or must be kept intact for legal or contractual reasons. This category is utilized mainly for permanent fund principal and also includes (if applicable) prepaid expenses, inventory and long term portion of loans receivable (unless the purpose is restricted, committed or assigned).

Restricted - Amounts constrained to specific purpose by external parties, enabling legislation and constitutional provision. Enabling legislation means the government is authorized to collect revenue and other parties (citizens, courts) can compel the government to spend the funds only on the authorized purpose.

Committed - Amounts constrained to specific purpose by the highest level of decision making authority (Town Meeting) and can be changed only by the same action.

Assigned - Amounts intended for a specific purpose by the Selectmen, Town Committee or Town management but do not meet the criteria to be classified as restricted or committed.

Unassigned - The residual classification of the Town's general fund only (and residual deficits in other governmental funds).

Committed fund balance is created from Town Meeting action and must be uncommitted by similar action. Committed fund balance in the general fund includes \$320,342 in stabilization fund balance and \$118,111 in capital improvement fund balance. Stabilization and capital improvement funds are obtained by Town Meeting authorization and are almost exclusively generated from transfers from the general fund budget. These funds are set aside for

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Assets or Equity (continued)

g. Fund Balances - Governmental Funds (continued)

extraordinary or unforeseen purposes, must be approved by Town Meeting and can be utilized for any lawful purpose.

Assigned fund balance is created primarily from authorized actions of the Board of Selectmen or Town management. Assigned fund balance includes general fund encumbrances and article carry forwards of \$147,743 and accepted gifts and donations of \$416,297.

The Town's policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year via adjusting journal entries. Non-general funds may have negative unassigned fund balances when non-spendable amounts plus restricted, committed and assigned fund balances exceed the total positive fund balance in a fund. The negative unassigned fund balance in nonmajor governmental funds is due to timing issues related to capital projects interim vs. permanent borrowing.

The Town's fund balance policy sets a reserve goal at 10% of general fund operating expenditures. Reserves are defined as general fund unassigned fund balance plus general fund committed (stabilization) fund balance.

h. Net Assets

Net assets appear in the Town's proprietary (enterprise) funds and the entity wide financial statements. Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets less accumulated depreciation and outstanding debt (net of related debt subsidies from the state). Restricted net assets consist of net assets with constraints placed on the use either by grantors, creditors, contributors or laws and regulations of other governments or by constitutional provisions or enabling legislation.

i Use of Estimates

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Budgetary Information

Under the Town's by-laws, budget requests are prepared by Town departments and submitted to the Selectmen and Finance Committee for review. The Selectmen and the Finance Committee have until May, when the Town meeting is held, to make their recommendations regarding department requests. After approval of the budget at the annual Town meeting, the tax recapitulation sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 2. Budgetary Information (continued)

of Revenue for approval. This process should generally be completed by November so the actual tax bills can be mailed by January 1, due and payable by the taxpayer on February 1.

The Town must establish its tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures, state and county assessments, and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenues and transfers projected to be received by the Town, including available funds.

The final Town budget as presented in the Budgetary Comparison Schedule - General Fund was developed as follows:

Charges to appropriations and transfers out	<u>\$12,951,475</u>
To be funded as follows:	
Budgeted revenue	\$12,402,932
Transfers from other funds	332,221
Allocation of surplus	<u>216,322</u>
Total funding (resources)	<u>\$12,951,475</u>

The Town's General Fund budget is prepared on a basis other than GAAP. The "actual" results column of the Budgetary Comparison Schedule - General Fund is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP bases are:

- a. Property tax revenues are recorded when the cash is received as opposed to when susceptible to accrual (GAAP);
- b. Encumbrances and continuing appropriations are recorded as expenditures (budgetary) as opposed to a reservation of fund balance (GAAP);
- c. On behalf payment for state teacher's retirement system is recognized for GAAP only; and
- d. Stabilization and capital improvement funds are not part of the general fund.

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the general fund for the year ended June 30, 2012:

Excess (deficiency) of resources over charges to appropriations:	\$61,922
Adjustments:	
Record Revenues on a Modified Accrual Basis	\$18,392
On Behalf Payments, Net (Gross of \$48,758)	-
Stabilization Fund Interest and Transfers	(\$189,143)
Adjustment for Encumbrances and Continuing Articles	<u>\$158,622</u>
Net changes in fund balances - GAAP Basis	<u>\$49,793</u>

Within the adopted budget a sum is allocated to provide funding for extraordinary or unforeseen expenditures. The Finance Committee can authorize transfers from this reserve fund. Any other modifications to the budget would require action by Town Meeting.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 3. Deposits and Investments

Cash Deposits

Custodial risk on cash deposits is the risk that in the event of a depository failure, the Town will not be able to recover the value of its deposits or collateral securities in the possession of the depository. The Town's attempts to limit custodial risk by placing funds in a variety of financial institutions and maximizing amounts insured or collateralized. At June 30, 2012, the Town's carrying amount of deposits was \$2,856,548 and the bank balance was \$2,996,032. Of the bank balances, \$2,483,578 was covered by Federal Deposit Insurance Corporation or other state insurance. The remaining amount of \$512,454 was neither insured nor collateralized. The difference between these amounts and the amounts in the financial statements is due solely to the presentation of the electric enterprise fund as of December 31, 2011. The electric enterprise fund cash and investments include amounts classified on the balance sheet as depreciation fund, customer deposits and stabilization fund.

Investments

At June 30, 2012, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US government and agency securities	\$1,130,127
Other fixed income securities	686,981
Mutual funds	289,962
Pooled Investments: Money market funds	419,372
External Investment Pool: MMDT/MMWEC	<u>1,756,103</u>
Total investments	<u>\$4,282,545</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party 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 an investment policy covering custodial credit risk.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy covering interest rate risk. The US government and agency securities investments have the following maturities: \$318,999 less than one year, \$253,826 between one and two years, and \$557,302 between three and five years. The other fixed income securities have maturities of \$110,187 less than one year, \$316,498 between one and two years, and \$260,296 between three and five years.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 3. Deposits and Investments (continued)

statistical rating organization. The US government and agency securities investments are rated AAa by Moody's Investor Services and AA+ by Standard and Poor's and are not considered to have credit risk. The other fixed income securities investments are rated B to A by Moody's Investor Services and B to AA by Standard and Poor's. MMDT, equities securities and money market funds are not rated as to credit risk. The Town does not have an investment policy which would limit its investment choices as to credit risk.

Concentration of credit risk – The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding US federal agency securities, and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the governmental funds or governmental activities.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2012 (electric enterprise fund as of December 31, 2011) was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$3,211,642	-	-	3,211,642
Construction in progress	<u>400,000</u>	<u>3,000,000</u>	-	<u>3,400,000</u>
Total capital assets not being depreciated	<u>3,611,642</u>	<u>3,000,000</u>	-	<u>6,611,642</u>
Capital assets being depreciated:				
Buildings and improvements	15,200,024	10,000	-	15,210,024
Equipment	4,770,265	123,200	-	4,893,465
Infrastructure	<u>3,984,999</u>	<u>599,927</u>	-	<u>4,584,926</u>
Total capital assets being depreciated	<u>23,955,288</u>	<u>733,127</u>	-	<u>24,688,415</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,586,257)	(582,827)	-	(6,169,084)
Equipment	(3,820,672)	(223,757)	-	(4,044,429)
Infrastructure	<u>(1,596,676)</u>	<u>(182,265)</u>	-	<u>(1,778,941)</u>
Total accumulated depreciation	<u>(11,003,605)</u>	<u>(988,849)</u>	-	<u>(11,992,454)</u>
Capital assets being depreciated, net	<u>12,951,683</u>	<u>(255,722)</u>	-	<u>12,695,961</u>
Total governmental activities capital assets, net	<u>\$16,563,325</u>	<u>2,744,278</u>	=	<u>19,307,603</u>
Depreciation expense was charged to functions as follows:		<u>Governmental Activities</u>		
General government		\$171,462		
Public safety		505,974		
Public works		272,021		
Human services		500		
Recreation and culture		<u>35,892</u>		
Total governmental activities depreciation expense		<u>\$988,849</u>		

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2012

Note 4. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	\$371,063	-	-	371,063
Construction in progress	300,623	1,599,807	-	1,900,430
Total capital assets not being depreciated	<u>617,686</u>	<u>1,599,807</u>	-	<u>2,217,493</u>
Capital assets being depreciated:				
Electric distribution and generation plant	5,266,587	158,237	17,466	5,407,358
Electric general plant	3,180,944	22,926	-	3,203,870
Buildings and improvements	9,089,374	-	-	9,089,374
Equipment	382,122	51,128	-	433,250
Infrastructure	<u>28,609,302</u>	-	-	<u>28,609,302</u>
Total capital assets being depreciated	<u>46,528,329</u>	<u>232,291</u>	<u>17,466</u>	<u>46,743,154</u>
Less accumulated depreciation for:				
Distribution plant	(2,755,061)	(143,200)	(17,466)	(2,880,795)
General plant	(1,058,404)	(110,226)	-	(1,168,630)
Buildings and improvements	(3,495,237)	(236,656)	-	(3,731,893)
Equipment	(224,067)	(33,499)	-	(257,566)
Infrastructure	<u>(10,284,070)</u>	<u>(538,986)</u>	-	<u>(10,823,056)</u>
Total accumulated depreciation	<u>(17,816,839)</u>	<u>(1,062,567)</u>	<u>(17,466)</u>	<u>(18,861,940)</u>
Capital assets being depreciated, net	<u>28,711,490</u>	<u>(830,276)</u>	-	<u>27,881,940</u>
Total governmental activities capital assets, net	<u>\$29,329,176</u>	<u>769,531</u>	-	<u>30,098,707</u>

Business-type Activities

Depreciation expense was charged to functions as follows:

Water	\$ 272,749
Sewer	536,392
Electric	<u>253,426</u>
Total business-type activities depreciation expense	<u>\$1,062,567</u>

Note 5. Short-term Debt

Subject to state laws, the Town is authorized to issue general obligation debt on a temporary basis. The following classes of short-term loans can be issued:

Tax anticipation notes (TANs) - This debt is issued to provide funding for operations during lean periods in a fiscal cycle. They are repaid from subsequent collections of taxes or other revenues.

Bond anticipation notes (BANs) - This debt is issued to provide initial funding for capital projects. They are redeemed from the proceeds from the sale of the bonds.

Grant anticipation notes (GANs) - This debt is issued to provide funding for projects in anticipation of reimbursement from federal or state grants. They are repaid from subsequent distributions from the federal or state agency.

Short-term debt activity for the year ended June 30, 2012, was as follows:

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2012

Note 5. Short-term Debt (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Bond anticipation notes:				
School capital project	\$400,000	3,400,000	400,000	3,400,000
	<u>400,000</u>	<u>3,400,000</u>	<u>400,000</u>	<u>3,400,000</u>
Business-type activities:				
Bond anticipation notes:				
Water tank project	2,000,000	2,000,000	2,000,000	2,000,000
	<u>\$2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

Note 6. Long-term Obligations

The following is a summary of the changes in the Town's long-term obligation for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$306,049	8,314	-	314,363	41,799
Bonds payable	<u>7,905,152</u>	=	<u>540,921</u>	<u>7,364,231</u>	<u>500,625</u>
	<u>8,211,201</u>	<u>8,314</u>	<u>540,921</u>	<u>7,678,594</u>	<u>542,424</u>
Business-type activities:					
Bonds payable	<u>4,262,406</u>	=	<u>490,401</u>	<u>3,772,005</u>	<u>345,459</u>
	<u>\$4,262,406</u>	=	<u>490,401</u>	<u>3,772,005</u>	<u>345,459</u>

Note 7. Bonds Payable

The Town's indebtedness consists of general obligation serial notes issued between fiscal years 1998 and 2009 for funding various special projects. All bond issues must be approved by Town meeting. The outstanding governmental activities bonds were issued for a variety of capital purposes, the largest portion related to school construction. The outstanding business-type activities bonds were issued for various water and sewer purposes, the largest portion related to the expansion of sewer lines. The bonds bear interest from 0.0% to 5.25% and are due in various annual installments ranging through 2028.

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2012 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Principal</u>	<u>Governmental Activities Interest</u>	<u>Business-type Activities Principal</u>	<u>Business-type Activities Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2013	\$500,625	299,956	345,459	329,944	846,084	629,900
2014	500,873	282,281	497,022	155,439	997,894	437,720
2015	500,873	263,994	511,635	126,583	1,012,508	390,576
2016	500,696	242,174	526,547	104,959	1,027,243	347,133
2017	500,696	217,390	546,760	78,556	1,047,456	295,947
2018 - 2022	2,484,264	751,635	1,344,582	73,474	3,828,847	825,110
2023 - 2027	2,370,204	243,340	-	-	2,370,204	243,339
2028	<u>6,000</u>	=	=	=	<u>6,000</u>	=
Totals	<u>\$7,364,231</u>	<u>2,300,770</u>	<u>3,772,005</u>	<u>868,955</u>	<u>11,136,236</u>	<u>3,169,725</u>

Of the total business-type activities debt service requirements of \$4,640,960, the Town is scheduled to receive \$1,453,350 as reimbursement from the Commonwealth of Massachusetts Water Pollution

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2012

Note 7. Bonds Payable (continued)

Abatement Trust. The amount of this reimbursement that is related to debt principal (\$739,734) has been recorded as an intergovernmental receivable in the financial statements. The Town is also scheduled to receive \$47,967 from the Commonwealth as a subsidy on future interest payments on governmental activities debt.

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Oversight Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2012, the Town may issue approximately \$29,633,440 of additional general obligation debt under the normal debt limit. The Town has \$4,056,236 of issued debt exempt from the debt limit. At June 30, 2012, the Town also has authorized and unissued debt of \$30,301,597 for school and water purposes.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Ashburnham-Westminster Regional School District, the Town's share of the Regional School's \$9,870,000 debt at June 30, 2012 (based on current assessment percentages) is 31.0% or \$3,061,895. For the Montachusett Regional Vocational School District, the Town's share of the Regional School's \$8,105,000 debt at June 30, 2012 (based on current assessment percentages) is 4.0% or \$324,200.

Note 8. Governmental Fund Balances

The detailed breakdown of fund balances for the Town's governmental funds appears below.

	<u>General Fund</u>	<u>School Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
Permanent fund principal	\$ -	-	343,105	343,105
Restricted:				
Title V septic	-	-	136,403	136,403
Permanent fund spendable	-	-	347,852	347,852
Other purposes - special revenue	-	-	109,577	109,577
Other purposes - capital projects	-	-	33,251	33,251
Committed:				
Stabilization fund	320,342	-	-	320,342
Capital improvements fund	118,111	-	-	118,111
Assigned:				
Gifts and donations	-	-	416,297	416,297
General fund encumbrances	147,743	-	-	147,743
Unassigned:				
School capital project	-	(3,380,863)	-	(3,380,863)
General fund residual balance	<u>401,786</u>	=	=	<u>401,786</u>
Total governmental fund balances	<u>\$987,982</u>	<u>(3,380,863)</u>	<u>1,386,485</u>	<u>(1,006,396)</u>

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 9. Inter-fund Transfers

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Transfers are typically made to offset the cost of budgeted items in the general fund or to set aside funds for future use. For the year ended June 30, 2012, the general fund transferred \$33,000 to the capital improvement fund for future Town use (these appear only in the budgetary statement as the stabilization fund is now included in the general fund based on the requirements of GASB 54). The general fund received \$66,345 from the electric enterprise fund, \$93,000 from the water enterprise fund and \$93,000 from the sewer enterprise fund to offset indirect costs and pay for shared special articles. The general fund also received \$2,500 from permanent funds and from special revenue funds received \$25,922 from the Title V fund, \$3,500 from the waterways fund, and \$74,299 from the debt reduction fund to offset budget line items. Finally, the capital improvement fund transferred \$210,000 to the land acquisition special revenue fund.

Note 10. Pension Plans

Town employees participate in two cost sharing, multiple employer defined benefit plans. The systems are funded by contributions from participants, employer contributions and/or state appropriations. These systems are the Worcester Regional Retirement System, which covers most non-teaching employees of the Town and the Massachusetts Teachers Retirement System, which covers most teaching employees.

Worcester Regional Retirement System:

Eligibility and Vesting - Employees of the Town who are employed on a basis which anticipates work at an annual rate to exceed 1040 hours are eligible to participate in the System. Employees are eligible immediately after the date of employment. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

Contributions - Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Retirement Benefits - The amount of normal monthly retirement benefit is equal to a percentage of the participant's average monthly compensation, determined based on age at retirement, the maximum being 2.5% at age 65, and based on the higher of the participant's (1) highest three consecutive years of compensation or (2) last three calendar years of employment preceding retirement whether or not such years are consecutive, multiplied by years of service, up to a maximum of 80% of the average monthly compensation as computed above. Any cost-of-living adjustments granted since 1981 and any increase in other benefits imposed by law after that year are borne by the Commonwealth of Massachusetts.

Other - Provisions exist in the plan for cost of living adjustments and disability benefits.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 10. Pension Plans (continued)

Town Contributions Required and Made - The Town is assessed annually for their share of system. The Town was assessed and paid \$346,072 in 2010 \$413,259 in 2011 and \$425,842 in 2012. These amounts represent approximately 1% of system wide employer assessments.

Trend Information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. A copy of this report is available from the system.

Massachusetts Teachers Retirement System

Eligibility and Vesting - Teaching employees of the Town who are employed on a basis which anticipates work at an annual rate to exceed 1000 hours are required to participate in the System. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

Contributions - Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; and 8% if first employed on or after January 1, 1984. Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Other - Provisions exist in the plan for cost of living adjustments and disability benefits.

Town Contributions Required and Made - The Town is not required to contribute to this plan. State appropriations are made annually to fund system costs. For the fiscal year ended June 30, 2012, the state's contribution to this plan on behalf of the Town was \$38,340. This on-behalf payment has been recorded as intergovernmental revenue and employee benefit expenditure in the general fund.

Trend Information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. A copy of this report is available from the system.

Note 11. Commitments - MMWEC

This footnote relates to the electric light enterprise fund and is as of December 31, 2011.

The Electric Light Department (Department) Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities. MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other Utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 11. Commitments - MMWEC (continued)

rata share of MMWEC's costs related to the Project, which costs include debt service on revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make payment when due, other Projects Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable from, and secured solely by, the revenues derived from the Project to which such issue relates plus available funds pledged under the Amended and Restated General Bond Resolution with respect to the bonds of that project. The MMWEC revenues derived from each Project is used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, owned and operated by subsidiaries of FPL Energy Wyman IV, LLC, an indirect subsidiary of NextEra Energy Resources, LLC (formerly FPL Energy, LLC), and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCI) the majority owner and indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for Unit 3 extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook Resources, LLC (formerly FPL Energy Seabrook, LLC), the majority owner and indirect subsidiary of Next Era Energy Resources, LLC (formerly FPL Energy, LLC). The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has stated its intention to request an extension of the Seabrook Station operating license for an additional twenty years.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. The Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the Act has been renewed several times. In July, 2005, as part of the Energy Policy Act of 2005, Congress extended the Price-Anderson Act through the end of 2025.

The Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions, the outcome of which, in the opinion of MMWEC management, will not have a material effect on the financial position of MMWEC.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 11. Commitments - MMWEC (continued)

As of December 31, 2011, total capital expenditures for MMWEC's projects amounted to \$1,581,599,000, of which \$9,822,000 represents the amount associated with the Department's Project Capability of the projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds \$358,420,000, of which \$2,114,000 is associated with the Department's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2011, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is \$380,165,000, of which \$2,239,000 is anticipated to be billed to the Department in future years.

The estimated aggregate amount of the Department's required payments under the PSAs and PPAs, exclusive of Reserve and Contingency Fund billings, to MMWEC at December 31, 2011 and estimated for future years is shown below.

For years ended December 31,	2012	\$ 472,000
	2013	\$ 444,000
	2014	\$ 405,000
	2015	\$ 377,000
	2016	\$ 327,000
	2017 to 2020	\$ 214,000
	Total	<u>\$ 2,239,000</u>

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs were \$1,190,000 and \$1,215,000 for the years ended December 31, 2011 and 2010, respectively.

Note 12. Commitments – Berkshire Wind

The Department is a Member of the Berkshire Wind Cooperative (Cooperative). The Cooperative is organized under Chapters 157 and 164: Section 47C of the Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 14 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative is in the development stage. This stage is characterized by significant expenditures related to the preparation and the installation of 10 1.5-megawatt wind turbines at the Berkshire Wind Facility. Upon completion of the Berkshire Wind Facility, the Cooperative will provide wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2012

Note 12. Commitments – Berkshire Wind

Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency Fund. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Cooperative has issued revenue bonds, which are payable solely from, and secured solely by, the revenues derived from the Berkshire Wind Facility. The revenues are used solely to provide for the payment of any bond issue relating to the Berkshire Wind Facility and to pay the Cooperative's cost of owning and operating the Berkshire Wind Facility. The Ashburnham Municipal Light Department has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under both the PPA, the Department is required to make certain payments to the Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the Department is required to pay to the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

The Cooperative is involved in various legal actions. In the opinion of the Cooperative management, the outcome of such actions will not have a material adverse effect on the financial position of the Cooperative.

As of December 31, 2011, total capital expenditures for the Berkshire Wind Facility amounted to \$53,741,988, of which \$2,458,000, represents the amount associated with the Department's share of the Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Department. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$64,705,000, of which \$2,959,000 is associated with the Department's share of Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Department. As of December 31, 2011, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$102,592,000, of which \$4,692,000 is anticipated to be billed to the Department in the future. The estimated aggregate amount of the Ashburnham Municipal Light Department required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2011 and estimated for future years is shown below.

For years ended December 31,	2012	\$ 247,000
	2013	\$ 247,000
	2014	\$ 247,000
	2015	\$ 247,000
	2016	\$ 247,000
	2017 to 2021	\$ 1,234,000
	2022 to 2026	\$ 1,235,000
	2027 to 2030	<u>\$ 988,000</u>
	TOTAL	<u>\$ 4,692,000</u>

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2012

Note 13. Deficit Fund Balance

At June 30, 2012, the Town's school capital project fund has a deficit fund balance of (\$3,380,863). This is due to the normal timing issue between the issuance of short vs. long term debt. At June 30, 2012, the Town has \$3,400,000 in outstanding notes payable issued for these projects. The Town will issue long-term debt in fiscal year 2013 and this deficit will be eliminated.

Note 14. Risk Management

Lawsuits may be pending or threatened against the Town, which arise from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Town estimates that potential claims against the Town, not covered by insurance, resulting from such litigation, would not materially affect the financial statements.

The Town receives some financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and may be subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Town, although the Town expects that these amounts, if any, would be immaterial to the financial statements.

Note 15. Implementation of new GASB Statements

During fiscal year 2012, the Town implemented the following GASB pronouncements:

- GASB Statement #64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This statement did not impact the Town's financial statements.

In future fiscal years, the Town will implement the following GASB pronouncements:

- GASB Statement #60 – *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. This statement will have no impact on the Town's financial statements.
- GASB Statement #61 – *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented in fiscal year 2013. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB 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. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #65 – *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. The Town is currently evaluating the possible impact of this will have on its financial statements.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2012

Note 15. Implementation of new GASB Statements (continued)

- GASB Statement #66 – *Technical Correction -2012 – An Amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #67 – *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014. This statement will have no impact on the Town’s financial statements.
- GASB Statement #68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. The Town is currently evaluating the possible impact of this will have on its financial statements

TOWN OF ASHBURNHAM, MASSACHUSETTSCombining Balance Sheet - Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 467,988	33,251	102,693	603,932
Investments	204,527	-	591,831	796,358
Receivables:				
Departmental	<u>164,005</u>	<u>-</u>	<u>-</u>	<u>164,005</u>
Total assets	<u>\$ 836,520</u>	<u>33,251</u>	<u>694,524</u>	<u>1,564,295</u>
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Warrants and accounts payable	\$ 10,238	-	3,567	13,805
Deferred revenue	164,005	-	-	164,005
Notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>174,243</u>	<u>-</u>	<u>3,567</u>	<u>177,810</u>
 <u>Fund Balances:</u>				
Nonspendable	-	-	343,105	343,105
Restricted	245,980	33,251	347,852	627,083
Committed	-	-	-	-
Assigned	416,297	-	-	416,297
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>662,277</u>	<u>33,251</u>	<u>690,957</u>	<u>1,386,485</u>
Total liabilities and fund balances	<u>\$ 836,520</u>	<u>33,251</u>	<u>694,524</u>	<u>1,564,295</u>

TOWN OF ASHBURNHAM, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:				
Departmental charges for services	\$ 112,017	-	1,200	113,217
Intergovernmental	504,708	-	-	504,708
Investment income	(2,190)	-	5,639	3,449
Other	203,300	-	30,433	233,733
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	817,835	-	37,272	855,107
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
General government	75,172	552	14,476	90,200
Public safety	204,008	-	-	204,008
Education	-	-	-	-
Public works	344,927	-	-	344,927
Human services	78,000	-	-	78,000
Recreation and culture	23,828	-	-	23,828
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	725,935	552	14,476	740,963
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	91,900	(552)	22,796	114,144
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Operating transfers in	210,000	-	-	210,000
Operating transfers out	(103,721)	-	(2,500)	(106,221)
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balances	198,179	(552)	20,296	217,923
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	464,098	33,803	670,661	1,168,562
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 662,277	33,251	690,957	1,386,485
	<hr/>	<hr/>	<hr/>	<hr/>