

TOWN OF ACTON, MASSACHUSETTS

Financial Statements

June 30, 2012

(With Accountants' Report Thereon)

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Town of Acton, Massachusetts
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Town of Acton, Massachusetts
For the Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Acton
472 Main Street
Acton, MA 01720

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Acton, Massachusetts as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Acton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Acton, Massachusetts as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated March 11, 2013 on our consideration of the Town of Acton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Acton, Massachusetts' financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as whole.

Giusti, Hingston and Company

Giusti, Hingston and Company

Certified Public Accountants

March 11, 2013

Town of Acton, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2012

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

Financial Highlights

- The assets of the Town of Acton, Massachusetts exceeded its liabilities at the close of the most recent fiscal year by \$161,763,427 (*net assets*).
- The government's total net assets decreased by \$2,409,763. The Governmental Activities decreased by \$1,035,317. The business type activities decreased by \$1,374,446.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,691,909, or 12% of total general fund expenditures.
- The Town of Acton, Massachusetts' total long term debt decreased by \$2,764,520 or 7% during the current year. The change is attributed to a decrease in the Governmental Activities (\$2,029,920 or 9%) and a decrease in the Business-type Activities (\$734,600 or 4%). A considerable amount of the Business-type activity debt will be funded by betterment revenues.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the Town of Acton, Massachusetts' basic financial statements. The Town of Acton, Massachusetts' basic financial statements consists of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Acton, Massachusetts' finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the Town of Acton, Massachusetts' assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Acton, Massachusetts is improving or deteriorating.

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

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, state and other local revenues finance these activities.
- **Business-Type Activities** - Activities reported here are for sanitation, nursing services and sewer operations. User fees charged to the customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Acton, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Acton, Massachusetts can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

Proprietary funds. The Town of Acton, Massachusetts maintains three proprietary (enterprise) fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Acton, Massachusetts uses enterprise funds to account for its sanitation, nursing services and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise fund. All three funds are considered to be major funds of the Town of Acton, Massachusetts.

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

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net assets. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets.
- Reconciliation of the statement of revenues and expenditures and changes in fund balances of governmental funds to the statement of activities.

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. However, the net assets of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not, typically, used to finance costs related to business-type activities. Revenues of the business-type activities are generally used to finance the operations of the Sanitation, Nursing and Sewer enterprise funds.

The following table reflects the condensed net assets for the past two fiscal years.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 44,120,731	\$ 43,004,806	\$ 22,262,341	\$ 23,562,540	\$ 66,383,072	\$ 66,567,346
Capital Assets	134,365,516	136,431,820	19,435,478	20,281,581	153,800,994	156,713,401
Total Assets	<u>178,486,247</u>	<u>179,436,626</u>	<u>41,697,819</u>	<u>43,844,121</u>	<u>220,184,066</u>	<u>223,280,747</u>
Current Liabilities	4,328,054	5,020,172	920,936	1,025,614	5,248,990	6,045,786
Long Term Liabilities	<u>35,362,552</u>	<u>34,585,496</u>	<u>17,809,097</u>	<u>18,476,275</u>	<u>53,171,649</u>	<u>53,061,771</u>
Total Liabilities	<u>39,690,606</u>	<u>39,605,668</u>	<u>18,730,033</u>	<u>19,501,889</u>	<u>58,420,639</u>	<u>59,107,557</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	113,033,388	113,069,772	1,122,678	1,393,955	114,156,066	114,463,727
Restricted	16,674,760	14,528,079	17,185,872	17,830,622	33,860,632	32,358,701
Unrestricted	<u>9,087,493</u>	<u>12,233,107</u>	<u>4,659,236</u>	<u>5,117,655</u>	<u>13,746,729</u>	<u>17,350,762</u>
Total Net Assets	<u>\$ 138,795,641</u>	<u>\$ 139,830,958</u>	<u>\$ 22,967,786</u>	<u>\$ 24,342,232</u>	<u>\$ 161,763,427</u>	<u>\$ 164,173,190</u>

The net assets of the Town decreased by \$2,409,763. The net assets of the governmental activities decreased by \$1,035,317 or less than 1% and the net assets of the business-type activities decreased by \$1,374,446 or 6%.

Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net assets have changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 3,686,647	\$ 3,124,795	\$ 2,085,279	\$ 2,309,364	\$ 5,771,926	\$ 5,434,159
Operating Grants and Contributions	13,545,478	12,938,309	957,512	809,808	14,502,990	13,748,117
Capital Grants and Contributions	-	523,327	87,530	303,725	87,530	827,052

Changes in Net Assets (Continued)

	<u>Governmental Activities</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Revenues:						
Property Taxes	67,967,690	66,103,406	-	-	67,967,690	66,103,406
Motor Vehicle and Other Excises	2,568,195	2,612,767	-	-	2,568,195	2,612,767
Intergovernmental Not Restricted to a Specific Program	1,276,872	1,271,625	-	-	1,276,872	1,271,625
Other	680,511	738,791	-	-	680,511	738,791
Total Revenues	89,725,393	87,313,020	3,130,321	3,422,897	92,855,714	90,735,917
Expenses						
General Government	7,840,931	7,565,406	-	-	7,840,931	7,565,406
Public Safety	7,978,973	7,300,753	-	-	7,978,973	7,300,753
Education	58,736,652	57,160,597	-	-	58,736,652	57,160,597
Highways and Public Works	3,300,843	3,384,408	-	-	3,300,843	3,384,408
Human Services	1,821,505	1,509,794	-	-	1,821,505	1,509,794
Culture and Recreation	1,872,516	1,718,825	-	-	1,872,516	1,718,825
Employee Benefits	8,555,932	8,371,686	-	-	8,555,932	8,371,686
Debt Service	784,868	853,934	-	-	784,868	853,934
Sanitation	-	-	727,553	657,036	727,553	657,036
Sewer	-	-	2,366,763	2,400,915	2,366,763	2,400,915
Nursing	-	-	614,531	728,750	614,531	728,750
Total Expenses	90,892,220	87,865,403	3,708,847	3,786,701	94,601,067	91,652,104
Increase (Decrease) in Net Assets						
Before Special Items and Transfers	(1,166,827)	(552,383)	(578,526)	(363,804)	(1,745,353)	(916,187)
Special Items:						
Gain (Loss) Sale of Assets	(442,384)	(21,977)	-	-	(442,384)	(21,977)
Transfers In (Out)	573,894	842,500	(795,920)	(842,500)	(222,026)	-
Increase (Decrease) in Net Assets	\$ (1,035,317)	\$ 268,140	\$ (1,374,446)	\$ (1,206,304)	\$ (2,409,763)	\$ (938,164)

Governmental Activities

In fiscal year 2012, property taxes accounted for approximately 76% of the revenues. In fiscal years 2011 and 2010 they accounted for 76% and 76%, respectively, of the revenues.

Business-type Activities

Enterprise fund rates are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

General Fund – The year-end fund balances of the general fund were \$762,028 more than the prior year. In fiscal year 2011, the fund balances of the general fund increased by \$1,958,905.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of general fund “fund balance” available for appropriation. In general, this amount (commonly known as “free cash”) is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The Town's certified free cash as of July 1, 2012 was \$7,080,410.

The following table reflects the trend in all the components of fund balance and details the certified free cash for the previous five fiscal years.

<u>Fiscal Year</u>	<u>Reserved for Encumbrances</u>	<u>Reserved for Petty Cash</u>	<u>Designated for Subsequent Year's Expenditure</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
2008	3,186,756	-	486,850	5,058,209	8,731,815
2009	3,353,740	-	1,167,330	5,347,611	9,868,681
2010	2,568,211	1,100	1,266,424	6,457,742	10,293,477

GASB 54 was implemented in fiscal year 2012. As a result the account titles of the components of fund balance changed as follows:

<u>Fiscal Year</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
2011	\$ 2,302,875	\$ 2,126,226	\$ 7,823,281	\$ 12,252,382
2012	2,013,918	1,308,583	9,691,909	13,014,410

<u>Fiscal Year</u>	<u>Free Cash</u>
2008	\$ 2,454,644
2009	2,333,592
2010	4,650,574
2011	5,933,591
2012	7,080,410

Proprietary Funds

Enterprise Funds. The Town of Acton, Massachusetts' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sanitation Enterprise Fund at the end of the year was \$2,769,348. Unrestricted net assets of the sewer enterprise fund at the end of the year was \$1,807,653. Unrestricted net assets of the Nursing Enterprise Fund at year end was \$82,235.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget were due primarily to special Town meetings and reserve fund transfers.

Capital Asset and Debt Administration

Capital assets. The Town of Acton, Massachusetts' investments in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$153,800,994 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

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

- Vehicles (\$213,786).
- Various Infrastructures (\$691,722).

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 67,335,720	\$ 67,988,885	\$ 534,769	\$ 534,769	\$ 67,870,489	\$ 68,523,654
Buildings	29,810,908	30,606,792	6,693,056	7,033,460	36,503,964	37,640,252
Improvements Other Than Buildings	1,178,986	1,297,270	41,273	43,713	1,220,259	1,340,983
Infrastructure	32,740,805	32,906,703	11,810,430	12,202,048	44,551,235	45,108,751
Equipment	2,773,436	3,074,957	326,879	422,874	3,100,315	3,497,831
Vehicles	525,661	557,213	29,071	44,717	554,732	601,930
	<u>525,661</u>	<u>557,213</u>	<u>29,071</u>	<u>44,717</u>	<u>554,732</u>	<u>601,930</u>
Total	<u>\$ 134,365,516</u>	<u>\$ 136,431,820</u>	<u>\$ 19,435,478</u>	<u>\$ 20,281,581</u>	<u>\$ 153,800,994</u>	<u>\$ 156,713,401</u>

Debt

The Town had \$39,472,710 in bonds, outstanding on June 30, 2012. This represents a \$2,764,520 or 7% decrease from the previous year.

The Town's bond rating by Standard and Poor's is AAA.

<u>Governmental Activities</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds Payable	\$ 21,159,910	\$ 23,189,830
<u>Business-type Activities</u>		
Sewer	18,312,800	19,047,400
Total Debt	<u>\$ 39,472,710</u>	<u>\$ 42,237,230</u>

Fiscal Year 2013 Budget

An initiative state statute, commonly known as "Proposition 2 ½", limits the amount of property taxes that Town can assess in any one year. In general, the Town's property tax levy may increase by 2 ½ percent over the prior year's tax levy, plus any additional amount derived by new developments or other changes made to existing property. If a community wishes to levy taxes above the limitations imposed by "Proposition 2 ½", it is necessary to obtain the approval of a majority of the voters at an election.

The Town's budget for fiscal year 2013 is \$86,402,085. Although the Town utilized reserves to help fund the 2013 budget, a healthy "free cash" balance remained as of June 30, 2012.

Town of Acton, Massachusetts
Statement of Net Assets
June 30, 2012
(Continued on Page 10)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 29,679,161	\$ 7,382,197	\$ 37,061,358
Petty Cash	1,100	-	1,100
Accounts Receivable:			
Property Taxes	721,465	-	721,465
Tax Liens	874,526	-	874,526
Excises	179,831	-	179,831
User Charges	116,150	165,080	281,230
Special Assessments	48,654	729,795	778,449
Departmental	44,546	-	44,546
Intergovernmental	1,999,447	-	1,999,447
Liens	-	65,994	65,994
Prepaid Expenditures	221,345	-	221,345
Noncurrent:			
Accounts Receivable:			
Intergovernmental	10,093,091	-	10,093,091
Deferred Property Taxes	141,415	-	141,415
Deferred Special Assessments	-	13,907,493	13,907,493
Other Post Employment Benefit Net Asset	-	11,782	11,782
Capital Assets:			
Assets Not Being Depreciated	67,335,720	534,769	67,870,489
Assets Being Depreciated, Net	67,029,796	18,900,709	85,930,505
Total Assets	<u>178,486,247</u>	<u>41,697,819</u>	<u>220,184,066</u>
Liabilities			
Current:			
Warrants Payable	454,805	57,565	512,370
Accrued Salaries Payable	138,982	8,875	147,857
Unclaimed Checks	61,093	-	61,093
Unearned Income	-	530	530
Other Liabilities	1,127,470	-	1,127,470
Accrued Interest	313,447	127,166	440,613
Bonds Payable	1,900,257	726,800	2,627,057
Notes Payable	332,000	-	332,000
Noncurrent:			
Compensated Absences	1,980,089	27,080	2,007,169
Bonds Payable	19,259,653	17,586,000	36,845,653
Landfill Closure/Postclosure	57,500	-	57,500
Other	2,761,187	-	2,761,187
Other Post Employment Benefit Obligations	11,304,123	196,017	11,500,140
Total Liabilities	<u>39,690,606</u>	<u>18,730,033</u>	<u>58,420,639</u>

Town of Acton, Massachusetts
Statement of Net Assets
June 30, 2012
(Continued from Page 9)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government- Wide Total</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	113,033,388	1,122,678	114,156,066
Restricted for:			
Capital Projects	-	-	-
Debt Service	-	17,185,872	17,185,872
Special Revenue	13,214,062	-	13,214,062
Perpetual Funds:			
Expendable	1,538,212	-	1,538,212
Nonexpendable	1,922,486	-	1,922,486
Unrestricted	9,087,493	4,659,236	13,746,729
Total Net Assets	<u>\$ 138,795,641</u>	<u>\$ 22,967,786</u>	<u>\$ 161,763,427</u>

Town of Acton, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Primary Government:							
<i>Governmental Activities:</i>							
General Government	7,840,931	395,755	1,296,756	-	(6,148,420)	-	(6,148,420)
Public Safety	7,978,973	1,300,079	61,560	-	(6,617,334)	-	(6,617,334)
Education	58,736,652	1,139,880	10,702,340	-	(46,894,432)	-	(46,894,432)
Highways and Public Works	3,300,843	9,420	875,148	-	(2,416,275)	-	(2,416,275)
Human Services	1,821,505	413,646	512,456	-	(895,403)	-	(895,403)
Culture and Recreation	1,872,516	427,867	91,548	-	(1,353,101)	-	(1,353,101)
Employee Benefits	8,555,932	-	-	-	(8,555,932)	-	(8,555,932)
Debt Service	784,868	-	5,670	-	(779,198)	-	(779,198)
Total Governmental Activities	<u>90,892,220</u>	<u>3,686,647</u>	<u>13,545,478</u>	<u>-</u>	<u>(73,660,095)</u>	<u>-</u>	<u>(73,660,095)</u>
<i>Business-Type Activities:</i>							
Sanitation	727,553	680,418	12,936	-	-	(34,199)	(34,199)
Sewer	2,366,763	880,224	943,966	87,530	-	(455,043)	(455,043)
Nursing	614,531	524,637	610	-	-	(89,284)	(89,284)
Total Business-Type Activities	<u>3,708,847</u>	<u>2,085,279</u>	<u>957,512</u>	<u>87,530</u>	<u>-</u>	<u>(578,526)</u>	<u>(578,526)</u>
Total Primary Government	<u>94,601,067</u>	<u>5,771,926</u>	<u>14,502,990</u>	<u>87,530</u>	<u>(73,660,095)</u>	<u>(578,526)</u>	<u>(74,238,621)</u>
<i>General Revenues:</i>							
Property Taxes					67,967,690	-	67,967,690
Motor Vehicle and Other Excise Taxes					2,568,195	-	2,568,195
Penalties and Interest on Taxes					389,984	-	389,984
Other Taxes, Assessments and in Lieu Payments					12,441	-	12,441
Intergovernmental					1,276,872	-	1,276,872
Interest and Investment Income					100,921	-	100,921
Other Revenue					73,305	-	73,305
Contributions to Permanent Funds					103,860	-	103,860
Special Items:							
Gain (Loss) on Disposal of Asset					(442,384)	-	(442,384)
Capital Assets Transferred to/from							
Transfer In (Out)					573,894	(795,920)	(222,026)
Total General Revenues, Special Items and Transfers					<u>72,624,778</u>	<u>(795,920)</u>	<u>71,828,858</u>
Change in Net Assets					(1,035,317)	(1,374,446)	(2,409,763)
Net Assets:							
Beginning of the Year					<u>139,830,958</u>	<u>24,342,232</u>	<u>164,173,190</u>
End of the Year					<u>\$ 138,795,641</u>	<u>\$ 22,967,786</u>	<u>\$ 161,763,427</u>

Town of Acton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2012

(Continued on Page 13)

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash/Investments	\$ 13,056,495	\$ 5,878,108	\$ 10,744,558	\$ 29,679,161
Petty Cash	1,100	-	-	1,100
Accounts Receivable:				
Property Taxes	714,454	7,011	-	721,465
Tax Liens	870,420	4,106	-	874,526
Excises	179,831	-	-	179,831
User Charges	-	-	116,150	116,150
Deferred Property Taxes	141,415	-	-	141,415
Special Assessments	-	-	48,654	48,654
Departmental	3,063	-	41,483	44,546
Intergovernmental	11,102,401	-	990,137	12,092,538
Prepaid Expenditures	221,345	-	-	221,345
Tax Foreclosures	539,968	-	-	539,968
Total Assets	<u>\$ 26,830,492</u>	<u>\$ 5,889,225</u>	<u>\$ 11,940,982</u>	<u>\$ 44,660,699</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants Payable	\$ 338,544	\$ -	\$ 116,261	\$ 454,805
Accrued Payroll Payable	108,647	-	30,335	138,982
Unclaimed Checks	61,093	-	-	61,093
Other Liabilities	-	-	980,219	980,219
Notes Payable	-	-	332,000	332,000
Deferred Revenue:				
Property Taxes	602,087	7,011	-	609,098
Departmental	3,063	-	41,483	44,546
Deferred Property Taxes	141,415	-	-	141,415
Tax Liens	870,420	4,106	-	874,526
Excises	48,444	-	-	48,444
Special Assessment	-	-	48,654	48,654
Tax Foreclosures	539,968	-	-	539,968
User Charges	-	-	116,150	116,150
Intergovernmental	11,102,401	-	617,579	11,719,980
Total Liabilities	<u>13,816,082</u>	<u>11,117</u>	<u>2,282,681</u>	<u>16,109,880</u>

Town of Acton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2012

(Continued from Page 12)

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Equity:				
Fund Balances:				
Nonspendable	-	-	1,922,486	1,922,486
Restricted	-	5,878,108	5,735,138	11,613,246
Committed	2,013,918	-	2,353,385	4,367,303
Assigned	1,308,583	-	-	1,308,583
Unassigned	9,691,909	-	(352,708)	9,339,201
Total Fund Balances	<u>13,014,410</u>	<u>5,878,108</u>	<u>9,658,301</u>	<u>28,550,819</u>
Total Liabilities and Fund Balances	<u>\$ 26,830,492</u>	<u>\$ 5,889,225</u>	<u>\$ 11,940,982</u>	<u>\$ 44,660,699</u>

Town of Acton, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 66,976,746	\$ 784,816	\$ -	\$ 67,761,562
Tax Liens	427,398	-	-	427,398
Excises	2,587,467	-	-	2,587,467
Penalties and Interest	389,984	-	-	389,984
Licenses and Permits	196,664	-	-	196,664
Fees and Other Departmental	613,321	-	-	613,321
Intergovernmental	11,513,943	202,313	2,929,038	14,645,294
Charges for Services	27,966	-	2,836,998	2,864,964
Fines and Forfeits	110,102	-	-	110,102
Earnings on Investments	102,984	22,550	35,358	160,892
In Lieu of Taxes	12,441	-	-	12,441
Contributions	-	-	1,268,702	1,268,702
Miscellaneous	145,642	162,943	-	308,585
Total Revenues	<u>83,104,658</u>	<u>1,172,622</u>	<u>7,070,096</u>	<u>91,347,376</u>
<u>Expenditures:</u>				
Current				
General Government	6,051,065	431,439	969,595	7,452,099
Public Safety	6,695,530	-	998,980	7,694,510
Education	55,708,013	-	2,619,104	58,327,117
Intergovernmental	266,187	-	-	266,187
Highways and Public Works	2,645,063	-	430,006	3,075,069
Human Services	1,357,950	-	410,974	1,768,924
Culture and Recreation	1,260,881	30,731	397,637	1,689,249
Employee Benefits	5,662,223	-	-	5,662,223
Debt Service	2,941,384	-	-	2,941,384
Total Expenditures	<u>82,588,296</u>	<u>462,170</u>	<u>5,826,296</u>	<u>88,876,762</u>
Excess of Revenues Over (Under) Expenditures	<u>516,362</u>	<u>710,452</u>	<u>1,243,800</u>	<u>2,470,614</u>
Other Financing Sources (Uses):				
Operating Transfers In	679,026	-	328,232	1,007,258
Operating Transfers (Out)	(433,360)	-	(4)	(433,364)
Total Other Financing Sources (Uses)	<u>245,666</u>	<u>-</u>	<u>328,228</u>	<u>573,894</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>762,028</u>	<u>710,452</u>	<u>1,572,028</u>	<u>3,044,508</u>
Fund Balance, Beginning	12,252,382	5,167,656	8,086,273	25,506,311
Fund Balance, Ending	<u>\$ 13,014,410</u>	<u>\$ 5,878,108</u>	<u>\$ 9,658,301</u>	<u>\$ 28,550,819</u>

Town of Acton, Massachusetts
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Assets
 Fiscal Year Ended June 30, 2012

Total governmental fund balances	\$ 28,550,819
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	134,365,516
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	14,142,781
Amount included in deferred revenue for tax foreclosures. The tax foreclosures are included as capital assets (not accounts receivable) on the statement of net assets.	(539,968)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(21,159,910)
Accrued Interest on Bonds	(313,447)
Compensated Absences	(1,980,089)
Other Liabilities	(2,908,438)
Landfill Closure/Postclosure Costs	(57,500)
Other Post Employment Benefit Obligations	(11,304,123)
Net assets of governmental activities	\$ 138,795,641

Town of Acton, Massachusetts
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2012

Net change in fund balances - total governmental funds	\$ 3,044,508
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents the difference between capital outlay and depreciation.	(1,388,639)
In the statement of activities, the disposition of capital assets and accumulated depreciation (net) impacts the financial statements. The disposition does not impact the governmental funds.	(677,665)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue from the prior fiscal year.	(1,386,702)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount reflects the net effect of these differences in the treatment of long-term debt and related items.	2,029,920
Some expenses reported in the Statement of Activities, such as compensated absences, other post employment benefits payable and interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the change in these accounts from the prior fiscal year.	<u>(2,656,739)</u>
Change in net assets of governmental activities	<u><u>\$ (1,035,317)</u></u>

Town of Acton, Massachusetts
Proprietary Funds
Statement of Net Assets
June 30, 2012

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Assets				
Current:				
Cash and Cash Investments	\$ 2,770,960	\$ 4,423,318	\$ 187,919	\$ 7,382,197
Accounts Receivable, Net of Allowance for Uncollectible:				
User Charges	-	92,678	72,402	165,080
Special Assessments	-	729,795	-	729,795
Tax Liens	-	65,994	-	65,994
Noncurrent:				
Accounts Receivable:				
Deferred Special Assessments	-	13,907,493	-	13,907,493
Other Post Employment Benefit Net Asset	11,782	-	-	11,782
Assets Not Being Depreciated	435,300	99,469	-	534,769
Assets Being Depreciated, Net	490,875	18,409,834	-	18,900,709
Total Assets	<u>3,708,917</u>	<u>37,728,581</u>	<u>260,321</u>	<u>41,697,819</u>
Liabilities				
Current:				
Warrants Payable	3,286	40,088	14,191	57,565
Accrued Wages Payable	1,802	140	6,933	8,875
Unearned Income	-	530	-	530
Accrued Interest Payable	-	127,166	-	127,166
Bonds Payable	-	726,800	-	726,800
Noncurrent:				
Bonds Payable	-	17,586,000	-	17,586,000
Compensated Absences	8,306	2,753	16,021	27,080
Other Post Employment Benefit Obligations	-	55,076	140,941	196,017
Total Liabilities	<u>13,394</u>	<u>18,538,553</u>	<u>178,086</u>	<u>18,730,033</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	926,175	196,503	-	1,122,678
Restricted for:				
Debt Service	-	17,185,872	-	17,185,872
Unrestricted	2,769,348	1,807,653	82,235	4,659,236
Total Net Assets	<u>\$ 3,695,523</u>	<u>\$ 19,190,028</u>	<u>\$ 82,235</u>	<u>\$ 22,967,786</u>

Town of Acton, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2012

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 680,418	\$ 880,224	\$ 524,637	\$ 2,085,279
Total Operating Revenues	<u>680,418</u>	<u>880,224</u>	<u>524,637</u>	<u>2,085,279</u>
Operating Expenditures:				
General Services	608,898	662,545	614,531	1,885,974
Depreciation	<u>118,655</u>	<u>727,448</u>	<u>-</u>	<u>846,103</u>
Total Operating Expenditures	<u>727,553</u>	<u>1,389,993</u>	<u>614,531</u>	<u>2,732,077</u>
Operating Income	<u>(47,135)</u>	<u>(509,769)</u>	<u>(89,894)</u>	<u>(646,798)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental	-	761,369	610	761,979
Committed Interest	-	165,670	-	165,670
Special Assessments	-	87,530	-	87,530
Earnings on Investments	12,936	16,927	-	29,863
Interest on Debt	<u>-</u>	<u>(976,770)</u>	<u>-</u>	<u>(976,770)</u>
Total Nonoperating Revenues (Expenses)	<u>12,936</u>	<u>54,726</u>	<u>610</u>	<u>68,272</u>
Income Before Contributions and Transfers	<u>(34,199)</u>	<u>(455,043)</u>	<u>(89,284)</u>	<u>(578,526)</u>
Capital Assets Transferred from Other Funds				
Operating Transfers In	12,359	-	100,000	112,359
Operating Transfers Out	<u>(908,279)</u>	<u>-</u>	<u>-</u>	<u>(908,279)</u>
Total Contributions and Transfers	<u>(895,920)</u>	<u>-</u>	<u>100,000</u>	<u>(795,920)</u>
Change in Net Assets	<u>(930,119)</u>	<u>(455,043)</u>	<u>10,716</u>	<u>(1,374,446)</u>
Total Net Assets July 1, 2011	<u>4,625,642</u>	<u>19,645,071</u>	<u>71,519</u>	<u>24,342,232</u>
Total Net Assets June 30, 2012	<u>\$ 3,695,523</u>	<u>\$ 19,190,028</u>	<u>\$ 82,235</u>	<u>\$ 22,967,786</u>

Town of Acton, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2012

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 680,418	\$ 783,381	\$ 517,959	\$ 1,981,758
Payments to Employees	(161,505)	(70,416)	(327,649)	(559,570)
Payments to Vendors	(455,895)	(576,401)	(244,198)	(1,276,494)
Net Cash Flows Provided (Used) by Operating Activities	<u>63,018</u>	<u>136,564</u>	<u>(53,888)</u>	<u>145,694</u>
Cash Flows from Non Capital Related Financing Activities:				
Transfer from Other Funds	12,359	-	100,000	112,359
Transfer to Other Funds	(908,279)	-	-	(908,279)
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(895,920)</u>	<u>-</u>	<u>100,000</u>	<u>(795,920)</u>
Cash Flows from Capital and Related Financing Activities:				
Intergovernmental Revenues	-	-	610	610
Special Assessments	-	886,262	-	886,262
Committed Interest on Special Assessments	-	165,670	-	165,670
Principal Payments on Bonds	-	(734,600)	-	(734,600)
Interest Expense	-	(221,614)	-	(221,614)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>95,718</u>	<u>610</u>	<u>96,328</u>
Cash Flows from Investing Activities:				
Earnings on Investments	12,936	16,927	-	29,863
Net Cash Flows Provided (Used) by Investing Activities	<u>12,936</u>	<u>16,927</u>	<u>-</u>	<u>29,863</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(819,966)	249,209	46,722	(524,035)
Cash and Cash Equivalents, July 1, 2011	<u>3,590,926</u>	<u>4,174,109</u>	<u>141,197</u>	<u>7,906,232</u>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 2,770,960</u>	<u>\$ 4,423,318</u>	<u>\$ 187,919</u>	<u>\$ 7,382,197</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (47,135)	\$ (509,769)	\$ (89,894)	\$ (646,798)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	118,655	727,448	-	846,103
(Increase) Decrease in Assets:				
Accounts Receivable - Customer	-	(96,843)	(6,678)	(103,521)
Increase (Decrease) in Liabilities:				
Warrants Wages OPEB and Accounts Payable	(8,502)	15,728	42,684	49,910
Net Cash Provided by Operating Activities	<u>\$ 63,018</u>	<u>\$ 136,564</u>	<u>\$ (53,888)</u>	<u>\$ 145,694</u>

Town of Acton, Massachusetts
Fiduciary Funds
Statement of Net Assets
June 30, 2012

	Private-Purpose <u>Trust</u>
Assets	
Cash and Cash Investments	\$ 537,309
	<hr/>
Total Assets	\$ 537,309
	<hr/> <hr/>
Liabilities	\$ -
	<hr/>
Net Assets	
Expendable	477,680
Nonexpendable	59,629
	<hr/>
Total Net Assets	\$ 537,309
	<hr/> <hr/>

Town of Acton, Massachusetts
Fiduciary Funds
Statement of Changes in Net Assets
Fiscal Year Ended June 30, 2012

Additions:	
Interest, Dividends, and Other	\$ 3,156
Total Additions	<u>3,156</u>
Deductions:	
Trust Distributions	<u>16,475</u>
Change in Net Assets Before Transfers	<u>(13,319)</u>
Transfers In (Out):	
Operating Transfers In	<u>310,000</u>
Change in Net Assets	<u>296,681</u>
Net Assets:	
Beginning of the Year	<u>240,628</u>
Ending of the Year	<u><u>\$ 537,309</u></u>

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

I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Acton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2012, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

(A) **Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Town was the only entity included in the accompanying basic financial statements.

(B) **Government-wide and fund financial statements**

The **government-wide financial statements** (i.e., the **statement of net assets** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

(C) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized

as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise taxes, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

The Town reports the following major governmental funds:

General Fund – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Fund – This special revenue fund is used to account for the activities prescribed by the Community Preservation Act of the Massachusetts General Laws. Expenditures are allowed for affordable housing, historic preservation and the purchase of open space.

The Town reports the following major proprietary funds:

Sanitation Fund – This fund is used to account for the activities related to trash collection.

Sewer Fund – This fund is used to account for the activities related to the sewer system.

Nursing Fund – Activities related to the Town’s nursing program are accounted for in this fund.

(D) Assets, Liabilities and Net Assets or Equity

i Deposits and Investments

The Town’s cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local 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 prescribed levels without collateralization by the financial institutions involved. Investments can also be made in

securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust “MMDT”. The Town may invest its trust funds in a wider variety of investment vehicles such as equities and bonds.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the Town’s property. In addition, the law limits the amount by which the property tax levy can be increased to 2.5% of the preceding year's levy plus any new growth.

iii Capital Assets

Capital assets, which include buildings/improvements, machinery and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10- 40
Improvements (Other Than Buildings)	10-20
Infrastructure	40
Vehicles	5-15
Machinery and Equipment	5-15

iv. Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. This Statement (effective for fiscal year 2011) established accounting and financial reporting standards for all governmental funds. It, also, established criteria for classifying fund balances into specifically defined classifications.

Fund balance for **governmental** funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires that the fund balance amounts to be reported within one of the fund balance categories list below.

1.**Nonspendable**, includes amounts that cannot be spent because (a) they are not in spendable form (such as fund balance associated with inventories), or (b) they are legally or contractually required to stay intact (i.e. corpus of a permanent trust fund).

2.**Restricted**, constraints on the use of resources for specific purposes are imposed (a) by creditors, grantors or contributors, or (b) by law through constitutional provisions or through enabling legislation.

3.**Committed**, includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Selectmen and/or Town meeting (the Town's highest level of decision-making authority). Similar formal action by the Board of Selectmen and/or Town meeting is required in order to "reverse" the commitment or commit it for another purpose.

4.**Assigned**, intentions (by the Board of Selectmen, Town Administrator or Town Accountant) that resources are to be used by the government for specific purposes, but the restrictions do not meet the criteria necessary to be classified as restricted or committed.

5.**Unassigned**, the residual classification for the government's general fund. It includes all spendable amounts not contained in the restricted, committed or assigned categories. A "positive" unassigned may only be displayed in the general fund.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it is considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Community Preservation</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
Permanent Fund Principal:	\$ -	\$ -	\$ 1,922,486	\$ 1,922,486
Total Nonspendable	<u>-</u>	<u>-</u>	<u>1,922,486</u>	<u>1,922,486</u>
Restricted for:				
General Government	-	5,878,108	1,205,967	7,084,075
Public Safety	-	-	1,302,077	1,302,077
Education	-	-	784,114	784,114
Highways and Public Works	-	-	1,229,987	1,229,987
Human Services	-	-	649,517	649,517
Culture and Recreation	-	-	563,476	563,476
Total Restricted	<u>-</u>	<u>5,878,108</u>	<u>5,735,138</u>	<u>11,613,246</u>
Committed to:				
General Government	751,974	-	1,197,746	1,949,720
Public Safety	209,700	-	219,753	429,453
Education	126,355	-	1,858	128,213
Highways and Public Works	764,299	-	2,593	766,892
Human Services	117,454	-	400,471	517,925
Culture and Recreation	44,136	-	530,964	575,100
Total Committed	<u>2,013,918</u>	<u>-</u>	<u>2,353,385</u>	<u>4,367,303</u>
Assigned to:				
General Government	497,608	-	-	497,608
Public Safety	141,444	-	-	141,444
Education	379,428	-	-	379,428
Highways and Public Works	244,177	-	-	244,177
Human Services	45,350	-	-	45,350
Culture and Recreation	576	-	-	576
Total Assigned	<u>1,308,583</u>	<u>-</u>	<u>-</u>	<u>1,308,583</u>
Unassigned	9,691,909	-	(352,708)	9,339,201
Total Fund Balances	<u>\$ 13,014,410</u>	<u>\$ 5,878,108</u>	<u>\$ 9,658,301</u>	<u>\$ 28,550,819</u>

v. Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid accumulated annual vacation and sick leave benefits.

vi. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the 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 and principal payments are recorded as expenditures. Issuance costs are reported as debt service expenditures.

vii. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

viii. Warrants Payable

The balance in this account consists of those warrants approved by the Selectmen for payment between July 1, 2012 and July 15, 2012. These warrants have been recorded as expenditures during the fiscal year ended June 30, 2012 and the corresponding credit is to the account entitled warrants payable.

II **Stewardship, Compliance and Accountability**

(A) Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until April, which is when the annual Town meeting is held, to make any changes to the departmental requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process, the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances do not constitute expenditures or liabilities.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2012 adjusted for any special Town meeting votes applicable to fiscal 2012 and any transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis (fund financial statements) for the year ended June 30, 2012.

	<u>Revenues</u>
As Reported Budget Basis	\$ 79,130,308
Adjustments:	
Sixty Day Accrual - Net	(24,261)
MWPAT Subsidies	7,732
On Behalf Payments Included in Intergovernmental	3,990,879
As Reported GAAP Statement	<u>\$ 83,104,658</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 78,162,929
Adjustments:	
July 1, 2011 Encumbrances	3,428,001
June 30, 2012 Encumbrances	(3,001,245)
MWPAT Subsidies	7,732
On Behalf Payments Included in Education	3,990,879
As Reported GAAP Statement	<u>\$ 82,588,296</u>

III Detailed Notes on All Funds

A. Deposits and Investments

i.) Deposits

a.) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2012, \$7,222,606 of the Town's bank balance of \$34,469,808 was exposed to credit risk as follows:

Uninsured and Uncollateralized	<u>\$7,222,606</u>
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ii.) Investments

a.) As of June 30, 2012, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
Debt Related Securities:				
Corporate Bonds	\$ 337,140	\$ 100,440	\$ 236,700	\$ -
Other Investments:				
Money Market Funds	2,422,430			
Equities	924,486			
Mass. Municipal Depository Trust	<u>1,367,337</u>			
Total Other Investments	<u>4,714,253</u>			
Total Investments	<u>\$ 5,051,393</u>			

b.) Interest Rate Risk

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

c.) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth of Massachusetts has an investment “legal list” which the Town follows. Massachusetts General Laws Chapter 44 Section 55 allows for the investment in beneficial shares of money market funds registered with the Securities Exchange Commission that have the highest possible rating from at least one nationally recognized rating organization. However, the Town does not have its own formal policy regarding credit risk.

d.) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Town does not have a formal policy regarding concentration risk.

B. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Government Activities:				
Assets Not Being Depreciated:				
Land	\$ 67,988,885	\$ -	\$ (653,165)	\$ 67,335,720
Total Capital Assets not Being Depreciated	<u>67,988,885</u>	<u>-</u>	<u>(653,165)</u>	<u>67,335,720</u>
Assets Being Depreciated:				
Buildings	42,915,565	146,131	-	43,061,696
Improvements Other Than Buildings	2,796,586	-	-	2,796,586
Infrastructure	42,587,507	691,722	-	43,279,229
Equipment	6,751,578	162,605	-	6,914,183
Vehicles	1,588,208	213,786	(174,297)	1,627,697
Total Capital Assets Being Depreciated	<u>96,639,444</u>	<u>1,214,244</u>	<u>(174,297)</u>	<u>97,679,391</u>
Less Accumulated Depreciation for:				
Buildings	(12,308,773)	(942,015)	-	(13,250,788)
Improvements Other Than Buildings	(1,499,316)	(118,284)	-	(1,617,600)
Infrastructure	(9,680,804)	(857,620)	-	(10,538,424)
Equipment	(3,676,621)	(464,126)	-	(4,140,747)
Vehicles	(1,030,995)	(220,838)	149,797	(1,102,036)
Total Accumulated Depreciation	<u>(28,196,509)</u>	<u>(2,602,883)</u>	<u>149,797</u>	<u>(30,649,595)</u>
Capital Assets Being Depreciated, Net	<u>68,442,935</u>	<u>(1,388,639)</u>	<u>(24,500)</u>	<u>67,029,796</u>
Governmental Activities Capital Assets, Net	<u>\$ 136,431,820</u>	<u>\$ (1,388,639)</u>	<u>\$ (677,665)</u>	<u>\$ 134,365,516</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 191,678
Public Safety	493,980
Education	647,573
Highways and Public Works	1,033,634
Human Services	53,642
Culture and Recreation	182,376
Total Governmental Activities Depreciation Expense	<u>\$ 2,602,883</u>

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Assets Not Being Depreciated:				
Land	\$ 534,769	\$ -	\$ -	\$ 534,769
Total Capital Assets not Being Depreciated	<u>534,769</u>	<u>-</u>	<u>-</u>	<u>534,769</u>
Assets Being Depreciated:				
Buildings	10,185,166	-	-	10,185,166
Improvements Other Than Buildings	48,796	-	-	48,796
Infrastructure	15,760,086	-	-	15,760,086
Equipment	944,693	-	-	944,693
Vehicles	129,825	-	-	129,825
Total Capital Assets Being Depreciated	<u>27,068,566</u>	<u>-</u>	<u>-</u>	<u>27,068,566</u>
Less Accumulated Depreciation for:				
Buildings	(3,151,706)	(340,404)	-	(3,492,110)
Improvements Other Than Buildings	(5,083)	(2,440)	-	(7,523)
Infrastructure	(3,558,038)	(391,618)	-	(3,949,656)
Equipment	(521,819)	(95,995)	-	(617,814)
Vehicles	(85,108)	(15,646)	-	(100,754)
Total Accumulated Depreciation	<u>(7,321,754)</u>	<u>(846,103)</u>	<u>-</u>	<u>(8,167,857)</u>
Capital Assets Being Depreciated, Net	<u>19,746,812</u>	<u>(846,103)</u>	<u>-</u>	<u>18,900,709</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,281,581</u>	<u>\$ (846,103)</u>	<u>\$ -</u>	<u>\$ 19,435,478</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Sanitation	\$ 118,655
Sewer	727,448
Total Business-Type Activities Depreciation Expense	<u>\$ 846,103</u>

C. Accounts Receivable

The accounts receivable on the combined balance sheet are listed below by levy.

Governmental Activities

Property Taxes Receivable:

Real Estate Taxes

2012	\$ 567,159
2011	102,519
2010	7,467
2009	9,159
2008	7,802
2007	<u>2,259</u>

Total Real Estate Taxes \$ 696,365

Personal Property Taxes

2012	1,359
2011	2,742
2010	2,158
2009	3,452
2008	4,121
2007	3,942
2006	<u>315</u>

Total Personal Property Taxes 18,089

Other Property Taxes - Community Preservation

2012	5,782
2011	941
2010	75
2009	97
2008	91
2007	<u>25</u>

Total Other Property Taxes - Community Preservation 7,011

Total Property Taxes Receivable \$ 721,465

Tax Liens \$ 874,526

C. Accounts Receivable (Continued)

Excise Taxes Receivable:

Motor Vehicle Excise Taxes

2012	\$ 89,727
2011	16,028
2010	11,294
2009	12,064
2008	11,285
2007	12,477
2006	14,186
2005	<u>12,770</u>

Total Excise Tax Receivable \$ 179,831

User Charges:

Ambulance \$ 116,150

Special Assessments:

Betterment \$ 48,654

Departmental:

Police Details - General Fund	\$ 3,063
Police Details - Special Revenue Fund	31,083
Fire Alarm Network - Special Revenue Fund	<u>10,400</u>

Total Departmental Receivable \$ 44,546

Intergovernmental:

Current:

Due from Commonwealth - Various Grants	\$ 63,767
Due from Commonwealth - Highway Funds	926,370
Massachusetts School Building Authority	<u>1,009,310</u>

Total Intergovernmental - Current \$ 1,999,447

Noncurrent

Massachusetts School Building Authority \$ 10,093,091
 Total Intergovernmental - Noncurrent \$ 10,093,091

Deferred Property Taxes:

Clause 41 A Deferrals \$ 141,415

C. Accounts Receivable (Continued)

Business Type Activities:

User Charges:

Sewer Rates	\$ 92,678
Nursing	72,402
	<u>72,402</u>

Total User Charges	<u>\$ 165,080</u>
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Liens:

Sewer Betterment	\$ 54,668
Sewer Betterment Committed Interest	3,599
Sewer O & M	4,952
Sewer Lien	2,775
	<u>2,775</u>

Total Utility Liens	<u>\$ 65,994</u>
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Special Assessments:

Sewer - Current	<u>\$ 729,795</u>
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Sewer - Noncurrent	<u>\$ 13,907,493</u>
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D. Debt

i Short Term Notes Payable

The Town's activity relating to short term debt instruments is detailed below:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>
Bond Anticipation Notes:				
School Roof	\$ 332,000	\$ 332,000	\$ 332,000	\$ 332,000
Total	<u>\$ 332,000</u>	<u>\$ 332,000</u>	<u>\$ 332,000</u>	<u>\$ 332,000</u>

D. Debt (Continued)

ii Long Term Debt

General obligation bonds outstanding at June 30, 2012, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance 7/01/11	\$ 23,189,830	\$ 19,047,400	\$ 42,237,230
Add: New Issues	-	-	-
Less: Maturities	<u>(2,029,920)</u>	<u>(734,600)</u>	<u>(2,764,520)</u>
Balance 6/30/12	<u>\$ 21,159,910</u>	<u>\$ 18,312,800</u>	<u>\$ 39,472,710</u>

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$1,900,257	\$854,780	726,800	\$952,607
2014	1,851,370	786,387	782,000	892,305
2015	1,891,370	716,900	803,800	863,198
2016	1,901,370	645,894	835,800	816,534
2017	1,926,371	574,706	862,800	770,564
2018 - 2022	9,346,747	1,720,129	4,531,600	3,048,689
2023 - 2027	2,333,709	111,963	5,090,000	1,644,679
2028 - 2032	<u>8,716</u>	<u>0</u>	<u>4,680,000</u>	<u>571,181</u>
	<u>\$21,159,910</u>	<u>\$5,410,759</u>	<u>\$18,312,800</u>	<u>\$9,559,757</u>

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2012, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
April 13, 1988	Bridge Construction	\$600,000
April 12, 1993	Fuel Tank	250,000
April 7, 1997	Title V Septic	25,695
April 6, 2009	School Roof Replacement	664,102
April 7, 2008	Conant Boiler	226,420
April 5, 2010	School Feasibility Study	725,000
April 2, 2012	Various Equipment	<u>1,826,046</u>
	Total	<u>\$4,317,263</u>

D. Debt (Continued)

iii Refunding of Long Term Debt

On November 1, 2009 the Town issued \$2,265,000 of general obligation refunding bonds with an average interest rate of 3.04% to advance refund \$2,325,000 of outstanding debt with an average interest rate of 4.88%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased.

(a) Changes in Cash Flow Requirements

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>	<u>Difference Favorable (Unfavorable)</u>
2012	\$407,850	\$377,600	\$30,250
2013	367,250	342,850	24,400
2014	267,700	243,850	23,850
2015	256,950	230,450	26,500
2016	246,200	222,250	23,950
2017	225,450	201,100	24,350
2018	<u>210,200</u>	<u>185,400</u>	<u>24,800</u>
	<u>\$1,981,600</u>	<u>\$1,803,500</u>	<u>\$178,100</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>	<u>Total</u>
General	\$ 679,026	\$ (433,360)	\$ 245,666
Non-Major Governmental	328,232	(4)	328,228
Agency Fund	-	(87,974)	(87,974)
Fiduciary Fund	310,000	-	310,000
Enterprise - Business Type	112,359	(908,279)	(795,920)
	<u>\$ 1,429,617</u>	<u>\$ (1,429,617)</u>	<u>\$ -</u>
Total Operating Transfer In/(Out)	<u>\$ 1,429,617</u>	<u>\$ (1,429,617)</u>	<u>\$ -</u>

IV Other Information

A. Pension Plans

a) Plan Description

The Town provides pension benefits to employees by contributing to the Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Massachusetts. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits. The system is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. The report may be obtained by writing to Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Teachers and certain school administrators participate in the Massachusetts Teachers' Retirement System (MTRS). The Town does not contribute to the MTRS.

b) Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contributions for the years ending June 30, 2012, 2011 and 2010 were \$2,629,169, \$2,498,120 and \$2,390,614 respectively, equal to the required contributions each year.

c) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), is presented following the notes to the financial statements.

- a. **Plan Description.** In addition to providing pension benefits described above, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Town's retirees who meet the eligibility criteria are eligible for post retirement medical benefits. Currently there are 382 active employees and 272 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.

- b. **Funding Policy.** The Town pays 50% of the total premiums for health insurance and life insurance policies. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time by local law or union agreements, within the constraints of Massachusetts General Laws.
- c. **Annual OPEB Cost and OPEB Obligation.** The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year ended June 30, 2012, the amount contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$4,290,626
Interest on Net OPEB Obligation	384,513
Adjustment to Annual Required Contribution	(326,305)
Annual OPEB Cost (Expense)	<u>4,348,834</u>
Contributions Made	<u>(1,405,214)</u>
Increase in Net OPEB Obligation	2,943,620
Net OPEB Obligation (NOO)- Beginning of Year	<u>8,544,738</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$11,488,358</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for the past two years are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$3,983,119	29.4%	\$2,813,346
2010	\$4,206,766	32.4%	\$5,655,592
2011	\$4,110,130	29.7%	\$8,544,738
2012	\$4,348,834	32.3%	\$11,488,358

- d. **Funded Status and Funding Progress.** As of December 31, 2010, the most recent actuarial valuation date, no funding to the plan has been made. The Actuarial Accrued Liability (AAL) for benefits was \$57,330,858, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$57,330,858.

Subsequent to the most recent valuation date, the Town adopted legislation and established an OPEB Trust Fund. The OPEB Trust Fund has a balance of \$310,000 as of June 30, 2012. It is reported with the Towns fiduciary funds.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of

funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2010, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and annual healthcare cost trend rates of 10 percent initially, reduced by decrements of 0.75% annually for 6 years and 0.50% for one year to an ultimate rate of 5 percent per year. The actuarial value of assets is determined using market value. The UAAL is being amortized over a thirty year open amortization period.

B. On Behalf Payments

In accordance with Governmental Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the Town is required to recognize, as income, certain payments made on behalf of the Town by the Commonwealth of Massachusetts. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2012, the Commonwealth paid \$3,990,879 to the State Plan on behalf of employees of the Town. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2012, or fund balance/net assets at June 30, 2012.

C. Risk Financing

The Town is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, injuries to employees, employee's health and life and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceeded \$1,000 per incident.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund.

The Town participates in a self-insurance pool for health care benefits. The pool includes the Town of Acton and the Acton-Boxborough Regional School District. The claims administration contract holds all participants jointly and severally liable for claims paid.

The pool provides health care coverage for all active and retired employees that qualify for and select health care coverage as an employee benefit. Active and retired employees participating in the pool pay a percentage of an estimated health insurance premium. The contribution percentage for active employees is 15%. All retired employees pay 50% of the established premium.

Health benefits include Master Health Plus, HMO Blue, and Medex offered by Blue Cross Blue Shield of Massachusetts, as well as Harvard Pilgrim HMO offered by Harvard Pilgrim Health Care. Blue Cross and Blue Shield and Harvard Pilgrim Health Care administer the claims program for the pool. The pool pays in a standard monthly amount towards claims incurred. Annually, actual claims payable, (or prepaid claims deposits) are established by adjusting for actual claims and estimated claims incurred but not reported. The pool's expenses are for actual claims incurred, excess claims insurance coverage and administrative costs for the plan administrators. Excess claims insurance coverage is purchased to cover any medical claims in excess of \$110,000, to a lifetime maximum amount payable of \$4,000,000.

As of June 30, 2012, the Acton Health Insurance Trust had total assets of \$7,612,408, total liabilities of \$4,581,247 (including \$1,850,000 estimated benefits obligations), and a total net assets of \$3,031,161.

D. Subsequent Year Authorizations

The Town's annual Town meeting was held on April 2, 2012. Fiscal 2013 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

2013 Property Taxes, State Aid and Non-Property Tax Revenue	\$ 80,795,000
Enterprise Fund Revenues	3,042,468
Enterprise Fund Retained Earnings	508,500
Community Preservation Fund Estimated Revenues	1,011,957
Community Preservation Fund - Fund Balance	182,513
General Fund Committed Fund Balance	320,155
Non-Major Funds - Estimated Revenues	541,492
	<u>\$ 86,402,085</u>

E. Significant Commitments

Encumbrances

Encumbrances for open purchase are reported as "assigned fund balance" unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the general fund includes encumbrances of \$1,307,483.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Acton, Massachusetts
Required Supplementary Information
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 66,935,114	\$ 66,935,114	\$ 67,029,274	\$ 94,160
Tax Liens	-	-	427,398	427,398
Excises	2,600,000	2,600,000	2,559,200	(40,800)
Penalties and Interest	106,500	106,500	389,984	283,484
Licenses and Permits	183,200	183,200	196,664	13,464
Fees and Other Departmental	717,400	717,400	613,321	(104,079)
Intergovernmental	7,513,590	7,513,590	7,517,395	3,805
Charges for Services	19,800	19,800	27,966	8,166
Fines and Forfeits	62,100	62,100	110,102	48,002
Earnings on Investments	120,000	120,000	100,921	(19,079)
In Lieu of Taxes	11,800	11,800	12,441	641
Miscellaneous	-	-	145,642	145,642
	<u>78,269,504</u>	<u>78,269,504</u>	<u>79,130,308</u>	<u>860,804</u>
Total Revenues				
<u>Expenditures</u>				
General Government	6,757,352	6,650,922	6,001,245	649,677
Public Safety	6,334,875	6,845,234	6,722,133	123,101
Education	51,616,453	51,640,732	50,977,199	663,533
Highway and Public Works	3,123,361	3,088,952	2,929,757	159,195
Health and Human Services	1,321,109	1,321,109	1,372,155	(51,046)
Culture and Recreation	1,229,280	1,229,280	1,298,378	(69,098)
Debt Service	3,037,047	3,037,047	2,933,652	103,395
Intergovernmental	229,147	229,147	266,187	(37,040)
Employee Benefits	5,873,879	5,873,879	5,662,223	211,656
	<u>79,522,503</u>	<u>79,916,302</u>	<u>78,162,929</u>	<u>1,753,373</u>
Total Expenditures				
<u>Other Financing Sources and (Uses)</u>				
Transfers In	574,000	598,279	598,283	4
Transfers Out	(321,001)	(433,360)	(477,913)	(44,553)
Budgetary Fund Balance	1,000,000	1,481,879	1,481,879	-
	<u>1,252,999</u>	<u>1,646,798</u>	<u>1,602,249</u>	<u>(44,549)</u>
Total Other Financing Sources and (Uses)				
Excess (Deficiency) Of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,569,628</u>	<u>\$ 2,569,628</u>

Required Supplementary Information
Middlesex Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1996	\$ 373,750,361	\$ 634,920,488	\$ 261,170,127	58.87%	\$ 218,345,024	119.61%
1/1/1998	476,708,969	763,093,878	286,384,909	62.47%	215,380,186	132.97%
1/1/2000	570,263,467	905,280,472	335,017,005	62.99%	253,228,818	132.30%
1/1/2002	599,699,143	1,020,828,178	421,129,035	58.75%	280,740,439	150.01%
1/1/2004	618,163,380	1,223,828,127	605,664,747	50.51%	306,025,949	197.91%
1/1/2006	653,156,866	1,364,582,969	711,426,103	47.86%	330,999,861	214.93%
1/1/2008	774,863,669	1,529,806,307	754,942,638	50.65%	360,206,302	209.59%
1/1/2010	819,987,914	1,743,581,707	923,593,793	47.03%	384,933,571	239.94%

Required Supplementary Information
Middlesex Retirement System
Schedule of Employer's Contributions

System Wide				Town of Acton	
Plan Year Ended December 31	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Town's Percentage of System Wide Actual Contributions (B/A)
2001	\$ 27,900,209	\$ 27,900,209	100.00%	\$ 629,105	2.25%
2002	30,248,147	30,248,147	100.00%	661,330	2.19%
2003	35,411,500	35,411,500	100.00%	748,446	2.11%
2004	52,902,366	52,902,366	100.00%	780,178	1.47%
2005	52,298,150	52,298,150	100.00%	923,751	1.77%
2006	60,169,717	60,169,717	100.00%	1,037,884	1.72%
2007	64,664,829	64,664,829	100.00%	1,171,886	1.81%
2008	72,050,318	72,050,318	100.00%	1,040,723	1.44%
2009	78,212,121	78,212,121	100.00%	1,136,369	1.45%

Town of Acton, Massachusetts
 Required Supplementary Information - GASB 45
 Schedule of Funding Progress
 June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
12/31/07	\$0	\$48,495,069	\$48,495,069	0%	Not Available	0.0%
12/31/10	\$0	\$57,330,858	\$57,330,858	0%	Not Available	0.0%

Subsequent to the most recent valuation date, the Town adopted legislation and established an OPEB Trust Fund. The OPEB Trust Fund has a balance of \$310,000 as of June 30, 2012. It is reported with the Town's fiduciary funds.

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information - GASB 45

Town of Acton, Massachusetts

Valuation Details

Fiscal Year Ended June 30, 2012

Valuation Date	December 31, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Payments Increasing at 3.5%
Remaining Amortization Period	30 Years Open
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	4.5%, per annum
Inflation Rate	3.5%
Medical/Drug Cost Trend Rates	10.0% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.00% per year.
Part B Premium	6.0%

Plan Membership:

Current retirees, beneficiaries, and dependents	272
Current active members	<u>382</u>
Total	<u>654</u>

Town of Acton, Massachusetts
Notes to the Required Supplementary Information
June 30, 2012

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances do not constitute expenditures or liabilities.

(B) Pension Plans

1. Plan Description

The Town provides pension benefits to employees by contributing to Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

2. Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information

The schedules presented relate to the Middlesex Retirement System as a whole (of which the Town is one participating employer). The Town's data included should be helpful for understanding the scale of the information presented relative to the Town.

3. Actuarial Assumptions

Valuation Date	January 1, 2010
Actuarial Cost Method	Entry age normal cost method.
Amortization Method	Level dollar for the 2002, and 2003 Early Retirement Incentives (ERI) and increasing amortization for the remaining unfunded liability
Remaining Amortization Period	As of July 1, 2010, 9 years remaining for the 2002 ERI liability; 10 years remaining for the 2003 ERI liability; and 25 years for the remaining unfunded liability.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period as described by revenue procedure 2000-40.
Actuarial Assumptions:	
Investment Rate of Return	8.15% (previously, 8.25%)
Projected Salary Increases	4.75% for Group 1 and 5.25% for Group 4
Cost of Living Adjustments	3.00% of the first \$12,000 of retirement income, increasing to \$13,000 on July 1, 2011 and to \$14,000 on July 1, 2012

Plan Membership:

Retired Participants and Beneficiaries Receiving Benefits	4,833
Inactive Participants Entitled to a Return of their Employee Contributions	3,147
Invested Participants with a Vested Right to a Deferred or Immediate Benefit	283
Active Participants	<u>9,093</u>
Total	<u>17,356</u>

(C) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis.

- a. **Plan Description.** The Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Town’s retirees receiving a pension from the Middlesex Retirement System are eligible for post retirement medical benefits. Currently there are 382 active employees and 272 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** The Town pays 50% of the total premiums for health and life insurance policies. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time by local laws, and union agreements within the constraints of Massachusetts General Laws.

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

Board of Selectmen
Town of Acton
472 Main Street
Acton, MA 01720

We have audited the basic financial statements of the Town of Acton, Massachusetts as of and for the year ended June 30, 2012, and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Acton, Massachusetts's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Acton, Massachusetts's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Acton, Massachusetts's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Acton, Massachusetts's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Acton, Massachusetts's financial statements that is more than inconsequential will not be prevented or detected by the Town of Acton, Massachusetts's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Acton, Massachusetts's internal control.

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Acton, Massachusetts in a separate letter dated March 11, 2013.

The report is intended solely for the information and use of management and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
March 11, 2013