

TOWN OF BOXFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2012

Town of Boxford, Massachusetts
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	18
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	42



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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Boxford, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Boxford, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town of Boxford, Massachusetts' basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Boxford, Massachusetts' management. Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Boxford, Massachusetts as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress – OPEB be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government 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

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required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson, Heath + Company P.C.

January 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, insurance and benefits, interest, and intergovernmental expense.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available

at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 49,489,338 (i.e., net assets), a change of \$ (41,184) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,205,413, a change of \$ 339,585 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 2,926,539, a change of \$ 194,544 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 9,495,381, a change of \$ (1,113,565) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 12,057,171	\$ 10,828,797
Capital assets	<u>56,585,487</u>	<u>57,030,997</u>
Total assets	68,642,658	67,859,794
Long-term liabilities outstanding	15,331,792	15,427,926
Other liabilities	<u>3,821,528</u>	<u>2,901,346</u>
Total liabilities	19,153,320	18,329,272
Net assets:		
Invested in capital assets, net	47,576,313	47,242,574
Restricted	3,841,535	4,721,343
Unrestricted	<u>(1,928,510)</u>	<u>(2,433,395)</u>
Total net assets	\$ <u>49,489,338</u>	\$ <u>49,530,522</u>

CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,342,776	\$ 1,339,748
Operating grants and contributions	3,229,356	3,253,265
Capital grants and contributions	313,219	1,159,177
General revenues:		
Property taxes	22,967,458	22,539,160
Excises	1,302,202	1,331,146
Interest, penalties, and other taxes	75,951	80,438
Grants and contributions not restricted to specific programs	942,855	1,242,052
Investment income	92,004	110,135
Other	<u>223,773</u>	<u>34,435</u>
Total revenues	30,489,594	31,089,556

(continued)

(continued)

Expenses:		
General government	1,811,195	1,674,153
Public safety	2,376,666	2,463,098
Education	20,476,572	19,892,546
Public works	2,467,501	2,499,767
Human services	265,005	250,702
Culture and recreation	470,380	446,172
Insurance and benefits	2,031,907	2,148,177
Interest on long-term debt	465,419	440,948
Intergovernmental	166,133	153,130
Total expenses	<u>30,530,778</u>	<u>29,968,693</u>
Change in net assets	(41,184)	1,120,863
Net assets - beginning of year	<u>49,530,522</u>	<u>48,409,659</u>
Net assets - end of year	<u>\$ 49,489,338</u>	<u>\$ 49,530,522</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 49,489,338, a change of \$ (41,184) from the prior year.

The largest portion of net assets \$ 47,576,313 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 3,841,535 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is a deficit balance of \$ (1,928,510), which was primarily caused by unfunded OPEB costs.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (41,184). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 655,130
Community Preservation fund change in fund balance	155,450
Spofford Pond School Renovations fund change in fund balance (accrual basis)	(924)
Nonmajor funds change in fund balance (accrual basis)	517,878
Depreciation expense in excess of principal debt service	(599,061)
Capital acquisitions funded with operating funds	184,168
Change in OPEB liability	(1,072,783)
Other	<u>118,958</u>
Total	<u>\$ (41,184)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,205,413, a change of \$ 339,585 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and other financing sources in excess of expenditures and other financing uses	\$ 655,130
Community Preservation fund revenues over expenditures	155,450
Spofford Pond School Renovations fund expenditures over revenues	(40,156)
Nonmajor fund expenditures and other financing uses in excess of revenues and other financing sources	<u>(430,839)</u>
Total	<u>\$ 339,585</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 2,926,539, while total fund balance was \$ 5,170,038. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 2,926,539	\$ 2,731,995	\$ 194,544	10.8%
Total fund balance	\$ 5,170,038	\$ 4,514,908	\$ 655,130	19.1%

The total fund balance of the general fund changed by \$ 655,130 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (599,274)
Revenues in excess of budget	267,865
Expenditures less than budget	420,604
Excess current year encumbrances	332,819
Change in stabilization fund balance	7,992
Fund prior year snow/ice deficit	224,825
Other	<u>299</u>
Total	\$ <u><u>655,130</u></u>

As a result of the implementation of GASB 54, the Town's stabilization fund is now included in the total general fund equity balance. Information on the stabilization fund equity balance is as follows:

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
General stabilization fund	\$ 758,596	\$ 750,604	\$ 7,992

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 12,750. This increase to purchase police weapons was funded by free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$ 56,585,487 (net of accumulated depreciation), a change of \$ (445,510) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

- \$ 275,000 for the purchase of Colby Property land.
- \$ 236,116 for architectural and design costs of the new Library.
- \$ 341,437 for various road improvements and culvert work.
- \$ 182,237 for various projects, including Spofford Pond School renovations and construction on the Cole School roof.
- \$ 137,326 for various vehicles, machinery and equipment.
- Current year depreciation expense of \$ (1,617,626).

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

Change in credit rating. During the fiscal year, the Town's Moody's credit rating changed from Aa2 to Aa1.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 9,495,381, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Office of the Town Accountant/Finance Director
Town of Boxford, Massachusetts
7A Spofford Road
Boxford, Massachusetts 01921

TOWN OF BOXFORD, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 8,133,709
Investments	3,615,353
Receivables, net of allowance for uncollectibles:	
Taxes	191,781
Excises	38,322
Other	5,940
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Taxes	30,057
Betterments	42,009
Land and construction in progress	21,353,492
Capital assets, net of accumulated depreciation	<u>35,231,995</u>
TOTAL ASSETS	68,642,658
LIABILITIES	
Current:	
Warrants payable	501,808
Accrued liabilities	159,591
Deferred revenue	47,949
Tax refunds payable	574,339
Notes payable	1,285,000
Other	155,284
Current portion of long-term liabilities:	
Bonds payable	1,018,566
Other liabilities	78,991
Noncurrent:	
Bonds payable, net of current portion	8,476,815
Other liabilities, net of current portion	1,442,432
Other post-employment benefits	<u>5,412,545</u>
TOTAL LIABILITIES	19,153,320
NET ASSETS	
Invested in capital assets, net of related debt	47,576,313
Restricted for:	
Community preservation funds	2,822,783
Grants and other statutory restrictions	1,005,602
Permanent funds:	
Nonexpendable	5,000
Expendable	8,150
Unrestricted	<u>(1,928,510)</u>
TOTAL NET ASSETS	\$ <u><u>49,489,338</u></u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Spofford Pond School Renovations Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 5,669,634	\$ 65,776	\$ 824,844	\$ 1,573,455	\$ 8,133,709
Investments	758,596	2,756,698	-	100,059	3,615,353
Receivables:					
Taxes	218,690	3,148	-	-	221,838
Excises	<u>51,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,133</u>
TOTAL ASSETS	<u>\$ 6,698,053</u>	<u>\$ 2,825,622</u>	<u>\$ 824,844</u>	<u>\$ 1,673,514</u>	<u>\$ 12,022,033</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 501,808	\$ -	\$ -	\$ -	\$ 501,808
Accrued liabilities	90,901	-	-	766	91,667
Deferred revenue	207,205	1,317	-	-	208,522
Tax refunds payable	574,339	-	-	-	574,339
Notes payable	-	-	865,000	420,000	1,285,000
Other liabilities	<u>153,762</u>	<u>1,522</u>	<u>-</u>	<u>-</u>	<u>155,284</u>
TOTAL LIABILITIES	1,528,015	2,839	865,000	420,766	2,816,620
Fund Balances:					
Nonspendable	-	-	-	5,000	5,000
Restricted	-	2,822,783	-	1,633,381	4,456,164
Committed	1,088,539	-	-	74,909	1,163,448
Assigned	1,154,960	-	-	-	1,154,960
Unassigned	<u>2,926,539</u>	<u>-</u>	<u>(40,156)</u>	<u>(460,542)</u>	<u>2,425,841</u>
TOTAL FUND BALANCES	<u>5,170,038</u>	<u>2,822,783</u>	<u>(40,156)</u>	<u>1,252,748</u>	<u>9,205,413</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,698,053</u>	<u>\$ 2,825,622</u>	<u>\$ 824,844</u>	<u>\$ 1,673,514</u>	<u>\$ 12,022,033</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

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

JUNE 30, 2012

Total governmental fund balances	\$ 9,205,413
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	56,585,487
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	195,711
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(67,924)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, compensated absences, net OPEB obligation, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(16,429,349)</u>
Net assets of governmental activities	<u><u>\$ 49,489,338</u></u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Community Preservation Fund	Spofford Pond School Renovations Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 22,480,990	\$ 537,483	\$ -	\$ -	\$ 23,018,473
Excises	1,311,976	-	-	-	1,311,976
Interest, penalties, and other taxes	75,094	857	-	-	75,951
Charges for services	284,547	-	-	738,343	1,022,890
Intergovernmental	3,449,274	183,792	-	742,642	4,375,708
Licenses and permits	263,246	-	-	-	263,246
Fines and forfeitures	56,604	-	-	-	56,604
Investment income	25,966	66,039	-	4,205	96,210
Other	2,750	-	-	148,536	151,286
Total Revenues	<u>27,950,447</u>	<u>788,171</u>	<u>-</u>	<u>1,633,726</u>	<u>30,372,344</u>
Expenditures:					
Current:					
General government	1,412,559	175,937	-	360,965	1,949,461
Public safety	2,186,160	-	-	71,424	2,257,584
Education	18,317,437	-	40,156	1,239,159	19,596,752
Public works	1,593,375	-	-	342,927	1,936,302
Health and human services	241,245	-	-	50,766	292,011
Culture and recreation	372,681	-	-	289,814	662,495
Insurance and benefits	1,741,635	-	-	-	1,741,635
Debt service	1,056,641	456,784	-	-	1,513,425
Intergovernmental	166,133	-	-	-	166,133
Total Expenditures	<u>27,087,866</u>	<u>632,721</u>	<u>40,156</u>	<u>2,355,055</u>	<u>30,115,798</u>
Excess (deficiency) of revenues over expenditures	862,581	155,450	(40,156)	(721,329)	256,546
Other Financing Sources (Uses):					
Refunding bond proceeds	4,860,000	-	-	-	4,860,000
Refunding bond premium	407,471	-	-	-	407,471
Payment to refunding bond escrow agent	(5,184,432)	-	-	-	(5,184,432)
Transfers in	30,511	-	-	321,001	351,512
Transfers out	(321,001)	-	-	(30,511)	(351,512)
Total Other Financing Sources (Uses)	<u>(207,451)</u>	<u>-</u>	<u>-</u>	<u>290,490</u>	<u>83,039</u>
Change in fund balance	655,130	155,450	(40,156)	(430,839)	339,585
Fund Equity, at Beginning of Year (as restated)	<u>4,514,908</u>	<u>2,667,333</u>	<u>-</u>	<u>1,683,587</u>	<u>8,865,828</u>
Fund Equity, at End of Year	<u>\$ 5,170,038</u>	<u>\$ 2,822,783</u>	<u>\$ (40,156)</u>	<u>\$ 1,252,748</u>	<u>\$ 9,205,413</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 339,585

- 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:

Capital outlay purchases, net	1,172,116
Depreciation	(1,617,626)

- 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 (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. (60,790)

- 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:

Repayments of debt	1,018,565
Refunding debt paydown	95,000

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 29,441

- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (1,017,475)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (41,184)

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues and other sources:				
Taxes	\$ 22,480,691	\$ 22,480,691	\$ 22,480,691	\$ -
Excise	1,088,380	1,088,380	1,311,976	223,596
Interest, penalties, and other taxes	69,000	69,000	75,094	6,094
Charges for services	280,000	280,000	284,547	4,547
Intergovernmental	2,429,820	2,429,820	2,307,935	(121,885)
Licenses and permits	145,424	145,424	263,246	117,822
Fines and forfeits	45,000	45,000	56,604	11,604
Investment income	20,000	20,000	17,974	(2,026)
Miscellaneous	-	-	2,750	2,750
Transfers in	13,566	13,566	30,511	16,945
Use of fund balance	586,524	599,274	599,274	-
Other sources	-	-	8,418	8,418
	<u>-</u>	<u>-</u>	<u>8,418</u>	<u>8,418</u>
Total Revenues and Other Sources	27,158,405	27,171,155	27,439,020	267,865
Expenditures and other uses:				
General government	1,811,305	1,732,093	1,556,311	175,782
Public safety	2,175,967	2,223,804	2,208,776	15,028
Education	17,374,171	17,374,171	17,264,596	109,575
Public works	1,581,854	1,644,786	1,672,358	(27,572)
Health and human services	241,858	241,858	241,055	803
Culture and recreation	385,903	385,903	372,681	13,222
Insurance and benefits	1,843,144	1,843,144	1,740,795	102,349
Debt service	1,292,021	1,292,021	1,272,020	20,001
Intergovernmental	197,357	178,550	166,133	12,417
Snow/ice deficit raised	224,825	224,825	224,825	-
Transfers out	30,000	30,000	31,001	(1,001)
	<u>30,000</u>	<u>30,000</u>	<u>31,001</u>	<u>(1,001)</u>
Total Expenditures	27,158,405	27,171,155	26,750,551	420,604
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,469</u>	<u>\$ 688,469</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 9,473	\$ 79,912
Investments	<u>32,500</u>	<u>70,000</u>
Total Assets	41,973	149,912
<u>LIABILITIES AND NET ASSETS</u>		
Deposits held in escrow	-	107,694
Student activity funds	-	29,334
Other liabilities	<u>-</u>	<u>12,884</u>
Total Liabilities	<u>-</u>	<u>149,912</u>
<u>NET ASSETS</u>		
Restricted for:		
Endowment	12,500	-
Unrestricted	<u>29,473</u>	<u>-</u>
Net assets	<u>\$ 41,973</u>	<u>\$ -</u>

See notes to financial statements.

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

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest earnings	\$ 540
Contributions	<u>15,440</u>
Total contributions	15,980
Deductions:	
Education	<u>15,665</u>
Total deductions	<u>15,665</u>
Net increase (decrease)	315
Net assets:	
Beginning of year	<u>41,658</u>
End of year	<u>\$ 41,973</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Boxford, Massachusetts (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds 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

Government-Wide Financial Statements

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* is used to account for revenues and expenditures related to the levy of a three percent property tax surcharge that is authorized by the Community Preservation Act. This fund was established by the Town for the purpose of acquiring

open land for conservation, developing affordable housing, and preserving historical property.

- The *Spofford Pond School Renovations Fund* is a capital project fund used to account for all activity associated with renovations to classroom unit ventilators and the water treatment plant at the Spofford Pond School.

The private-purpose trust fund is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Community Preservation Fund and the Trust Funds consist of bank certificates of deposit, corporate bonds, marketable securities, and U.S. Treasury/Agency securities. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is

used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of \$ 723,070.

G. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost that exceeds \$ 5,000 to \$ 100,000, depending on the asset's category, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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	40
Building improvements	20
Infrastructure	50
Vehicles	6
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation, sick pay, and retirement benefits. All vested sick, vacation, and retirement pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

Fund Balance – In general, fund balance represents the difference between current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classifications are as follows:

- 1) *Nonspendable funds* are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., cemetery perpetual care).
- 2) *Restricted funds* are restricted to specific purposes by external constraints imposed by laws, creditors, grantors, or others outside of the Town's organization. The Town reports restricted fund balance in the capital projects fund for the encumbered, unspent proceeds of bond issues, and in the special revenue funds for funds that have been created by statute or have other external constraints on how the monies held in these funds may be expended.
- 3) *Committed funds* can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest decision making authority, which is the annual Budgetary Town Meeting. These commitments can only be established, modified, or rescinded by majority Town Meeting vote. The Town reports committed fund balance in the general fund for the encumbered, unspent portion of non-lapsing capital appropriations, as well as for stabilization funds set aside by Town Meeting vote to offset future revenue shortfalls.
- 4) *Assigned funds* are intended to be used for specific purposes as established by management. The Town reports assigned fund balance in the general fund for year-end departmental encumbrances for goods and services that have been ordered but not yet received. The Town also reports assigned fund balance for general fund surplus fund balance that has been appropriated as a funding source for the subsequent fiscal period.
- 5) *Unassigned funds* are available to be spent in future periods.

When expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 27,950,447	\$ 27,087,866
Other financing sources/uses (GAAP basis)	<u>5,297,982</u>	<u>5,505,433</u>
Subtotal (GAAP Basis)	33,248,429	32,593,299
Adjust tax revenue to accrual basis	(299)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(393,456)
Add end of year appropriation carryforwards to expenditures	-	726,275
To record use of free cash	599,274	-
To reverse the effect of non-budgeted State contributions for teachers' retirement	(1,141,339)	(1,141,339)
To record raising of prior year's snow and ice deficit	-	224,825
Reverse effects of combining general fund and stabilization funds (GASB 54)	(7,992)	-
Reverse refunding activity	<u>(5,259,053)</u>	<u>(5,259,053)</u>
Budgetary basis	<u>\$ 27,439,020</u>	<u>\$ 26,750,551</u>

D. Deficit Fund Equity

The following funds had deficit balances as of June 30, 2012:

Communications Equipment Grant	\$ (32,098)
Cole School Roof Project	\$ (205,559)
Chapter 90 Road Improvements	\$ (29,268)
Colby Property	\$ (193,617)
Spofford Pond School Renovations	\$ (40,156)

The deficit in these funds will be eliminated through future intergovernmental revenues, general fund appropriations, and bond proceeds.

3. **Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law, Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's policy is to minimize custodial credit risk by limiting unsecured bank deposits to no more than 5% of an institution's assets and no more than 10% of the Town's total cash.

As of June 30, 2012, none of the Town's bank balance of \$ 8,182,921 was exposed to custodial credit risk as uninsured or uncollateralized.

4. **Investments**

A. Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. Investments are governed by Massachusetts General Laws, Chapter 44, Sections 54 and 55, and by the Town's investment policy, which is in full compliance with these laws. The Town's investment policy allows unlimited investment in United States Treasury and Agency obligations, as these investments carry an Aaa rating. All other investments must be in investment grade securities, a high concentration of which must be rated A or above. As of June 30, 2012, all of the Town's investments are in compliance with these policies.

Presented below is the actual Moody's rating as of June 30, 2012 for each investment type of the Town (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>Aaa</u>	<u>A1</u>	<u>A3</u>
Certificates of deposits	\$ 1,390	N/A	\$ 1,390	\$ -	\$ -	\$ -
Federal agency securities	1,451	N/A	-	1,451	-	-
Corporate bonds	368	N/A	-	-	260	108
Corporate equities	254	N/A	254	-	-	-
Mutual funds	255	N/A	255	-	-	-
Total investments	<u>\$ 3,718</u>		<u>\$ 1,899</u>	<u>\$ 1,451</u>	<u>\$ 260</u>	<u>\$ 108</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investments. The Town reviews its investment firms' financial statements and the background of its sales representatives, which limits exposure to only those institutions with proven financial strength, capital adequacy, and an overall affirmative reputation in the municipal industry. The Town's investment policy also requires that all securities be held in the Town's name and federal tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. In addition, as of June 30, 2012, all of the Town's investments were held in financial institutions that are members of the Securities Investor Protection Corporation (SIPC).

As of June 30, 2012, none of the Town's investments were subject to custodial credit risk.

C. Concentration of Credit Risk

The Town's investment policy includes a diversification concept that prohibits the over-concentration of investments in a specific instrument-type and issuer by limiting investments (other than U.S. Treasury and U.S. Agency obligations or investments fully collateralized by U.S. Treasuries or U.S. Agencies) to no more than 5% of an institution's assets and no more than 10% of the Town's cash.

As of June 30, 2012, the Town had no investments in any one issuer that exceeded these limits.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer

the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy includes a diversification concept that prohibits the over-concentration of investment maturities; however, the Town places no limit on the length of maturity from date of purchase for Community Preservation, Stabilization, and Trust funds that are invested in U.S. Treasuries or U.S. Agency obligations that may be sold prior to maturity. As of June 30, 2012, the Town's investments are in compliance with these policies.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Debt Related Securities:			
Corporate bonds	\$ 368	\$ 76	\$ 292
Federal agency securities	<u>1,451</u>	<u>-</u>	<u>1,451</u>
Total	<u>\$ 1,819</u>	<u>\$ 76</u>	<u>\$ 1,743</u>

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

The Town typically issues demand bills to delinquent taxpayers within one week of the original bill due date. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consist of the following:

Real estate	\$ 158,575
Tax title	60,115
Community preservation	<u>3,148</u>
Total	<u>\$ 221,838</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>
Excises	\$ 12,811

7. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,781	\$ 133	\$ -	\$ 19,914
Machinery, equipment, and furnishings	4,480	145	(1,079)	3,546
Infrastructure	31,728	341	-	32,069
	<u>55,989</u>	<u>619</u>	<u>(1,079)</u>	<u>55,529</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(6,894)	(507)	-	(7,401)
Machinery, equipment, and furnishings	(2,881)	(271)	1,072	(2,080)
Infrastructure	(9,976)	(840)	-	(10,816)
	<u>(19,751)</u>	<u>(1,618)</u>	<u>1,072</u>	<u>(20,297)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	36,238	(999)	(7)	35,232
Capital assets, not being depreciated:				
Land	19,231	275	-	19,506
Construction in progress	1,562	454	(169)	1,847
	<u>20,793</u>	<u>729</u>	<u>(169)</u>	<u>21,353</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 57,031</u>	<u>\$ (270)</u>	<u>\$ (176)</u>	<u>\$ 56,585</u>

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

Governmental Activities:	
General government	\$ 161
Public safety	197
Education	272
Public works	929
Human services	11
Culture and recreation	48
	<u>1,618</u>
Total depreciation expense - governmental activities	<u>\$ 1,618</u>

8. Warrants Payable

Warrants payable represent 2012 expenditures paid by July 15, 2012 as permitted by law.

9. Accrued Liabilities

Governmental activities: This balance represents the amount accrued in the current period for interest on the Town’s outstanding general obligation bonds, as well as accrued employee payroll.

Governmental funds: This balance represents accrued employee payroll.

10. Deferred Revenue

Government-wide financial statements report *deferred revenue* in connection with the Town’s unapportioned betterment receivables.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenue account is equal to the total of all June 30, 2012 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

11. Tax Refunds Payable

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

12. Notes Payable

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

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/12</u>
Cole School Roof	1.05%	07/29/11	07/27/12	\$ 220,000
Colby Land Acquisition	0.65%	01/26/12	09/19/12	200,000
Spofford Pond School Water	0.65%	01/26/12	09/19/12	455,000
Spofford Pond Ventilation	0.65%	01/26/12	09/19/12	410,000
Total				<u>\$ 1,285,000</u>

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Cole School Roof	\$ 510,000	\$ -	\$ (510,000)	\$ -
Cole School Roof	-	220,000	-	220,000
Colby Land Acquisition	-	200,000	-	200,000
Spofford Pond School Water	-	455,000	-	455,000
Spofford Pond Ventilation	-	410,000	-	410,000
Total	<u>\$ 510,000</u>	<u>\$ 1,285,000</u>	<u>\$ (510,000)</u>	<u>\$ 1,285,000</u>

13. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Amount of Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/12
<u>Bonds payable - Inside the Debt Limit</u>				
Lockwood/Lord/Haynes land - refunding	\$ 943,000	06/15/17	2.21%	\$ 555,000
Fire truck	255,000	08/15/13	3.67%	35,000
Fire truck refunding	60,000	08/15/17	0.91%	60,000
Police station refunding	1,367,000	08/15/20	1.18%	1,367,000
Town Hall construction	4,270,000	08/15/13	4.04%	455,000
Town Hall construction refunding	1,955,000	08/15/22	1.36%	1,955,000
Sawyer/Richardson land	3,000,000	08/15/13	4.05%	320,000
Sawyer/Richardson land refunding	1,393,000	08/15/22	1.38%	1,393,000
Spofford Pond Road drainage	300,000	08/15/13	4.04%	40,000
Spofford Pond Road drainage refunding	85,000	08/15/22	1.35%	85,000
Anvil Farm land	850,000	06/15/26	3.90%	650,000
Haynes land	1,900,000	06/15/27	3.94%	1,500,000
Lincoln Hall building renovations	675,000	06/15/27	3.93%	525,000
<u>Bonds payable - Outside the Debt Limit</u>				
School construction - refunding	310,500	06/15/16	2.12%	185,000
Landfill closure - refunding	456,500	06/15/17	2.24%	270,000
Title V MWPAT - Loan 1	200,000	08/01/18	0.00%	76,084
Title V MWPAT - Loan 2	48,524	02/01/21	0.00%	24,297
Total Governmental Activities:	<u>\$ 18,068,524</u>			<u>\$ 9,495,381</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,018,566	\$ 292,180	\$ 1,310,746
2014	998,565	261,918	1,260,483
2015	998,562	231,106	1,229,668
2016	978,561	201,931	1,180,492
2017	898,562	171,669	1,070,231
2018 - 2022	3,437,565	477,420	3,914,985
2023 - 2027	<u>1,165,000</u>	<u>105,195</u>	<u>1,270,195</u>
Total	<u>\$ 9,495,381</u>	<u>\$ 1,741,419</u>	<u>\$ 11,236,800</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2012:

General fund	\$ 5,757,381
Community preservation fund	<u>3,738,000</u>
Total	<u>\$ 9,495,381</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	<u>Total</u>			<u>Total</u>	<u>Less</u>	<u>Equals</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
	<u>7/1/11</u>			<u>6/30/12</u>	<u>Portion</u>	<u>Portion</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 10,609	\$ 4,860	\$ (5,974)	\$ 9,495	\$ (1,018)	\$ 8,477
Other:						
Compensated absences	391	23	(38)	376	(38)	338
Landfill postclosure	1,186	-	(41)	1,145	(41)	1,104
OPEB	<u>4,340</u>	<u>1,788</u>	<u>(715)</u>	<u>5,413</u>	<u>-</u>	<u>5,413</u>
Totals	<u>\$ 16,526</u>	<u>\$ 6,671</u>	<u>\$ (6,768)</u>	<u>\$ 16,429</u>	<u>\$ (1,097)</u>	<u>\$ 15,332</u>

D. Current and Advance Refundings

Current Year

On February 22, 2012, the Town issued general obligation bonds in the amount of \$ 4,860,000 with a net interest cost of 1.32% to current refund \$ 1,600,000 of term bonds with a net interest cost of 4.55% and advance

refund \$ 3,515,000 of term bonds with net interest costs ranging from 3.67% to 4.05%. The current refunded term bonds had an original maturity date of April 15, 2021 and were called on April 1, 2012. The advance refunded term bonds had an original maturity date of August 15, 2022 and will be called on August 15, 2013. The general obligation bonds were issued at a net interest cost of 1.32% and, after paying net issuance costs of \$ 83,039, the net proceeds were \$ 4,776,961. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the current refunded term bonds were called on April 1, 2012 and until the advance refunded term bonds will be called on August 15, 2013. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$ 650,056, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 589,878.

14. Landfill Postclosure Care Costs

The Town's landfill was closed and capped in the spring of 2001. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site of its capped landfill for thirty years after closure. These *postclosure care* costs are reported as a long-term liability in the government-wide financial statements, and a portion of the liability is expensed each year. The amount of the postclosure care liability and the portion of costs expensed each year are based on estimates provided by management. In 1999, the Town issued \$ 1,050,000 in general obligation bonds to fund estimated closure and monitoring costs.

15. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

16. Governmental Funds - Balances

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

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

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

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance includes nonmajor governmental fund reserves for the principal portion of permanent funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes Community Preservation funds, various special revenue funds, capital projects funded by borrowing and state grants, and the income portion of permanent funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest decision making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and various special revenue funds.

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

Unassigned – Represents amounts that are available to spend in future periods. This fund balance classification includes general fund surplus fund balance and various special revenue and capital project deficit fund balances.

Following is a breakdown of the Town's fund balance as of June 30, 2012:

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Spofford Pond School Renovations Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Total Nonspendable	-	-	-	5,000	5,000
Restricted					
Community preservation funds	-	2,822,783	-	-	2,822,783
Special revenue funds	-	-	-	1,037,700	1,037,700
Capital projects funded by borrowing	-	-	-	587,531	587,531
Expendable permanent funds	-	-	-	8,150	8,150
Total Restricted	-	2,822,783	-	1,633,381	4,456,164
Committed					
Stabilization fund	758,596	-	-	-	758,596
Special revenue funds	-	-	-	74,909	74,909
Article carryforwards	329,943	-	-	-	329,943
Total Committed	1,088,539	-	-	74,909	1,163,448
Assigned					
Encumbrances	396,332	-	-	-	396,332
Designated fund balance	45,273	-	-	-	45,273
Appropriated fund balance	713,355	-	-	-	713,355
Total Assigned	1,154,960	-	-	-	1,154,960
Unassigned					
General fund	2,926,539	-	-	-	2,926,539
Special revenue fund deficits	-	-	-	(32,098)	(32,098)
Capital project fund deficits	-	-	(40,156)	(428,444)	(468,600)
Total Unassigned	2,926,539	-	(40,156)	(460,542)	2,425,841
Total Fund Balances	\$ 5,170,038	\$ 2,822,783	\$ (40,156)	\$ 1,252,748	\$ 9,205,413

17. General Fund Unassigned Fund Balance

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

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

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

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

GAAP basis balance	\$ 2,926,539
Snow and ice deficit	36,467
Appellate tax board cases	<u>574,339</u>
Statutory (UMAS) Balance	<u><u>\$ 3,537,345</u></u>

18. Subsequent Events

Debt

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

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bonds	\$ 1,580,000	1.75%	09/18/12	09/15/27

19. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

20. Pension Plan

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions by State and Local Governmental Employers*, with respect to the employees’ retirement funds.

A. Plan Description

The Town contributes to the Essex Regional Retirement System (the “System”), a cost-sharing multiple-employer, defined benefit pension plan administered by the Essex Regional Retirement Board. The System provides retirement, disability and death benefits to plan members and bene-

ficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Essex Regional Retirement Board at 491 Maple Street, Building 200, Suite 202, Danvers, Massachusetts 01923-4025.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$ 752,054, \$ 734,331, and \$ 673,891, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2012 was not available.

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

The Town's current year covered payroll for teachers and administrators was not available.

In fiscal year 2012, the Commonwealth of Massachusetts contributed \$ 1,141,339 to the MTRS on behalf of the Town. This is included in the intergovernmental revenues and education expenditures in the general fund.

21. Post-Employment Healthcare and Life Insurance Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described in Note 21, the Town provides post-employment medical and prescription drug benefits for eligible retirees. The benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2011, the actuarial valuation date, approximately 88 retirees and 199 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides comprehensive medical insurance to all eligible retirees through a variety of plans from Blue Cross Blue Shield of Massachusetts. The plan is administered by MIIA Health Benefits Trust. All active employees who retire from the Town and meet the eligibility criteria can receive these benefits.

C. Funding Policy

Retirees contribute between 21% and 50% for Individual and Family medical plans. The Town contributes the remainder of all retiree health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount

actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2011.

Annual Required Contribution (ARC)	\$ 1,481,420
Interest on net OPEB obligation	173,591
Adjustment to ARC	(241,316)
Amortization of actuarial (gains) / losses	<u>133,242</u>
Annual OPEB cost	1,546,937
Contributions made	<u>(474,154)</u>
Increase in net OPEB obligation	1,072,783
Net OPEB obligation - beginning of year	<u>4,339,762</u>
Net OPEB obligation - end of year	<u><u>\$ 5,412,545</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 fiscal year and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 2,837,534	23.02%	\$ 3,219,634
2011	\$ 1,464,772	23.53%	\$ 4,339,762
2012	\$ 1,546,937	30.65%	\$ 5,412,545

The Town's net OPEB obligation as of June 30, 2012 is recorded as a noncurrent liability in the Statement of Net Assets.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 16,318,053
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 16,318,053</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u>\$ 34,392,073</u>
UAAL as a percentage of covered payroll	<u>47.4%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability 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 employer's annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the July 1, 2011 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial value of assets is equal to the market value of the plan's assets. The actuarial assumptions included a 4.0% investment rate of return (pay-as-you-go scenario) and an initial healthcare trend rate of 8.0% graded down to 5.0% over three years. The UAAL is amortized over a period of thirty years with annual compensation increases of 3.0% per year and a general inflation assumption of 2.5% per annum. As of July 1, 2011, the most recent actuarial valuation date, the Town's remaining amortization period was 26 years.

22. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

23. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2012, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/11 (as previously reported)	Reclassification	Fund Equity 6/30/11 (as restated)
Cole School Roof	\$ (446,580)	\$ 446,580	\$ -
Nonmajor funds	<u>2,130,167</u>	<u>(446,580)</u>	<u>1,683,587</u>
Total	<u>\$ 1,683,587</u>	<u>\$ -</u>	<u>\$ 1,683,587</u>

24. Implementation of New GASB Standards

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Essex Regional Retirement System's actuarially accrued liability.

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

**June 30, 2012
(Unaudited)**

Other Post-Employment Benefits (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/07	\$ -	\$ 16,188	\$ 16,188	0.0%	N/A	N/A
07/01/09	\$ -	\$ 15,839	\$ 15,839	0.0%	N/A	N/A
07/01/11	\$ -	\$ 16,318	\$ 16,318	0.0%	\$ 34,392	47.4%

See Independent Auditors' Report.