



Bill Fraher, CPA

TOWN OF ASHBURNHAM, MASSACHUSETTS

Basic Financial Statements, Required Supplementary
Information and Supplementary Information

Year ended June 30, 2013
(Except for the Electric Enterprise Fund
which is December 31, 2012)

(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:

Report on the Financial Statements

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, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 is both a major fund and represents 28% of total assets, 24% of net position and 80% of revenues of business type activities 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 solely 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of a material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 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 in accordance with auditing standards generally accepted in the United States of America, 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.

Supplementary Information

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 United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* I have also issued my report dated March 18, 2014 on my consideration of the Town of Ashburnham's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Bill Fraher, CPA
March 18, 2014

TOWN OF ASHBURNHAM, MASSACHUSETTS
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2013

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, 2013. 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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities (net position) at the close of the current fiscal year by \$42,248,777, an increase of \$462,005 (1.1%) from the prior year. Governmental activities showed an increase in net position of \$321,398 (2.6%) due to current year operating results while business-type activities showed an increase of \$140,607 (0.5%), due to water fund activity (due to capital project grant) offset by a decrease in sewer, primarily due to unfunded depreciation.
- Total fund balance of the Town's governmental funds at June 30, 2013 was (\$9,797,060), a decrease of \$8,790,664 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 \$12,487,000 is outstanding at year end).
- At the end of fiscal 2013, unassigned fund balance for the general fund (excluding stabilization and capital improvement balances) was \$408,600 or 3.0% of total general fund budgeted expenditures. This is a slight increase from the prior year amount of \$401,786. Total general fund unassigned fund balance, including stabilization and capital improvement funds was \$1,020,689.

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 position presents information of all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the year. All changes in net position are reported as soon as the underlying event causing the change takes place.

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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 11 - 12 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.

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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 13 - 14. Reconciliations to the entity wide statements appear on pages 15 - 16 and budget to actual information appears on page 17.

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 18 - 20.

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 position and a statement of changes in fiduciary net position. 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 21.

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 22 - 40.

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 41 and 42.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the Town's case, net position (the amount by which assets exceeded liabilities) are \$42,248,777 at the close of the most recent fiscal year, a small increase from the prior year (1.1%). Of this amount, \$5.9 million is considered unrestricted (unrestricted net position), compared to \$6.8 million at the end of the prior year. The unrestricted net position of the Town's governmental activities is \$2.5 million (compared to \$2.8 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 position of the Town's business-type activities is \$3.4 million (compared to \$4.0 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. The decreases in unrestricted net position are due mostly to capital additions and some reclassifications to restricted net position.

The largest portion of the Town's net position 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 position of the Town increased \$462,005 (1.1%) from the prior year. Governmental activities showed an increase in net position of \$321,398 (2.6%) due to current year operating results while business-type activities showed an increase of \$140,607 (0.5%), primarily due to a water project grant offset by sewer fund activity (primarily unfunded depreciation).

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

Revenue by Source – Governmental Activities

Charges for Services	\$ 650,087	4.6 %
Operating Grants and Contributions	357,669	2.5 %
Capital Grants and Contributions	521,434	3.7 %
Property Taxes	10,855,417	77.1 %
Excise Taxes	758,972	5.4 %
Intergovernmental	745,652	5.3 %
Unrestricted Investment Earnings	49,316	0.4 %
Miscellaneous	134,997	1.0 %
Total Governmental Revenue	\$14,073,544	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.

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Town's total governmental activities expenditures for fiscal year 2013 were \$13,976,030, an increase from the prior year amount of \$13,137,047. As shown below, education expenditures were \$6,835,989, which is 48.9% of the total.

General Government	\$ 1,634,489	11.7 %
Public Safety	2,831,708	20.2 %
Education	6,835,989	48.9 %
Public Works	1,699,379	12.1 %
Human Services	209,973	1.5 %
Recreation & Culture	269,269	2.0 %
Interest on Debt Service	495,223	3.6 %
TOTAL	\$13,976,030	100.00 %

Business-type activities - Total revenues from electric, water and sewer were \$6,455,469. Electric revenue was \$4,486,952, water revenue was \$1,481,630 and sewer revenue was \$486,887. Electric revenues were more than expenses and transfers by \$219,185, water revenues were more than expenses and transfers by \$652,686 and sewer revenues were less than expenses by \$731,264 (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 2013, the Town's governmental funds reported a combined ending fund balance of (\$9,797,060) compared to (\$1,006,396) at the end of fiscal year 2012, a decrease of \$8,790,664. This was primarily due to the school capital projects expenditures of \$8,901,325. Of the total fund balances at the end of fiscal 2013, \$1,020,689 is available for spending at the Town's discretion (general fund unassigned fund balance, which includes stabilization fund balance of \$312,213 and a capital improvement fund balance of \$299,876). The school capital projects fund shows a negative fund balance of \$12,179,293 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).

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The remainder of fund balance is: 1) assigned to liquidate contracts and warrants of the current period (\$128,599), 2) nonspendable permanent fund principal (\$349,539), 3) restricted for permanent fund expenditures (\$386,197) or 4) restricted or assigned for special revenue fund purposes (\$463,958) or capital projects (\$33,251).

The general fund is the chief operating fund of the Town. At the end of fiscal 2013 unassigned (formerly unreserved) fund balance of the general fund was \$1,020,689, an increase from \$840,239 last year (last year's number is adjusted to include stabilization and capital improvement balances). This increase was due primarily to current year operating results. As a measure of liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance excluding stabilization and capital improvement balances represents approximately 3.0% of total general fund expenditures, the same as last year. Total unassigned fund balance, including stabilization and capital improvement balances, represents approximately 8.0% of total general fund expenditures, up from 6.5% last year, which means that there has been an increase in general fund unassigned funds in relation to the Town's total budgetary needs.

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 position of the proprietary funds at the end of the year totaled \$29,592,217, compared to \$29,451,610 last year. Unrestricted net position totaled \$3,429,714 (compared to \$4,034,459 last year) and consists of \$2,176,360 (\$2,386,972 last year) in the electric fund, \$255,776 (\$282,536 last year) in the water fund and \$997,578 (\$1,364,951 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 \$108,311 (0.8%) with no significant variances in any categories. The charges (outflows) were less than budget by \$172,295 (1.3%), due to many Town departments having unexpended and unencumbered funds at year end. Total budgeted charges to appropriations were \$13,358,130 and the total budgeted resources (revenues and transfers in) were \$13,057,307. The budgeted difference of \$300,823 was to be funded from available fund balances in the general fund. Actual results show that the Town did better than budget by \$280,606, almost enough to replenish the budgeted use of available funds.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for governmental and business-type activities as of June 30, 2013, amounts to \$58,403,466 (which is net of accumulated depreciation of \$32,449,155), up 18.2% from \$49,406,310 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 2013 were \$8,901,325 for the school construction project and \$682,272 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, 2013 (including light department amounts as of December 31, 2012) is as follows:

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	Governmental Activities	Business-type Activities
Land and land improvements	\$ 3,423,578	\$ 317,063
Buildings & improvements	15,201,995	9,084,274
Equipment & machinery	4,748,088	3,735,910
Infrastructure	4,976,023	34,469,234
Construction in progress	12,301,326	2,595,110
Accumulated depreciation	(12,647,690)	(19,801,465)
Total	\$28,003,320	\$30,400,126

Additional information on the Town's capital assets may be found in Note 4 to the financial statements pages 30 – 31.

Long-term obligations - At June 30, 2013 the Town had a total long term obligations outstanding of \$12,067,610, compared to \$11,450,599 at the end of last year. Of the amount at June 30, 2013, \$7,186,064 relates to governmental activities and \$4,881,546 relates to business-type activities. Of this total, \$11,745,152 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 32.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Position

For the Year Ended June 30, 2013

(Electric Business-Type Activity is as of December 31, 2012)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,725,941	4,223,104	5,949,045
Investments	1,148,928	-	1,148,928
Receivables (net of allowance for uncollectibles)	1,989,186	1,437,302	3,426,488
Due from other governments	3,672	750,737	754,409
Materials and supplies inventory	-	170,619	170,619
Prepaid expenses	-	83,353	83,353
Other assets	-	864,196	864,196
Capital assets:			
Assets not being depreciated	15,724,904	2,912,173	18,637,077
Assets being depreciated, net	<u>12,278,416</u>	<u>27,487,953</u>	<u>39,766,369</u>
 Total assets	 <u>\$ 32,871,047</u>	 <u>37,929,437</u>	 <u>70,800,484</u>
 <u>Deferred Outflows of Resources</u>			
Property taxes billed in advance	<u>5,483,254</u>	<u>-</u>	<u>5,483,254</u>
 <u>Liabilities</u>			
Warrants and accounts payable	\$ 181,990	653,320	835,310
Other accrued liabilities	51,670	34,763	86,433
Accrued interest payable	291,994	84,921	376,915
Notes payable	12,487,000	-	12,487,000
Other liabilities	15,769	2,682,670	2,698,439
Long-term liabilities:			
Due within one year:			
Compensated absences	44,040	-	44,040
Bonds payable	500,873	519,311	1,020,184
Due in more than one year:			
Compensated absences	278,418	-	278,418
Bonds payable	<u>6,362,733</u>	<u>4,362,235</u>	<u>10,724,968</u>
 Total liabilities	 <u>20,214,487</u>	 <u>8,337,220</u>	 <u>28,551,707</u>
 <u>Deferred Inflows of Resources</u>			
Unavailable revenue	<u>5,483,254</u>	<u>-</u>	<u>5,483,254</u>
 <u>Net Position</u>			
Net investment in capital assets	8,960,421	26,162,503	35,122,924
Restricted for:			
Permanent funds - nonexpendable	349,539	-	349,539
Permanent funds - expendable	386,197	-	386,197
Grants and other	497,209	-	497,209
Unrestricted	<u>2,463,194</u>	<u>3,429,714</u>	<u>5,892,908</u>
 Total net position	 <u>\$ 12,656,560</u>	 <u>29,592,217</u>	 <u>42,248,777</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, 2013

(Electric Business-Type Activity is for the year ended December 31, 2012)

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	\$ 1,634,489	57,513	84,215	200,000	(1,292,761)	-	(1,292,761)
Public safety	2,831,708	517,771	41,937	-	(2,272,000)	-	(2,272,000)
Education	6,835,989	-	39,362	-	(6,796,627)	-	(6,796,627)
Public works	1,699,379	66,673	2,000	321,434	(1,309,272)	-	(1,309,272)
Human services	209,973	8,130	101,576	-	(100,267)	-	(100,267)
Recreation and culture	269,269	-	54,192	-	(215,077)	-	(215,077)
Interest on debt service	495,223	-	34,387	-	(460,836)	-	(460,836)
Total governmental activities	13,976,030	650,087	357,669	521,434	(12,446,840)	-	(12,446,840)
Business-type activities:							
Water	749,944	662,625	44,619	769,806	-	727,106	727,106
Sewer	1,139,151	454,631	32,256	-	-	(652,264)	(652,264)
Electric	4,201,422	4,331,621	115,226	-	-	245,425	245,425
Total business-type activities	6,090,517	5,448,877	192,101	769,806	-	320,267	320,267
Total government	\$ 20,066,547	6,098,964	549,770	1,291,240	(12,446,840)	320,267	(12,126,573)
General revenues:							
Property taxes					10,855,417	-	10,855,417
Excise taxes					758,972	-	758,972
Intergovernmental					745,652	-	745,652
Unrestricted investment earnings					49,316	40,105	89,421
Miscellaneous					134,997	4,580	139,577
Transfers in (out)					223,884	(224,345)	(461)
Total general revenues and transfers					12,768,238	(179,660)	12,588,578
Changes in net position					321,398	140,607	462,005
Net position - beginning of year					12,335,162	29,451,610	41,786,772
Net position - end of year					\$ 12,656,560	29,592,217	42,248,777

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, 2013

	<u>General Fund</u>	<u>School Capital Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 887,734	307,707	530,500	1,725,941
Investments	422,417	-	726,511	1,148,928
Receivables:				
Property taxes	267,258	-	-	267,258
Tax liens and foreclosures	1,397,584	-	-	1,397,584
Motor vehicle excise	94,231	-	-	94,231
Departmental	97,704	-	154,745	252,449
Less: allowance for abatements	<u>(22,336)</u>	<u>-</u>	<u>-</u>	<u>(22,336)</u>
Total assets	<u>3,144,592</u>	<u>307,707</u>	<u>1,411,756</u>	<u>4,864,055</u>
<u>Deferred Outflows of Resources</u>				
Property taxes billed in advance	<u>5,483,254</u>	<u>-</u>	<u>-</u>	<u>5,483,254</u>
Total assets and deferred outflows of resources	<u>\$ 8,627,846</u>	<u>307,707</u>	<u>1,411,756</u>	<u>10,347,309</u>
<u>Liabilities</u>				
Warrants and accounts payable	\$ 157,924	-	24,066	181,990
Other accrued liabilities	51,670	-	-	51,670
Notes payable	-	12,487,000	-	12,487,000
Other liabilities	<u>15,769</u>	<u>-</u>	<u>-</u>	<u>15,769</u>
Total liabilities	<u>225,363</u>	<u>12,487,000</u>	<u>24,066</u>	<u>12,736,429</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>7,253,195</u>	<u>-</u>	<u>154,745</u>	<u>7,407,940</u>
<u>Fund balances</u>				
Nonspendable	-	-	349,539	349,539
Restricted	-	-	680,114	680,114
Committed	-	-	-	-
Assigned	128,599	-	203,292	331,891
Unassigned	<u>1,020,689</u>	<u>(12,179,293)</u>	<u>-</u>	<u>(11,158,604)</u>
Total fund balances	<u>1,149,288</u>	<u>(12,179,293)</u>	<u>1,232,945</u>	<u>(9,797,060)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,627,846</u>	<u>307,707</u>	<u>1,411,756</u>	<u>10,347,309</u>

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, 2013

	General Fund	School Capital Project	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes	\$ 10,802,077	-	-	10,802,077
Excise taxes	729,376	-	-	729,376
Departmental charges for services	399,432	-	137,049	536,481
Licenses and permits	89,637	-	-	89,637
Intergovernmental	848,629	-	624,282	1,472,911
Fines and forfeits	32,805	-	-	32,805
Investment income	15,073	-	34,967	50,040
Other	28,426	102,895	165,369	296,690
Total revenues	<u>12,945,455</u>	<u>102,895</u>	<u>961,667</u>	<u>14,010,017</u>
Expenditures:				
Current:				
General government	1,136,076	26,325	296,428	1,458,829
Public safety	2,000,594	-	140,390	2,140,984
Education	6,730,073	8,875,000	-	15,605,073
Public works	1,147,312	-	548,467	1,695,779
Human services	109,779	-	65,244	175,023
Recreation and culture	207,282	-	8,053	215,335
Intergovernmental	46,759	-	-	46,759
Employee benefits	703,925	-	-	703,925
Other	126,721	-	-	126,721
Debt service	856,137	-	-	856,137
Total expenditures	<u>13,064,658</u>	<u>8,901,325</u>	<u>1,058,582</u>	<u>23,024,565</u>
Excess (deficiency) of revenues over expenditures	(119,203)	(8,798,430)	(96,915)	(9,014,548)
Other financing sources (uses):				
Proceeds of borrowing	-	-	-	-
Operating transfers in	280,509	-	-	280,509
Operating transfers out	-	-	(56,625)	(56,625)
Total other financing sources (uses)	<u>280,509</u>	<u>-</u>	<u>(56,625)</u>	<u>223,884</u>
Net changes in fund balances	161,306	(8,798,430)	(153,540)	(8,790,664)
Fund balance, beginning of year, as revised	<u>987,982</u>	<u>(3,380,863)</u>	<u>1,386,485</u>	<u>(1,006,396)</u>
Fund balance, end of year	<u>\$ 1,149,288</u>	<u>(12,179,293)</u>	<u>1,232,945</u>	<u>(9,797,060)</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 Position
for the Year Ended June 30, 2013

Total fund balances - governmental funds \$ (9,797,060)

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	3,423,578
Infrastructure assets	4,976,023
Buildings and building improvements	15,201,995
Other capital assets	4,748,088
Construction in progress	12,301,326
Accumulated depreciation	<u>(12,647,690)</u>

Total Capital Assets 28,003,320

Other long-term assets are not available to pay for current
period expenditures and, therefore, are deferred or are
not recorded in the funds. 1,924,686

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	(6,863,606)
Accrued interest on bonds	(291,994)
State subsidy on accrued interest on bonds	3,672
Compensated absences	<u>(322,458)</u>

Total long-term liabilities (7,474,386)

Net position of governmental activities \$ 12,656,560

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, 2013

Net changes in fund balances - governmental funds \$ (8,790,664)

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.

8,695,717

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.

360,914

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.

63,527

Some expenses in the Statement of Activities do not require
the use of current financial resources are not reported in the funds.

(8,096)

Changes in net position of governmental activities \$ 321,398

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

TOWN OF ASHBURNHAM, MASSACHUSETTSBudgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013

	<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	\$ 10,805,043	10,782,549	10,785,087	2,538
Excise taxes	672,319	672,319	729,376	57,057
Departmental charges for services	379,910	379,910	399,432	19,522
Licenses and permits	120,718	120,718	89,637	(31,081)
Intergovernmental	802,379	802,379	799,880	(2,499)
Fines	29,950	29,950	32,805	2,855
Investment income	6,750	6,750	20,466	13,716
Other	6,762	6,762	28,426	21,664
Transfers from other funds	255,970	255,970	280,509	24,539
Total resources	<u>13,079,801</u>	<u>13,057,307</u>	<u>13,165,618</u>	<u>108,311</u>
Charges to appropriations (outflows):				
General government	1,194,031	1,172,991	1,125,756	47,235
Public safety	2,089,065	2,055,215	1,977,237	77,978
Education	6,733,224	6,693,224	6,684,537	8,687
Public works	1,106,101	1,201,901	1,200,979	922
Human services	98,038	118,838	109,779	9,059
Recreation and culture	225,275	225,725	223,725	2,000
Debt service	841,911	846,751	846,751	-
Intergovernmental	47,359	47,359	46,759	600
Employee benefits	700,012	690,012	664,562	25,450
Insurance	144,085	127,085	126,721	364
Transfers to other funds	179,029	179,029	179,029	-
Total charges to appropriations	<u>13,358,130</u>	<u>13,358,130</u>	<u>13,185,835</u>	<u>172,295</u>
Excess (deficiency) of resources over charges to appropriations	(278,329)	(300,823)	<u>(20,217)</u>	<u>280,606</u>
Fund balance allocation	<u>278,329</u>	<u>300,823</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 Position - Proprietary Funds

For the Year Ended June 30, 2013

(Except for Electric Enterprise which is as of December 31, 2012)

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 94,343	43,926	1,075,006	1,213,275
Receivables (net):				
User charges	136,143	95,610	234,453	466,206
Other	8,070	6,117	99,405	113,592
Materials and supplies inventory	-	-	170,619	170,619
Prepaid expenses	-	-	83,353	83,353
Other assets	-	-	658,225	658,225
Due from Commonwealth	<u>22,486</u>	<u>28,647</u>	-	<u>51,133</u>
Total current assets	<u>261,042</u>	<u>174,300</u>	<u>2,321,061</u>	<u>2,756,403</u>
Noncurrent assets:				
Cash and cash equivalents - depreciation fund	-	-	1,191,845	1,191,845
Cash and cash equivalents - customer deposits	-	-	62,867	62,867
Cash and cash equivalents - stabilization fund	-	-	1,755,117	1,755,117
Other assets	-	-	205,971	205,971
Special Assessments	-	857,504	-	857,504
Due from Commonwealth	265,156	434,448	-	699,604
Capital assets	15,733,544	25,264,769	9,203,278	50,201,591
Accumulated depreciation	<u>(5,925,967)</u>	<u>(9,682,302)</u>	<u>(4,193,196)</u>	<u>(19,801,465)</u>
Total noncurrent assets	<u>10,072,733</u>	<u>16,874,419</u>	<u>8,225,882</u>	<u>35,173,034</u>
Total assets	<u>\$ 10,333,775</u>	<u>17,048,719</u>	<u>10,546,943</u>	<u>37,929,437</u>
<u>Liabilities</u>				
Current Liabilities:				
Warrants and accounts payable	\$ 4,673	5,579	643,068	653,320
Accrued expenses	56,274	28,647	34,763	119,684
Bonds payable	<u>186,211</u>	<u>333,100</u>	-	<u>519,311</u>
Total current liabilities	<u>247,158</u>	<u>367,326</u>	<u>677,831</u>	<u>1,292,315</u>
Noncurrent liabilities:				
Other liabilities	-	-	2,682,670	2,682,670
Bonds payable	<u>2,540,035</u>	<u>1,822,200</u>	-	<u>4,362,235</u>
Total noncurrent liabilities	<u>2,540,035</u>	<u>1,822,200</u>	<u>2,682,670</u>	<u>7,044,905</u>
Total liabilities	<u>2,787,193</u>	<u>2,189,526</u>	<u>3,360,501</u>	<u>8,337,220</u>
<u>Net Position</u>				
Net investment in capital assets	7,290,806	13,861,615	5,010,082	26,162,503
Unrestricted	<u>255,776</u>	<u>997,578</u>	<u>2,176,360</u>	<u>3,429,714</u>
Total net position	<u>\$ 7,546,582</u>	<u>14,859,193</u>	<u>7,186,442</u>	<u>29,592,217</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 Net Position - Proprietary Funds

For the Year Ended June 30, 2013

(Except for Electric Enterprise which is for the year ended December 31, 2012)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Operating revenues:				
Charges for services	\$ 662,625	454,631	4,331,621	5,448,877
Other operating revenues	-	-	115,226	115,226
Total operating revenues	<u>662,625</u>	<u>454,631</u>	<u>4,446,847</u>	<u>5,564,103</u>
Operating expenditures:				
Energy purchases and power production	-	206,701	2,916,951	3,123,652
Other operating expenses	409,575	264,867	1,026,034	1,700,476
Depreciation	<u>276,063</u>	<u>534,591</u>	<u>258,337</u>	<u>1,068,991</u>
Total operating expenditures	<u>685,638</u>	<u>1,006,159</u>	<u>4,201,322</u>	<u>5,893,119</u>
Operating income	<u>(23,013)</u>	<u>(551,528)</u>	<u>245,525</u>	<u>(329,016)</u>
Nonoperating revenues (expenses):				
Interest expense	(64,306)	(132,992)	(100)	(197,398)
Intergovernmental	814,425	32,256	-	846,681
Disaster recovery revenue	-	-	-	-
Disaster recovery expenses	-	-	-	-
Other	4,580	-	-	4,580
Investment income	-	-	40,105	40,105
Total nonoperating revenues (expenses)	<u>754,699</u>	<u>(100,736)</u>	<u>40,005</u>	<u>693,968</u>
Income before transfers	731,686	(652,264)	285,530	364,952
Operating transfers in (out)	<u>(79,000)</u>	<u>(79,000)</u>	<u>(66,345)</u>	<u>(224,345)</u>
Changes in net position	652,686	(731,264)	219,185	140,607
Net position, beginning of year	<u>6,893,896</u>	<u>15,590,457</u>	<u>6,967,257</u>	<u>29,451,610</u>
Net position, end of year	<u>\$ 7,546,582</u>	<u>14,859,193</u>	<u>7,186,442</u>	<u>29,592,217</u>

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, 2013

(Except for Electric Enterprise which is as of December 31, 2012)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Cash flows from operating activities:				
Cash received from customers	\$ 709,885	709,536	4,677,629	6,097,050
Cash paid to suppliers	(262,656)	(351,147)	(2,902,087)	(3,515,890)
Cash paid to employees and for benefits	(149,396)	(156,259)	(740,141)	(1,045,796)
Payment in lieu of taxes and transfers	(79,000)	(79,000)	(66,345)	(224,345)
Net cash provided by operating activities	218,833	123,130	969,056	1,311,019
Cash flows from noncapital financing activities:				
Interest expense, net of state subsidy	-	-	(100)	(100)
Net cash provided by capital and related financing activities:	-	-	(100)	(100)
Cash flows from capital and related financing activities:				
Capital expenditures	(734,122)	-	(688,134)	(1,422,256)
Intergovernmental/other revenue	769,806	-	-	769,806
Interest paid, net of subsidy	(31,866)	(98,830)	-	(130,696)
Net borrowing (repayments), net of subsidy	(676,292)	(172,316)	-	(848,608)
Net cash provided by capital and related financing activities:	(672,474)	(271,146)	(688,134)	(1,631,754)
Cash flows from investing activities:				
Proceeds from investments	-	-	951	951
Investment income	-	-	40,105	40,105
Rate stabilization reserve	-	-	126,436	126,436
Net cash provided by capital and related financing activities:	-	-	167,492	167,492
Net increase in cash and cash equivalents	(453,641)	(148,016)	448,314	(153,343)
Cash and cash equivalents, beginning of year	547,984	191,942	3,636,521	4,376,447
Cash and cash equivalents, end of year	\$ 94,343	43,926	4,084,835	4,223,104
Reconciliation of operating income to net cash provided				
By operating activities:				
Operating income (loss)	\$ (23,013)	(551,528)	245,525	(329,016)
Depreciation	276,063	534,591	258,337	1,068,991
Payment in lieu of taxes and transfers	(79,000)	(79,000)	(66,345)	(224,345)
Rate stabilization reserve	-	-	-	-
(Increase) decrease in accounts receivable	47,260	254,905	58,008	360,173
(Increase) decrease in materials and supplies	-	-	6,615	6,615
(Increase) decrease in prepayments	-	-	244	244
(Increase) decrease in purchased power working capital	-	-	(37,350)	(37,350)
Increase (decrease) in accounts payable and accrued expenses	(2,477)	(35,838)	265,592	227,277
Increase (decrease) in deferred credits	-	-	236,780	236,780
Other, net	-	-	1,650	1,650
Net cash provided by operating activities	\$ 218,833	123,130	969,056	1,311,019
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	94,343	43,926	1,075,006	1,213,275
Depreciation fund	-	-	1,191,845	1,191,845
Customer deposits	-	-	62,867	62,867
Rate stabilization fund	-	-	1,755,117	1,755,117
Total	94,343	43,926	4,084,835	4,223,104

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Position

Fiduciary Funds

June 30, 2013

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>15,941</u>
Total assets	<u>15,941</u>
<u>Liabilities</u>	
Other liabilities	<u>15,941</u>
Total liabilities	<u>15,941</u>
<u>Net Position</u>	
Unrestricted	<u>-</u>
Total net position	\$ <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, 2013

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 2013 was \$6,281,553, representing approximately 44.8% 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 2013 was \$380,964, which represents approximately 4.7% 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, 2013 (except for the Electric Enterprise Fund which is as of and for the year ended December 31, 2012). 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, 2013

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, 2013

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.

F. Assets, Liabilities, and Net Position 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. As of June 30, 2013, the Town has billed for the first two quarterly installments of the fiscal year 2014 real estate bills. The amount of this bill that is outstanding is presented as a deferred outflow on the statement of net position and on the governmental funds balance sheet.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2013

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

F. Assets, Liabilities, and Net position 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, 2013

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

F. Assets, Liabilities, and Net position 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

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. Unassigned fund balance in the general fund includes \$312,213 in stabilization fund balance and \$299,876 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, 2013

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

F. Assets, Liabilities, and Net position 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 \$128,599 and accepted gifts and donations of \$203,292.

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 position

Net position appears in the Town's proprietary (enterprise) funds and the entity wide financial statements. Net position is the difference between: 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation and outstanding debt (net of related debt subsidies from the state). Restricted net position consists of net position 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, 2013

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>\$13,358,130</u>
To be funded as follows:	
Budgeted revenue	\$12,801,337
Transfers from other funds	255,970
Allocation of surplus	<u>300,823</u>
Total funding (resources)	<u>\$13,358,130</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, 2013:

Excess (deficiency) of resources over charges to appropriations:	(\$20,217)
Adjustments:	
Record Revenues on a Modified Accrual Basis	\$16,990
On Behalf Payments, Net (Gross of \$48,750)	-
Stabilization Fund Interest and Transfers	\$173,636
Adjustment for Encumbrances and Continuing Articles	<u>(\$9,103)</u>
Net changes in fund balances - GAAP Basis	<u>\$161,306</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, 2013

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, 2013, the Town's carrying amount of deposits was \$2,569,883 and the bank balance was \$2,697,146. Of the bank balances, \$2,582,799 was covered by Federal Deposit Insurance Corporation or other state insurance. The remaining amount of \$114,348 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, 2012. The electric enterprise fund cash and investments include amounts classified on the proprietary fund balance sheet as depreciation fund, customer deposits and stabilization fund.

Investments

At June 30, 2013, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US government and agency securities	\$366,699
Other fixed income securities	1,270,236
Mutual funds	598,814
Pooled Investments: Money market funds	116,216
External Investment Pool: MMDT/MMWEC	<u>1,767,973</u>
Total investments	<u>\$4,119,938</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: \$240,019 less than one year, \$65,326 between one and two years, and \$61,354 between three and five years. The other fixed income securities have maturities of \$313,240 less than one year, \$321,112 between one and two years, and \$635,884 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, 2013

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, 2013 (electric enterprise fund as of December 31, 2012) 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	211,936	-	3,423,578
Construction in progress	<u>3,400,000</u>	<u>8,901,326</u>	-	<u>12,301,326</u>
Total capital assets not being depreciated	<u>6,611,642</u>	<u>9,113,262</u>	-	<u>15,724,904</u>
Capital assets being depreciated:				
Buildings and improvements	15,210,024	5,624	13,653	15,201,995
Equipment	4,893,465	172,992	318,369	4,748,088
Infrastructure	<u>4,584,926</u>	<u>391,097</u>	-	<u>4,976,023</u>
Total capital assets being depreciated	<u>24,688,415</u>	<u>569,713</u>	<u>332,022</u>	<u>24,926,106</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,169,084)	(581,992)	(13,653)	(6,737,423)
Equipment	(4,044,429)	(199,563)	(315,450)	(3,928,542)
Infrastructure	<u>(1,778,941)</u>	<u>(202,784)</u>	-	<u>(1,981,725)</u>
Total accumulated depreciation	<u>(11,992,454)</u>	<u>(984,339)</u>	<u>(329,103)</u>	<u>(12,647,690)</u>
Capital assets being depreciated, net	<u>12,695,961</u>	<u>(414,626)</u>	<u>2,919</u>	<u>12,278,416</u>
Total governmental activities capital assets, net	<u>\$19,307,603</u>	<u>8,698,636</u>	<u>2,919</u>	<u>28,003,320</u>
Depreciation expense was charged to functions as follows:		<u>Governmental Activities</u>		
General government		\$177,231		
Public safety		484,977		
Public works		285,337		
Human services		10,289		
Recreation and culture		<u>26,505</u>		
Total governmental activities depreciation expense		<u>\$984,339</u>		

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2013

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	<u>1,900,430</u>	<u>694,680</u>	-	<u>2,595,110</u>
Total capital assets not being depreciated	<u>2,217,493</u>	<u>694,680</u>	-	<u>2,912,173</u>
Capital assets being depreciated:				
Electric distribution and generation plant	5,407,358	457,333	9,859	5,854,832
Electric general plant	3,203,870	218,397	104,707	3,317,560
Buildings and improvements	9,089,374	-	5,100	9,084,274
Equipment	433,250	-	14,900	418,350
Infrastructure	<u>28,609,302</u>	<u>5,100</u>	-	<u>28,614,402</u>
Total capital assets being depreciated	<u>46,743,154</u>	<u>680,830</u>	<u>134,566</u>	<u>47,289,418</u>
Less accumulated depreciation for:				
Distribution plant	(2,880,795)	(162,224)	(9,859)	(3,033,160)
General plant	(1,168,630)	(96,113)	(104,707)	(1,160,036)
Buildings and improvements	(3,731,893)	(233,724)	-	(3,965,617)
Equipment	(257,566)	(35,012)	(14,900)	(277,678)
Infrastructure	<u>(10,823,056)</u>	<u>(541,918)</u>	-	<u>(11,364,974)</u>
Total accumulated depreciation	<u>(18,861,940)</u>	<u>(1,068,991)</u>	<u>(129,466)</u>	<u>(19,801,465)</u>
Capital assets being depreciated, net	<u>27,881,940</u>	<u>(388,161)</u>	<u>5,100</u>	<u>27,487,953</u>
Total governmental activities capital assets, net	<u>\$30,098,707</u>	<u>306,519</u>	<u>5,100</u>	<u>30,400,126</u>

Business-type Activities

Depreciation expense was charged to functions as follows:

Water	\$ 276,063
Sewer	534,591
Electric	<u>258,337</u>
Total business-type activities depreciation expense	<u>\$1,068,991</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, 2013, was as follows:

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2013

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	\$3,400,000	12,487,000	3,400,000	12,487,000
	<u>3,400,000</u>	<u>12,487,000</u>	<u>3,400,000</u>	<u>12,487,000</u>
Business-type activities:				
Bond anticipation notes:				
Water tank project	2,000,000	=	2,000,000	=
	<u>\$2,000,000</u>	<u>=</u>	<u>2,000,000</u>	<u>=</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, 2013:

	<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	\$314,363	8,095	-	322,458	44,040
Bonds payable	7,364,231	-	500,625	6,863,606	500,873
	<u>7,678,594</u>	<u>8,095</u>	<u>500,625</u>	<u>7,186,064</u>	<u>544,913</u>
Business-type activities:					
Bonds payable	3,772,005	1,455,000	345,459	4,881,546	519,311
	<u>\$3,772,005</u>	<u>1,455,000</u>	<u>345,459</u>	<u>4,881,546</u>	<u>519,311</u>

Note 7. Bonds Payable

The Town's indebtedness consists of general obligation serial notes issued between fiscal years 1998 and 2013 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 and the water tank project. The bonds bear interest from 0.0% to 5.75% and are due in various annual installments ranging through 2051. The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2013 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>
2014	\$500,873	282,281	519,311	195,452	1,020,184	477,733
2015	500,873	263,994	534,434	165,985	1,035,307	429,979
2016	500,696	242,174	549,974	143,734	1,050,670	385,908
2017	500,696	217,390	570,831	116,688	1,071,527	334,078
2018	500,696	192,582	586,806	80,978	1,087,502	273,560
2019 – 2023	2,474,772	647,705	916,758	206,727	3,391,530	854,432
2024 - 2028	1,885,000	154,688	153,751	157,259	2,038,751	311,946
2029 – 2033	-	-	176,087	134,923	176,087	134,923
2034 – 2038	-	-	201,668	109,342	201,668	109,342
2039 – 2043	-	-	230,965	80,045	230,965	80,045
2044 - 2048	-	-	264,518	46,492	264,518	46,492
2049 - 2051	=	=	176,441	9,790	176,441	9,790
Totals	<u>\$6,863,606</u>	<u>2,000,814</u>	<u>4,881,546</u>	<u>1,447,413</u>	<u>11,745,152</u>	<u>3,448,227</u>

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 7. Bonds Payable (continued)

Of the total business-type activities debt service requirements of \$6,328,959, the Town is scheduled to receive \$1,193,260 as reimbursement from the Commonwealth of Massachusetts Water Pollution Abatement Trust. The amount of this reimbursement that is related to debt principal (\$699,605) has been recorded as an intergovernmental receivable in the financial statements. The Town is also scheduled to receive \$38,580 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, 2013, the Town may issue approximately \$24,196,360 of additional general obligation debt under the normal debt limit. The Town has \$6,605,000 of issued debt exempt from the debt limit. At June 30, 2013, the Town also has no authorized and unissued debt.

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 \$8,430,000 debt at June 30, 2013 (based on current assessment percentages) is 30.1% or \$2,540,184. For the Montachusett Regional Vocational School District, the Town's share of the Regional School's \$7,219,000 debt at June 30, 2013 (based on current assessment percentages) is 4.14% or \$298,867.

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	\$ -	-	349,539	349,539
Restricted:				
Title V septic	-	-	136,564	136,564
Permanent fund spendable	-	-	386,197	386,197
Other purposes - special revenue	-	-	124,102	124,102
Other purposes - capital projects	-	-	33,251	33,251
Assigned:				
Gifts and donations	-	-	203,292	203,292
General fund encumbrances	128,599	-	-	128,599
Unassigned:				
Stabilization fund	312,213	-	-	312,213
Capital improvements fund	299,876	-	-	299,876
School capital project	-	(12,179,293)	-	(12,179,293)
General fund residual balance	<u>408,600</u>	=	=	<u>408,600</u>
Total governmental fund balances	<u>\$1,149,288</u>	<u>(12,179,293)</u>	<u>1,232,945</u>	<u>(9,797,060)</u>

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2013

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, 2013, the general fund transferred \$179,029 to the capital improvement fund for future Town use (these appear only in the budgetary statement as the stabilization and capital improvement funds are now included in the general fund based on the requirements of GASB 54). The general fund received \$66,345 from the electric enterprise fund, \$79,000 from the water enterprise fund and \$79,000 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 \$25,625 from the Title V fund, \$3,500 from the waterways fund, and \$25,000 from the debt reduction fund to offset budget line items.

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, 2013

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 \$413,259 in 2011 \$425,842 in 2012 and \$448,522 in 2013. 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, 2013, the state's contribution to this plan on behalf of the Town was \$39,363. 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, 2012.

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, 2013

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, 2013

Note 11. Commitments - MMWEC (continued)

Seven municipal light departments that are Participants under the PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. The arbitration has been stayed by agreement of the parties. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

As of December 31, 2012, total capital expenditures for MMWEC's projects amounted to \$1,593,344,000, of which \$9,888,000 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 \$284,005,000, of which \$1,667,000 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, 2012, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is \$289,247,000, of which \$1,695,000 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, 2012 and estimated for future years is shown below.

For years ended December 31,	2013	\$ 419,000
	2014	\$ 384,000
	2015	\$ 358,000
	2016	\$ 320,000
	2017	\$ 153,000
	2018 to 2021	<u>\$ 61,000</u>
	Total	<u>\$ 1,695,000</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 \$1,031,000 and \$1,190,000 for the years ended December 31, 2012 and 2011, 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 has constructed and installed 10 1.5-megawatt wind turbines at the Berkshire Wind Facility. The cooperative provides energy 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

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 12. Commitments – Berkshire Wind

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 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, 2012, total capital expenditures for the Berkshire Wind Facility amounted to \$58,990,077, of which \$2,698,000, 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 \$62,490,000, of which \$2,858,000 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, 2012, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$97,190,000, of which \$4,444,000 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, 2012 and estimated for future years is shown below.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 12. Commitments – Berkshire Wind (continued)

For years ended December 31,	2013	\$ 247,000
	2014	\$ 247,000
	2015	\$ 247,000
	2016	\$ 247,000
	2017	\$ 247,000
	2018 to 2022	\$ 1,234,000
	2023 to 2027	\$ 1,235,000
	2028 to 2030	\$ 740,000
	TOTAL	<u>\$ 4,444,000</u>

Note 13. Deficit Fund Balance

At June 30, 2013, the Town’s school capital project fund has a deficit fund balance of (\$12,179,293). This is due to the normal timing issue between the issuance of short vs. long term debt. At June 30, 2013, the Town has \$12,487,000 in outstanding notes payable issued for these projects. The Town will issue long-term debt in fiscal year 2014 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 2013, the Town implemented the following GASB pronouncements:

- GASB Statement #60 – *Accounting and Financial Reporting for Service Concession Arrangement*. This statement did not impact the Town’s financial statements.
- GASB Statement #61 – *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. This statement did not have a significant impact on the Town’s 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. This statement did not have a significant impact on the Town’s financial statements.

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2013

- GASB Statement #63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement changed the terminology of “net assets” to “net position” in the financial statements.
- GASB Statement #65 – *Items Previously Reported as Assets and Liabilities*. This statement provided guidance on the reporting of certain items previously classified as assets and liabilities that are now required to be classified as deferred outflows or deferred inflows. This statement resulted in the reclassification of property taxes billed in advance from assets to deferred outflows and unavailable (formerly deferred) revenue from liabilities to deferred inflows.

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

- 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.
- GASB Statement #69 – *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015. This statement will have no impact on the Town’s financial statements.
- GASB Statement #70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, 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

Balance Sheet - Governmental Funds

June 30, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 443,778	33,251	53,471	530,500
Investments	42,252	-	684,259	726,511
Receivables:				
Departmental	<u>154,745</u>	<u>-</u>	<u>-</u>	<u>154,745</u>
Total assets	<u>640,775</u>	<u>33,251</u>	<u>737,730</u>	<u>1,411,756</u>
<u>Deferred Outflows of Resources</u>				
Property taxes billed in advance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 640,775</u>	<u>33,251</u>	<u>737,730</u>	<u>1,411,756</u>
<u>Liabilities</u>				
Warrants and accounts payable	\$ 22,072	-	1,994	24,066
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>22,072</u>	<u>-</u>	<u>1,994</u>	<u>24,066</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>154,745</u>	<u>-</u>	<u>-</u>	<u>154,745</u>
<u>Fund balances</u>				
Nonspendable	-	-	349,539	349,539
Restricted	260,666	33,251	386,197	680,114
Committed	-	-	-	-
Assigned	203,292	-	-	203,292
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>463,958</u>	<u>33,251</u>	<u>735,736</u>	<u>1,232,945</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 640,775</u>	<u>33,251</u>	<u>737,730</u>	<u>1,411,756</u>

TOWN OF ASHBURNHAM, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
for the Year Ended June 30, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:				
Departmental charges for services	\$ 130,849	-	6,200	137,049
Intergovernmental	624,282	-	-	624,282
Investment income	724	-	34,243	34,967
Other	130,844	-	34,525	165,369
	<u>886,699</u>	<u>-</u>	<u>74,968</u>	<u>961,667</u>
Total revenues				
Expenditures:				
Current:				
General government	268,739	-	27,689	296,428
Public safety	140,390	-	-	140,390
Education	-	-	-	-
Public works	548,467	-	-	548,467
Human services	65,244	-	-	65,244
Recreation and culture	8,053	-	-	8,053
	<u>1,030,893</u>	<u>-</u>	<u>27,689</u>	<u>1,058,582</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(144,194)	-	47,279	(96,915)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(54,125)	-	(2,500)	(56,625)
	<u>(198,319)</u>	<u>-</u>	<u>44,779</u>	<u>(153,540)</u>
Net changes in fund balances				
Fund balance, beginning of year	662,277	33,251	690,957	1,386,485
Fund balance, end of year	<u>\$ 463,958</u>	<u>33,251</u>	<u>735,736</u>	<u>1,232,945</u>