

TOWN OF WESTMINSTER, MASSACHUSETTS

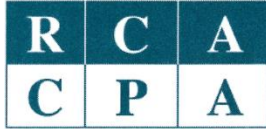
Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2012

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended June 30, 2012

TOWN OF WESTMINSTER, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Westminster, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Westminster, Massachusetts, (the Town) 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 management of the Town. Our responsibility is to express an opinion on these basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town 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 *Government Auditing Standards*, we have also issued our report dated October 24, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the funding and contribution progress for pension benefits and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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.

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



Roselli, Clark & Associates
Certified Public Accountants
October 24, 2012

Management's Discussion and Analysis

As the management of the Town of Westminster, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information as listed in the table of contents.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$60.8 million (*total net assets*).
- The government's total net assets increased by approximately \$0.5 million or just under 1% year to year. Governmental activities increased by approximately \$0.5 million and business-type activities were flat. In both instances, operations were consistent with expectations.
- The Town's total long-term debt decreased by approximately \$0.9 million during the fiscal year due to regular scheduled pay downs of principal. Bond anticipation notes increased by \$0.3 million, as the Town continues to invest in its infrastructure.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town include water and sewer enterprise funds.

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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, spendable fund balance amounts are reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

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.

Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes after the notes to the financial statements.

Proprietary Funds *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. 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 enterprise funds of the water and sewer activities.

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 statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the 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.

Government-wide Financial Analysis

The condensed statement of net assets is presented as follows:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<u>Assets</u>						
Current and other assets	\$ 10,432,394	\$ 8,136,322	\$ 4,176,523	\$ 4,038,288	\$ 14,608,917	\$ 12,174,610
Capital assets, net	50,274,143	50,897,825	6,729,387	6,838,811	57,003,530	57,736,636
Total assets	60,706,537	59,034,147	10,905,910	10,877,099	71,612,447	69,911,246
<u>Liabilities</u>						
Long-term liabilities	4,805,251	4,690,170	3,320,350	3,320,350	8,125,601	8,010,520
Other liabilities	1,335,908	1,318,609	92,180	92,180	1,428,088	1,410,789
Total liabilities	6,141,159	6,008,779	3,412,530	3,412,530	9,553,689	9,421,309
<u>Net Assets</u>						
Invested in capital assets, net of related debt	48,074,143	48,147,825	4,191,853	3,958,063	52,265,996	52,105,888
Restricted	2,381,708	1,022,454	-	-	2,381,708	1,022,454
Unrestricted	3,109,527	3,855,090	3,081,142	3,506,506	6,190,669	7,361,596
Total net assets	\$ 53,565,378	\$ 53,025,369	\$ 7,272,995	\$ 7,464,569	\$ 60,838,373	\$ 60,489,938

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$60.8 million (*total net assets*).

By far the largest portion (approximately 85.9%) of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (approximately 3.9%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of *unrestricted net assets*, (approximately 10.2%), may be used to meet the government's ongoing obligations to citizens and creditors.

The condensed statement of changes in net assets is as follows:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,014,826	\$ 1,084,397	\$ 1,424,780	\$ 1,419,098	\$ 2,439,606	\$ 2,503,495
Operating grants and contributions	103,329	110,622	44,957	48,629	148,286	159,251
Capital grants and contributions	669,828	547,027	-	-	669,828	547,027
General revenues:						
Property taxes	14,366,860	13,505,707	-	-	14,366,860	13,505,707
Intergovernmental	755,476	780,675	-	-	755,476	780,675
Other	3,001,755	2,241,301	9,410	12,088	3,011,165	2,253,389
Total revenues	19,912,074	18,269,729	1,479,147	1,479,815	21,391,221	19,749,544
<u>Expenses</u>						
General government	1,660,475	1,668,066	-	-	1,660,475	1,668,066
Public safety	3,823,156	3,780,005	-	-	3,823,156	3,780,005
Education	9,193,701	8,869,878	-	-	9,193,701	8,869,878
Public works	3,742,075	3,692,232	-	-	3,742,075	3,692,232
Health and human services	319,238	297,444	-	-	319,238	297,444
Culture and recreation	566,018	522,049	-	-	566,018	522,049
Interest expense	130,198	156,166	-	-	130,198	156,166
Water	-	-	597,073	614,333	597,073	614,333
Sewer	-	-	875,886	902,638	875,886	902,638
Total expenses	19,434,861	18,985,840	1,472,959	1,516,971	20,907,820	20,502,811
Change in net assets before transfers	477,213	(716,111)	6,188	(37,156)	483,401	(753,267)
<u>Transfers</u>	62,797	39,353	(62,797)	(39,353)	-	-
Change in net assets	540,010	(676,758)	(56,609)	(76,509)	483,401	(753,267)
Net assets, beginning of year, restated	53,025,368	53,702,126	7,329,604	7,406,113	60,354,972	61,108,239
Net assets, end of year	<u>\$ 53,565,378</u>	<u>\$ 53,025,368</u>	<u>\$ 7,272,995</u>	<u>\$ 7,329,604</u>	<u>\$ 60,838,373</u>	<u>\$ 60,354,972</u>

Governmental Activities During 2012, Town property taxes made up approximately 72.4% of total revenues, down from 73.9% in the prior year. While overall property taxes increased in amount, the Town's reliance on property taxes decreased slightly as more reliance was placed on the Town's Landfill revenue sharing agreement, which increased significantly from year to year. Other revenues consist mainly of the Landfill revenue sharing agreement. These revenues represented 15.1% of total revenues, up from 12.2% in the prior year for the reasons discussed previously. No other revenues were greater than 10% of total revenues in 2012 or 2011. Major expenditures were for Education which at the highest percentage made up 47.3% of total expenses, up slightly from 46.7% in the prior year; Public Safety expenses were 19.7% of total expenses, down slightly from 19.9% in the prior year and Public Works expenses were 19.3% down from 19.5% in the prior year. These functional expenses were all consistent with expectations. No other expense types were greater than 10% of total expenses in 2012 or 2011.

Business-type Activities Major revenue sources consist of revenue from users which represented approximately 96% of total revenues. The remaining revenue represents mostly amounts received from intergovernmental and investment income sources.

Financial Analysis of the Government's Funds

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

Governmental Funds The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's 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 close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$5.8 million. This is approximately \$1 million higher as compared to the previous year. This was due primarily to Land fill sharing revenue above expectations. Of the ending fund balance approximately \$4.8 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific purposes.

The general fund is the chief operating fund of the Town. 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 fund expenditures. Unassigned fund balance represents approximately 27.0% of total general fund expenditures, while total fund balance represents approximately 32.4% of that same amount.

Proprietary Funds The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net assets of the water fund were approximately \$2.5 million; and net assets of the sewer fund amounted to approximately \$4.7 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were insignificant and less than 1% of budget.

Capital Asset and Debt Administration

Capital Assets The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to approximately \$57.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects a decrease of approximately \$0.7 million as additions of \$1.3 million were offset by depreciation of approximately \$2.1 million.

The Town has undergone significant capital improvements over the past several years. These include a new Town Hall, Library and major road improvements.

Additional information on the Town capital assets can be found in Note II, Section C. of this report.

Long-term Debt At the end of the current fiscal year, the Town had total debt outstanding of approximately \$5.0 million. Of this amount approximately \$2.2 million represents general obligation bonds of governmental activities and approximately \$2.8 million represents general obligation bonds and notes of business-type activities.

The Town's total long-term debt decreased by approximately \$0.9 million during the fiscal year due to regular scheduled pay downs of principal. Bond anticipation notes increased by \$0.3 million, as the Town continues to invest in its infrastructure.

The last bond rating received by the Town was an “AA”.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s debt can be found in Note II, Section E and F of this report.

Economic Factors and Next Year’s Budgets and Rates

- Consistent with both State and National work force trends, the Town’s unemployment rates have stabilized over the past twelve months, and this trend may continue into calendar 2013. When the economy rebounds, the Town expects to participate in the rebound and ultimately experience an improvement in unemployment. However, the extent, timing or certainty of any economic rebound cannot be reasonably estimated at this time.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2012 were approximately 80.7% of the entire levy. The Town does rely to a certain extent on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy. The Town continues to adopt a balanced budget without reaching its taxing capacity.
- The Town’s housing market has stabilized from the recent downward trend; however, housing prices are still well below their 2005 peaks. The Town anticipates that its housing market will participate ratably if the economy rebounds. However, the extent, timing or certainty of any material housing rebound can’t be reasonably estimated at this time.
- The Town expects to set its tax rate for fiscal year 2013 during December, 2012.

The above items were considered when the Town developed its budget for fiscal year 2013.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, Town Hall 11 South Street, Westminster, Massachusetts 01473.

TOWN OF WESTMINSTER, MASSACHUSETTS

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,514,359	\$ 2,562,742	\$ 11,077,101
Investments	505,176	-	505,176
Receivables (net):			
Property taxes	233,051	-	233,051
User fees	-	855,769	855,769
Departmental and other	1,166,534	440,458	1,606,992
Intergovernmental	13,274	317,554	330,828
Capital assets, not being depreciated	4,481,907	-	4,481,907
Capital assets, net of accumulated depreciation	<u>45,792,236</u>	<u>6,729,387</u>	<u>52,521,623</u>
Total Assets	<u>60,706,537</u>	<u>10,905,910</u>	<u>71,612,447</u>
Liabilities			
Warrants and accounts payable	569,746	178,293	748,039
Other liabilities	1,343	-	1,343
Bond anticipation notes	764,819	500,000	1,264,819
Noncurrent liabilities:			
Due within one year	711,178	385,068	1,096,246
Due in more than one year	<u>4,094,073</u>	<u>2,569,554</u>	<u>6,663,627</u>
Total Liabilities	<u>6,141,159</u>	<u>3,632,915</u>	<u>9,774,074</u>
Net Assets			
Invested in capital assets, net of related debt	48,074,143	4,191,853	52,265,996
Restricted	2,381,708	-	2,381,708
Unrestricted	<u>3,109,527</u>	<u>3,081,142</u>	<u>6,190,669</u>
Total Net Assets	<u><u>\$ 53,565,378</u></u>	<u><u>\$ 7,272,995</u></u>	<u><u>\$ 60,838,373</u></u>

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,660,475	\$ 118,429	\$ 5,028	\$ -	\$ (1,537,018)		\$ (1,537,018)
Public safety	3,823,156	462,465	26,319	-	(3,334,372)		(3,334,372)
Education	9,193,701	-	7,481	-	(9,186,220)		(9,186,220)
Public works	3,742,075	280,247	-	669,828	(2,792,000)		(2,792,000)
Health and human services	319,238	140,975	55,857	-	(122,406)		(122,406)
Culture and recreation	566,018	12,710	8,644	-	(544,664)		(544,664)
Interest expense	130,198	-	-	-	(130,198)		(130,198)
Total governmental activities	19,434,861	1,014,826	103,329	669,828	(17,646,878)		(17,646,878)
Business-type activities:							
Water	597,073	732,148	44,957	-		\$ 180,032	180,032
Sewer	875,886	692,632	-	-		(183,254)	(183,254)
Total business-type activities	1,472,959	1,424,780	44,957	-		(3,222)	(3,222)
Total Primary Government	\$ 20,907,820	\$ 2,439,606	\$ 148,286	\$ 669,828	(17,646,878)	(3,222)	(17,650,100)
<u>General Revenues:</u>							
Property taxes					14,366,860	-	14,366,860
Payment in lieu of taxes					59,986	-	59,986
Motor vehicle and other excise					956,252	-	956,252
Intergovernmental					755,476	-	755,476
Penalties and interest on taxes					100,444	-	100,444
Investment income					1,130	9,410	10,540
Land fill revenue sharing					1,883,943	-	1,883,943
<u>Transfers (net)</u>					62,797	(62,797)	-
Total general revenues and transfers					18,186,888	(53,387)	18,133,501
Change in Net Assets					540,010	(56,609)	483,401
<u>Net Assets:</u>							
Beginning of year					53,025,368	7,464,569	60,489,937
Prior period adjustment					-	(134,965)	(134,965)
End of year					<u>\$ 53,565,378</u>	<u>\$ 7,272,995</u>	<u>\$ 60,838,373</u>

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 6,152,950	\$ 1,361,409	\$ 7,514,359
Restricted investments	-	505,176	505,176
Receivables	1,137,784	261,801	1,399,585
Due from other government	-	13,274	13,274
Total Assets	\$ 7,290,734	\$ 2,141,660	\$ 9,432,394
Liabilities and Fund Balances:			
Liabilities:			
Warrants and accounts payable	\$ 559,869	\$ 9,877	\$ 569,746
Other liabilities	1,343	-	1,343
Bond anticipation notes payable	-	764,819	764,819
Deferred revenues	938,971	261,801	1,200,772
Total Liabilities	1,500,183	1,036,497	2,536,680
Fund Balances:			
Nonspendable	-	280,272	280,272
Restricted	-	1,140,743	1,140,743
Committed	939,370	-	939,370
Assigned	21,323	-	21,323
Unassigned	4,829,858	(315,852)	4,514,006
Total Fund Balances	5,790,551	1,105,163	6,895,714
Total Liabilities and Fund Balances	\$ 7,290,734	\$ 2,141,660	\$ 9,432,394

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Governmental Fund Balances	\$ 6,895,714
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	50,274,143
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	1,200,772
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(2,200,000)
Compensated absences	(332,356)
Other post employment benefits	<u>(2,272,895)</u>
Net Assets of Governmental Activities	<u><u>\$ 53,565,378</u></u>

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

JUNE 30, 2012

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 14,202,924	\$ -	\$ 14,202,924
Intergovernmental	812,363	716,270	1,528,633
Motor vehicle and other excises	967,903	-	967,903
Departmental and other revenue	274,464	516,931	791,395
Licenses and permits	159,529	-	159,529
Penalties and interest on taxes	100,444	-	100,444
Landfill revenue sharing	1,883,943		1,883,943
Fines and forfeitures	60,258	-	60,258
Investment income	29,511	(28,380)	1,131
Contributions and donations	-	38,623	38,623
Total Revenues	<u>18,491,339</u>	<u>1,243,444</u>	<u>19,734,783</u>
Expenditures:			
Current:			
General government	1,320,794	19,714	1,340,508
Public safety	2,921,686	30,116	2,951,802
Education	9,186,220	-	9,186,220
Public works	1,881,369	733,898	2,615,267
Health and human services	225,093	9,635	234,728
Culture and recreation	363,344	18,983	382,327
Fringe benefits	1,248,705	-	1,248,705
Debt service:			
Principal paydown	550,000	-	550,000
Interest expense	130,198	-	130,198
State and county tax assessments	56,344	-	56,344
Total Expenditures	<u>17,883,753</u>	<u>812,346</u>	<u>18,696,099</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>607,586</u>	<u>431,098</u>	<u>1,038,684</u>
Other Financing Sources (Uses):			
Transfers in	906,952	284,580	1,191,532
Transfers out	(495,766)	(632,969)	(1,128,735)
Total Other Financing Sources (Uses)	<u>411,186</u>	<u>(348,389)</u>	<u>62,797</u>
Net Change in Fund Balances	1,018,772	82,709	1,101,481
Fund Balances - Beginning	<u>4,771,779</u>	<u>1,022,454</u>	<u>5,794,233</u>
Fund Balances - Ending	<u><u>\$ 5,790,551</u></u>	<u><u>\$ 1,105,163</u></u>	<u><u>\$ 6,895,714</u></u>

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

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

JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Fund Balances		\$ 1,101,481
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives.

The following are the differences due to the difference in accounting methodology:

Cost of Capital additions	1,223,268	
Depreciation	<u>(1,846,950)</u>	(623,682)

The issuance of long-term debt 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 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.

The following are the differences due to the difference in accounting methodology:

Issuance of new debt	-	
Repayments of existing debt	<u>550,000</u>	550,000

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 differ between the two statements. The amount presented represents the difference in deferred revenue.	177,292
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences	(35,816)	
Other Post Employment Benefits	<u>(629,265)</u>	(665,081)

Change in Net Assets of Governmental Activities		<u>\$ 540,010</u>
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See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,225,047	\$ 1,337,695	\$ 2,562,742
Receivables (net):			
User charges	436,699	419,070	855,769
Betterments	-	40,000	40,000
Due from other government	27,807	-	27,807
Total current assets	<u>1,689,553</u>	<u>1,796,765</u>	<u>3,486,318</u>
Noncurrent assets:			
Receivables (net):			
Betterments	-	400,458	400,458
Due from other government	289,747	-	289,747
Capital assets, net of accumulated depreciation	<u>2,316,234</u>	<u>4,413,153</u>	<u>6,729,387</u>
Total noncurrent assets	<u>2,605,981</u>	<u>4,813,611</u>	<u>7,419,592</u>
Total Assets	<u>4,295,534</u>	<u>6,610,376</u>	<u>10,905,910</u>
Liabilities:			
Current liabilities:			
Warrants and accounts payable	132,409	45,884	178,293
Bond anticipation notes payable	500,000	-	500,000
Bonds and notes payable	103,090	270,444	373,534
Compensated absences	<u>5,767</u>	<u>5,767</u>	<u>11,534</u>
Total current liabilities	<u>741,266</u>	<u>322,095</u>	<u>1,063,361</u>
Noncurrent liabilities:			
Bonds and notes payable	970,868	1,510,686	2,481,554
Other post employment benefits	<u>44,000</u>	<u>44,000</u>	<u>88,000</u>
Total noncurrent liabilities	<u>1,014,868</u>	<u>1,554,686</u>	<u>2,569,554</u>
Total Liabilities	<u>1,756,134</u>	<u>1,876,781</u>	<u>3,632,915</u>
Net Assets:			
Invested in capital assets, net of related debt	1,559,830	2,632,023	4,191,853
Unrestricted	<u>979,570</u>	<u>2,101,572</u>	<u>3,081,142</u>
Total Net Assets	<u><u>\$ 2,539,400</u></u>	<u><u>\$ 4,733,595</u></u>	<u><u>\$ 7,272,995</u></u>

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 698,548	\$ 602,937	\$ 1,301,485
Other	33,600	89,695	123,295
Total Operating Revenues	<u>732,148</u>	<u>692,632</u>	<u>1,424,780</u>
Operating Expenses:			
Operating costs	406,227	653,002	1,059,229
Depreciation	130,222	144,168	274,390
Total Operating Expenses	<u>536,449</u>	<u>797,170</u>	<u>1,333,619</u>
Operating Income (Loss)	<u>195,699</u>	<u>(104,538)</u>	<u>91,161</u>
Nonoperating Revenues (Expenses):			
Intergovernmental	44,957	-	44,957
Interest income	2,661	6,749	9,410
Interest expense	(60,624)	(78,716)	(139,340)
Total Nonoperating Revenues (Expenses)	<u>(13,006)</u>	<u>(71,967)</u>	<u>(84,973)</u>
Income (Loss) Before Transfers	182,693	(176,505)	6,188
Transfers (net)	<u>(125,384)</u>	<u>62,587</u>	<u>(62,797)</u>
Change in Net Assets	57,309	(113,918)	(56,609)
Total Net Assets - Beginning	2,563,130	4,901,439	7,464,569
Prior period adjustment	<u>(81,039)</u>	<u>(53,926)</u>	<u>(134,965)</u>
Total Net Assets - Ending	<u>\$ 2,539,400</u>	<u>\$ 4,733,595</u>	<u>\$ 7,272,995</u>

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Receipts from users	\$ 786,261	\$ 596,384	\$ 1,382,645
Payments to vendors and employees	(288,661)	(680,731)	(969,392)
Net Cash Provided by (Used for) Operating Activities	497,600	(84,347)	413,253
Cash Flows from Noncapital Related Financing Activities:			
Receipts from betterments	-	83,020	83,020
Transfers in (out)	(125,384)	62,587	(62,797)
Net Cash (Used for) Provided by Noncapital Related Financing Activities	(125,384)	145,607	20,223
Cash Flows from Capital and Related Financing Activities:			
Government subsidy	71,195	-	71,195
Purchase or construction of fixed assets	(139,966)	(25,000)	(164,966)
Issuance of bond anticipation notes payable	500,000	-	500,000
Principal payments on bonds and notes	(99,710)	(269,742)	(369,452)
Interest expense	(60,624)	(78,716)	(139,340)
Net Cash Used for Capital and Related Financing Activities	270,895	(373,458)	(102,563)
Cash Flows from Investing Activities:			
Interest income	2,661	6,749	9,410
Net Cash Provided by Investing Activities	2,661	6,749	9,410
Net Change in Cash and Cash Equivalents	645,772	(305,449)	340,323
Cash and Cash Equivalents:			
Beginning of year	579,275	1,643,144	2,222,419
End of year	\$ 1,225,047	\$ 1,337,695	\$ 2,562,742
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:			
Operating income (loss)	\$ 195,699	\$ (104,538)	\$ 91,161
Depreciation expense	130,222	144,168	274,390
Changes in assets and liabilities:			
Receivables	54,113	(96,248)	(42,135)
Accounts payable and accrued expenses	117,566	(27,729)	89,837
Net Cash Provided by (Used for) Operating Activities	\$ 497,600	\$ (84,347)	\$ 413,253

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

TOWN OF WESTMINSTER, MASSACHUSETTS

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ -	239,916
Investments	322,454	-
Receivables	-	310
Total Assets	322,454	240,226
Liabilities:		
Agency liabilities	-	240,226
Total Liabilities	-	240,226
Net Assets:		
Held in trust for other purposes	322,454	-
Total Net Assets	\$ 322,454	\$ -

See accompanying notes to basic financial statements.

TOWN OF WESTMINSTER, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment income	<u>\$ 6,480</u>
Total Additions	<u>6,480</u>
Deductions:	
Scholarships and assistance	<u>9,945</u>
Total Deductions	<u>9,945</u>
Change in Net Assets	(3,465)
Total Net Assets - Beginning	<u>325,919</u>
Total Net Assets - Ending	<u><u>\$ 322,454</u></u>
See accompanying notes to basic financial statements.	

TOWN OF WESTMINSTER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located in Worcester County, approximately 60 miles northeast of Boston. The Town was incorporated in 1759. The governing structure utilizes an open town meeting form, with an elected three-member Board of Selectmen, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12 via regional school districts, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are funded almost entirely with user charges and are provided via connections to Town owned facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and

- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

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*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal 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.

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*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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 *Nonmajor Governmental Funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for needy citizen benefit funds.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for private public safety details and developer deposits. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

D. Assets, Liabilities, and Net Assets or Equity

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

Investments for the Town and its component units are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property taxes and excise taxes are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. The allowance for uncollectible balances for other receivables is estimated based on historical trends and specific account analysis.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment and vehicles and infrastructure (e.g. roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	50 years
Machinery, equipment and vehicles	3-25 years
Infrastructure	25-50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary and permanent funds is retained in the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Net Assets – In the government-wide financial statements, net assets reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt and outstanding debt related to future state reimbursements for capital construction costs are not considered to be capital related debt.

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net assets have been *restricted for* the following:

Perpetual permanent funds represents the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Capital projects represents remaining balances from bond proceeds that are restricted by state law to specific capital purposes and borrowing terms.

Gifts and donations represent assets that are restricted by donors and other outside parties for specific governmental programs and uses.

Federal and State grants represent assets that have restrictions placed on them from federal and state granting agencies.

Revolving funds represent assets that are restricted by state laws for specific governmental programs and uses.

Fund Equity – The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Under this Statement, in the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

Non-spendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact.

The Town's non-spendable fund balance reported in the Nonmajor governmental funds consists of the corpus of an endowment for the Cemetery, Library and other purposes.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

The following table reflects the Town's fund equity categorizations in accordance with GASB 54:

	General	Nonmajor	Total
Nonspendable:			
Cemetery	\$ -	\$ 233,973	\$ 233,973
Library	-	46,299	46,299
Committed:			
General Government	632,522	-	632,522
Public Safety	110,599	-	110,599
Education	131,768	-	131,768
Public Works	60,281	-	60,281
Health and Human Services	250	-	250
Culture and Recreation	3,950	-	3,950
Restricted			
General Government	-	155,817	155,817
Public Safety	-	522,338	522,338
Public Works	-	372,936	372,936
Health and Human Services	-	13,802	13,802
Culture and Recreation	-	75,850	75,850
Assigned:			
General Government	21,323	-	21,323
Unassigned	4,829,858	(315,852)	4,514,006
			-
	<u>\$ 5,790,551</u>	<u>\$ 1,105,163</u>	<u>\$ 6,895,714</u>

E. Excess of Expenditures Over Appropriations and Deficits

The Town incurred deficits in its capital projects funds, classified as nonmajor governmental funds, totaling \$315,852. These deficits will be funded through bond proceeds during future fiscal years.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$9,816,535 and the bank balance was \$9,922,226. Of the Town's bank balance, \$4,406,655 was covered by either federal depository insurance or by the depositors' insurance fund, \$3,088,223 was collateralized; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town or System may not be able to recover the full amount of its principal investment and/or investment earnings. The Town's investments of \$465,978 in the MMDT, are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. United States governmental obligations totaling \$759,420 are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. The Town has 59% of its investments in US Government backed securities and 36% invested in MMDT.

Credit Risk – The Town has not adopted a formal policy related to credit risk. Moody's Investor Service rated all debt securities as AAA and MMDT is unrated.

The following is a schedule of classification and maturity for monetary investments held by the Town as of June 30, 2012:

Investments	Fair Value	Maturity in Years			
		<1 Year	1 - 5 Years	6 - 10 Years	>10 Years
<u>Investments with Maturities:</u>					
Corporate fixed income securities	\$ 68,210	\$ 11,333	\$ 56,877	\$ -	\$ -
Fixed income securities - government backed	759,420	197,307	477,285	84,828	-
Total Investments with Maturities	827,630	<u>\$ 208,640</u>	<u>\$ 534,162</u>	<u>\$ 84,828</u>	<u>\$ -</u>
<u>Other Investments:</u>					
Investment pool (State Treasurer's Fund)	465,978				
Total Investments	<u>\$ 1,293,608</u>				

B. Receivables

Receivables as of year-end for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 233,051	\$ -	\$ 233,051
Tax liens and foreclosures	550,488	-	550,488
Deferred real estate taxes	65,914	-	65,914
Excise	89,518	-	89,518
Departmental and other	460,614	-	460,614
Intergovernmental	13,274	-	13,274
Total Governmental Receivables	<u>\$ 1,412,859</u>	<u>\$ -</u>	<u>\$ 1,412,859</u>

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 415,260	\$ -	\$ 415,260
Water liens	19,924	-	19,924
Water other fees	1,515	-	1,515
Water intergovernmental	317,554	-	317,554
Sub-total Water Fund	754,253	-	754,253
Sewer user charges	401,409	-	401,409
Sewer betterments	440,458	-	440,458
Sewer liens	17,366	-	17,366
Sewer other fees	295	-	295
Sub-total Sewer Fund	859,528	-	859,528
Total Business-Type Receivables	\$ 1,613,781	\$ -	\$ 1,613,781

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 following identifies the components of deferred revenues in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 233,051	\$ -	\$ 233,051
Tax liens and foreclosures	550,488	-	550,488
Deferred real estate taxes	65,914	-	65,914
Excise	89,518	-	89,518
Departmental and other	-	261,801	261,801
Intergovernmental	-	-	-
Total Deferred Revenues	\$ 938,971	\$ 261,801	\$ 1,200,772

MWPAT Loan Subsidies – The Town has entered into loan agreements since 2001 with the MWPAT. The Town expects to be subsidized by MWPAT in future years on a periodic basis for principal in the amount of \$317,554 and interest costs of \$216,016 until maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore the principal amount of \$317,554 has been reflected as receivables in the Water Enterprise fund.

Betterments – The Town reflects receivables of \$440,458 in its Sewer Enterprise Fund that represents amounts anticipated to be billed in the future for sewer betterments that the Town has funded through bond issuances.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u><i>Governmental Activities:</i></u>				
Capital assets not being depreciated:				
Land	\$ 9,820,055	\$ 100,500	\$ -	\$ 9,920,555
Total capital assets not being depreciated	9,820,055	100,500	-	9,920,555
Capital assets being depreciated:				
Land improvements	126,066	-	-	126,066
Buildings and improvements	10,584,682	-	-	10,584,682
Infrastructure	63,919,842	771,503	-	64,691,345
Machinery, vehicles and equipment	5,356,965	351,265	-	5,708,230
Total capital assets being depreciated	79,987,555	1,122,768	-	81,110,323
Less accumulated depreciation for:				
Land improvements	(115,861)	(5,744)	-	(121,605)
Buildings and improvements	(1,882,525)	(225,472)	-	(2,107,997)
Infrastructure	(33,173,550)	(1,302,275)	-	(34,475,825)
Machinery, vehicles and equipment	(3,737,849)	(313,460)	-	(4,051,309)
Total accumulated depreciation	(38,909,785)	(1,846,951)	-	(40,756,736)
Total capital assets being depreciated, net	41,077,770	(724,183)	-	40,353,587
Governmental activities capital assets, net	\$ 50,897,825	\$ (623,683)	\$ -	\$ 50,274,142
<u><i>Business-type Activities:</i></u>				
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 114,966	\$ -	\$ 114,966
Total capital assets not being depreciated	-	114,966	-	114,966
Capital assets being depreciated:				
Buildings and improvements	\$ 436,850	\$ -	\$ -	\$ 436,850
Infrastructure	11,543,345	-	-	11,543,345
Machinery, vehicles and equipment	578,690	50,000	-	628,690
Total capital assets being depreciated	12,558,885	50,000	-	12,608,885
Less accumulated depreciation for:				
Buildings and improvements	(150,607)	(8,419)	-	(159,026)
Infrastructure	(5,102,899)	(231,560)	-	(5,334,459)
Machinery, vehicles and equipment	(466,568)	(34,411)	-	(500,979)
Total accumulated depreciation	(5,720,074)	(274,390)	-	(5,994,464)
Total capital assets being depreciated, net	6,838,811	(224,390)	-	6,614,421
Business-type activities capital assets, net	\$ 6,838,811	\$ (109,424)	\$ -	\$ 6,729,387

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities: Water</u>				
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 114,966	\$ -	\$ 114,966
Total capital assets not being depreciated	-	114,966	-	114,966
Capital assets being depreciated:				
Buildings and improvements	\$ 436,850	\$ -	\$ -	\$ 436,850
Infrastructure	5,256,197	-	-	5,256,197
Machinery, equipment and vehicles	316,359	25,000	-	341,359
Total capital assets being depreciated	6,009,406	25,000	-	6,034,406
Less accumulated depreciation for:				
Buildings and improvements	(150,607)	(8,419)	-	(159,026)
Infrastructure	(3,298,543)	(105,868)	-	(3,404,411)
Machinery, equipment and vehicles	(253,766)	(15,935)	-	(269,701)
Total accumulated depreciation	(3,702,916)	(130,222)	-	(3,833,138)
Total Water capital assets being depreciated, net	2,306,490	(105,222)	-	2,201,268
Water capital assets, net	\$ 2,306,490	\$ 9,744	\$ -	\$ 2,316,234

<u>Business-type Activities: Sewer</u>				
Capital assets being depreciated:				
Infrastructure	6,287,148	-	-	6,287,148
Machinery, equipment and vehicles	262,331	25,000	-	287,331
Total capital assets being depreciated	6,549,479	25,000	-	6,574,479
Less accumulated depreciation for:				
Infrastructure	(1,804,356)	(125,692)	-	(1,930,048)
Machinery, equipment and vehicles	(212,802)	(18,476)	-	(231,278)
Total accumulated depreciation	(2,017,158)	(144,168)	-	(2,161,326)
Total Sewer capital assets being depreciated, net	4,532,321	(119,168)	-	4,413,153
Sewer capital assets, net	\$ 4,532,321	\$ (119,168)	\$ -	\$ 4,413,153
Total Business-type activities - capital assets, net	\$ 6,838,811	\$ (109,424)	\$ -	\$ 6,729,387

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>	
General government	\$ 112,275
Public safety	189,217
Public works	1,453,366
Culture and recreation	92,092
Total Governmental Activities	\$ 1,846,950

<u>Business-Type Activities:</u>	
Water	\$ 130,221
Sewer	144,168
Total Business-Type Activities	\$ 274,389

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out	Transfers In					
	General Fund	Nonmajor Funds	Water Enterprise	Sewer Enterprise	Total	
General Fund	\$ -	\$ 284,580	\$ 17,828	\$ 193,358	\$ 495,766	(1)
Nonmajor Governmental Funds	632,969	-	-	-	632,969	(2)
Water Enterprise Fund	143,212	-	-	-	143,212	(3)
Sewer Enterprise Fund	130,771	-	-	-	130,771	(4)
Total	<u>\$ 906,952</u>	<u>\$ 284,580</u>	<u>\$ 17,828</u>	<u>\$ 193,358</u>	<u>\$ 1,402,718</u>	

- (1) Transfers to nonmajor funds for capital project funding; to subsidize water and for sewer debt obligations.
- (2) Transfers to general fund to supplement operating budgets.
- (3) Transfers to general fund for indirect costs.
- (4) Transfers to general fund for indirect costs.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the District and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. Temporary notes used on general construction, highway improvements and equipment purchases outstanding at June 30, 2012, recorded in the Governmental Funds are payable as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
BAN	1.12%	10/14/11	\$ 216,899	\$ -	\$ (216,899)	\$ -
BAN	1.05%	01/31/12	357,000	-	(357,000)	-
BAN	1.04%	03/22/12	350,000	-	(350,000)	-
SAAN	1.08%	11/04/11	52,809	-	(52,809)	-
BAN	0.80%	05/25/12	-	196,899	(196,899)	-
BAN	0.80%	01/01/13	-	196,000	-	196,000
BAN	0.60%	03/22/13	-	350,000	-	350,000
BAN	0.50%	05/24/13	-	94,319	-	94,319
SAAN	0.50%	11/21/12	-	124,500	-	124,500
Total Governmental Notes			<u>976,708</u>	<u>961,718</u>	<u>(1,173,607)</u>	<u>764,819</u>
BAN	0.55%	06/14/13	-	500,000	-	500,000
Total Business-Type Notes			<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total Notes Payable			<u>\$ 976,708</u>	<u>\$ 1,461,718</u>	<u>\$ (1,173,607)</u>	<u>\$ 1,264,819</u>

F. Long-Term Obligations

Bond and Note Indebtedness – The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2012:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i><u>Governmental Activities:</u></i>						
General obligation bonds	2017	4.00 - 5.00%	\$ 2,750,000	\$ -	\$ (550,000)	\$ 2,200,000
Total Governmental Activities			<u>\$ 2,750,000</u>	<u>\$ -</u>	<u>\$ (550,000)</u>	<u>\$ 2,200,000</u>
<i><u>Business-type Activities - Water</u></i>						
Massachusetts Water Pollution Abatement Trust note	2020	variable	1,173,668	-	(99,710)	1,073,958
Total Water			<u>1,173,668</u>	<u>-</u>	<u>(99,710)</u>	<u>1,073,958</u>
<i><u>Business-type Activities - Sewer</u></i>						
General obligation bonds	2019	2.00 - 4.15%	1,870,000	\$ -	\$ (235,000)	\$ 1,635,000
Massachusetts Water Pollution Abatement Trust note	2015	0%	180,872	-	(34,742)	146,130
Total Sewer			<u>2,050,872</u>	<u>-</u>	<u>(269,742)</u>	<u>1,781,130</u>
Total Business-type Activities			<u>\$ 3,224,540</u>	<u>\$ -</u>	<u>\$ (369,452)</u>	<u>\$ 2,855,088</u>
Total Bond and Note Debt			<u>\$ 5,974,540</u>	<u>\$ -</u>	<u>\$ (919,452)</u>	<u>\$ 5,055,088</u>

During the year ended June 30, 2012, the following reflects the activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
Bond and note debt	\$ 2,750,000	\$ -	\$ (550,000)	\$ 2,200,000	\$ 545,000
Compensated absences, net	296,540	148,270	(112,454)	332,356	166,178
Other post employment benefits	1,643,630	705,733	(76,468)	2,272,895	-
Total Governmental Activities	<u>\$ 4,690,170</u>	<u>\$ 854,003</u>	<u>\$ (738,922)</u>	<u>\$ 4,805,251</u>	<u>\$ 711,178</u>
<i>Business-type Activities: Water</i>					
Bond and note debt	\$ 1,173,668	\$ -	\$ (99,710)	\$ 1,073,958	\$ 103,090
Compensated absences, net	14,905	-	(9,138)	5,767	5,767
Other post employment benefits, net	33,000	11,000	-	44,000	-
Total Business-type Activities: Water	<u>1,221,573</u>	<u>11,000</u>	<u>(108,848)</u>	<u>1,123,725</u>	<u>108,857</u>
<i>Business-type Activities: Sewer</i>					
Bond and note debt	2,050,872	-	(269,742)	1,781,130	270,444
Compensated absences, net	14,905	-	(9,138)	5,767	5,767
Other post employment benefits, net	33,000	11,000	-	44,000	-
Total Business-type Activities: Sewer	<u>2,098,777</u>	<u>11,000</u>	<u>(278,880)</u>	<u>1,830,897</u>	<u>276,211</u>
Total Business-type Activities: All	<u>\$ 3,320,350</u>	<u>\$ 22,000</u>	<u>\$ (387,728)</u>	<u>\$ 2,954,622</u>	<u>\$ 385,068</u>
Total Long-term Obligations	<u>\$ 8,010,520</u>	<u>\$ 876,003</u>	<u>\$ (1,126,650)</u>	<u>\$ 7,759,873</u>	<u>\$ 1,096,246</u>

Future Debt Payoff - Payments on general long-term debt obligation bonds due in future years consist of the following:

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	
Governmental Activities							
2013	\$ 545,000	\$ -	\$ 545,000	\$ 97,150	\$ -	\$ 97,150	\$ 642,150
2014	545,000	-	545,000	75,350	-	75,350	620,350
2015	370,000	-	370,000	48,100	-	48,100	418,100
2016	370,000	-	370,000	29,600	-	29,600	399,600
2017	370,000	-	370,000	14,800	-	14,800	384,800
Total	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ 2,200,000</u>	<u>\$ 265,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 2,465,000</u>
Business-type Activities: Water							
2013	\$ 103,090	\$ (27,807)	\$ 75,283	\$ 55,171	\$ (41,256)	\$ 13,915	\$ 89,198
2014	107,315	(29,559)	77,756	49,684	(37,376)	12,308	90,064
2015	110,695	(31,167)	79,528	43,834	(33,477)	10,357	89,885
2016	114,920	(33,117)	81,803	37,733	(29,155)	8,578	90,381
2017	118,300	(34,896)	83,404	31,418	(24,924)	6,494	89,898
2018-2021	519,638	(161,008)	358,630	56,225	(49,828)	6,397	365,027
Total	<u>\$ 1,073,958</u>	<u>\$ (317,554)</u>	<u>\$ 756,404</u>	<u>\$ 274,065</u>	<u>\$ (216,016)</u>	<u>\$ 58,049</u>	<u>\$ 814,453</u>
Business-type Activities: Sewer							
2013	\$ 270,444	\$ -	\$ 270,444	\$ 68,369	\$ -	\$ 68,369	\$ 338,813
2014	271,160	-	271,160	58,253	-	58,253	329,413
2015	271,890	-	271,890	47,829	-	47,829	319,719
2016	272,636	-	272,636	38,036	-	38,036	310,672
2017	235,000	-	235,000	28,260	-	28,260	263,260
2018-2019	460,000	-	460,000	28,405	-	28,405	488,405
Total	<u>\$ 1,781,130</u>	<u>\$ -</u>	<u>\$ 1,781,130</u>	<u>\$ 269,152</u>	<u>\$ -</u>	<u>\$ 269,152</u>	<u>\$ 2,050,282</u>
Business-type Activities: Total All							
2012	\$ 373,534	\$ (27,807)	\$ 345,727	\$ 123,540	\$ (41,256)	\$ 82,284	\$ 428,011
2013	378,475	(29,559)	348,916	107,937	(37,376)	70,561	419,477
2014	382,585	(31,167)	351,418	91,663	(33,477)	58,186	409,604
2015	387,556	(33,117)	354,439	75,769	(29,155)	46,614	401,053
2016	353,300	(34,896)	318,404	59,678	(24,924)	34,754	353,158
2017-2021	979,638	(161,008)	818,630	84,630	(49,828)	34,802	853,432
Total	<u>\$ 2,855,088</u>	<u>\$ (317,554)</u>	<u>\$ 2,537,534</u>	<u>\$ 543,217</u>	<u>\$ (216,016)</u>	<u>\$ 327,201</u>	<u>\$ 2,864,735</u>

Authorized and Unissued Debt - At June 30, 2012, the Town had no authorized or unissued debt.

III. Other Information

A. Retirement System

Retirement System Description – The Town contributes to the Worcester Regional Retirement System (the “System”), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and administered by Worcester Regional Retirement Board (the “Board”).

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission (“PERAC”) that includes financial statements and required supplementary information. The report may be obtained by writing to the Board at Worcester Regional Retirement System, 2 Main Street, Worcester, MA 01608.

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 for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town’s contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$456,988, \$411,657, and \$378,383, respectively, which equaled its required contribution for each year. Schedules of funding progress and contribution funding are included as required supplementary information.

B. Massachusetts Teachers’ Retirement System

Former teachers and school administrative employees participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$7,481 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

C. Risk Financing

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 Town carries commercial insurance. The Town also carries premium based insurance through commercial carriers for various employee benefits including health, worker’s compensation, and unemployment compensation. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

D. Other Post-Employment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 66 active employees and 14 retired employees with 9 spouses for a total of 89 participants.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated contribution and the remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town’s annual OPEB cost is calculated based on the annual required contribution “ARC” of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the Town’s OPEB obligation:

Annual required contribution (ARC)	\$ 737,149
Interest on net OPEB obligation	68,385
Adjustment to ARC	<u>(77,801)</u>
Annual OPEB Cost	727,733
Contributions made	<u>(76,468)</u>
Increase in net OPEB obligation	651,265
Net OPEB obligation at beginning of year	<u>1,709,630</u>
Net OPEB obligation at end of year	<u>\$ 2,360,895</u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2010	\$ 663,299	13.9%	\$ 1,117,969
June 30, 2011	\$ 702,081	15.7%	\$ 1,709,630
June 30, 2012	\$ 727,733*	10.5%	\$ 2,360,895

* The AOPEBC was charged to the following functional programs: General Government \$93,236; Public Safety \$368,363; Public Works \$178,936; Health and Human Services \$31,287; and Culture and Recreation \$33,911. In the Business-Type Funds, Sewer and Water activities were charged \$11,000 each.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2012 for the most recent actuarial valuation performed as of July 1, 2011, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 6,805,222	\$ 6,805,222	0.00%	\$ 3,410,312	199.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the 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.

The significant methods and assumptions as of the latest valuation are as follows:

Funding interest rate:	4.0%
Projected annual payroll increase:	2.5%
2011 medical/drug trend rate	9.0%
Ultimate medical/drug trend rate:	5.0%
Year ultimate medical/drug trend rate reached:	2017
Remaining amortization period:	30 years as of June 30, 2011
Actuarial cost method	Entry Age Normal

- E. Commitments and Contingencies** – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2012.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The

amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

F. Landfill Closure and Post-Closure Care Costs

The Town's landfill is operated by a private company. Under the agreement with the private company, the Town shares in the revenue of the operation. In fiscal year 2012, the Town realized approximately \$1.9 million for its share of the activity. In addition, pursuant to the agreement, the responsibility of covering the landfill and the post closure care costs are the responsibility of the private company. In the event the private company is unable to meet this obligation, the ultimate responsibility lies with the Town. No provision has been made in the Town's financial statement for this potential cost.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementation

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The provisions of GASB 57 are effective for financial statements for periods beginning after June 15, 2011 (fiscal year 2012). Statement 57 addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The adoption of GASB 57 did not have a material effect on its financial statements.

B. Future Year Implementation

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements. The provisions of GASB 60 are effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013). The Town does not expect that the adoption of GASB 60 will have a material effect on its financial statements.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of GASB 61 are effective for financial statements for periods beginning after June 15, 2012 (fiscal year 2013). The Town does not expect that the adoption of GASB 61 will have a material effect on its financial statements.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. The Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of GASB 62 are effective for financial statements for periods

beginning after December 15, 2011 (fiscal year 2013). The Town is currently evaluating whether its adoption will have a material impact on the financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The provisions of GASB 63 are effective for financial statements for periods beginning after December 15, 2011 (fiscal year 2013). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The provisions of GASB 64 are effective for financial statements for periods beginning after June 15, 2011 (fiscal year 2013). The Town is currently evaluating whether its adoption will have a material impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 65; *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 66; *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 67; *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual

money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68; Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Town believes the adoption of this statement will have a material impact on the financial statements.

V. Prior Period Restatement

The prior period ending water enterprise fund balance was reduced by \$81,039 and the prior period ending sewer enterprise fund balance was reduced by \$53,926. These prior period adjustments were required in order to reflect the current unbilled receivable methodology for those funds. The correlative impact of \$134,965 was reduced from prior period Business Type fund ending net assets.

TOWN OF WESTMINSTER MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

SCHEDULES OF FUNDING PROGRESS

Pension System						
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)
1/1/2010	\$ 413,976,785	\$ 863,002,067	\$ 449,025,282	48.0%	\$ 241,992,607	185.6%
1/1/2007	\$ 389,758,785	\$ 692,768,325	\$ 303,009,540	56.3%	\$ 211,518,755	143.3%
1/1/2004	\$ 350,879,900	\$ 552,773,549	\$ 201,893,649	63.5%	\$ 170,669,442	118.3%

Other Post Employment Benefits						
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)
7/1/2011	\$ -	\$ 6,805,222	\$ 6,805,222	0.0%	\$ 3,410,312	199.5%
7/1/2008	\$ -	\$ 5,637,975	\$ 5,637,975	0.0%	\$ 2,870,954	196.4%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System					
Fiscal Year Ended June 30,	Worcester Regional Retirement System			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2012	\$ 33,072,000	\$ 33,072,000	100.0%	456,988	1.4%
2011	\$ 31,200,000	\$ 31,200,000	100.0%	411,657	1.3%
2010	\$ 28,800,000	\$ 28,800,000	100.0%	378,383	1.3%

Other Post Employment Benefits				
Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	
2012	\$ 727,733	\$ 76,468	10.5%	
2011	\$ 702,081	\$ 110,420	15.7%	
2010	\$ 663,299	\$ 91,984	13.9%	

See accompanying independent auditor's report.

TOWN OF WESTMINSTER, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Favorable
	Budget	Budget	Amounts		Adjusted	(Unfavorable)
Revenues:						
Real estate and personal property	\$ 14,039,503	\$ 14,039,503	\$ 14,202,924	\$ -	\$ 14,202,924	\$ 163,421
Intergovernmental	770,811	770,811	804,882	-	804,882	34,071
Motor vehicle excise	905,000	905,000	967,903	-	967,903	62,903
Departmental and other revenue	239,000	239,000	264,519	-	264,519	25,519
Land fill revenue sharing	1,000,000	1,000,000	1,883,943	-	1,883,943	883,943
Licenses and Permits	165,000	165,000	159,529	-	159,529	(5,471)
Penalties and Interest	140,000	140,000	100,444	-	100,444	(39,556)
Fines and Forfeitures	90,000	90,000	60,258	-	60,258	(29,742)
Investment Income	10,000	10,000	11,506	-	11,506	1,506
Total Revenues	17,359,314	17,359,314	18,455,908	-	18,455,908	1,096,594
Expenditures:						
General government	1,686,919	1,686,919	1,320,794	273,518	1,594,312	92,607
Public safety	3,264,296	3,264,296	2,921,686	110,599	3,032,285	232,011
Education	9,317,989	9,317,989	9,186,220	131,768	9,317,988	1
Public works	2,088,519	2,088,519	1,881,369	60,281	1,941,650	146,869
Health and human services	236,918	236,918	225,093	250	225,343	11,575
Culture and recreation	382,264	382,264	363,344	3,950	367,294	14,970
Fringe benefits	1,276,780	1,276,780	1,241,224	-	1,241,224	35,556
State and county tax assessments	55,718	55,718	56,344	-	56,344	(626)
Debt service	1,011,790	1,011,790	1,002,035	-	1,002,035	9,755
Total Expenditures	19,321,193	19,321,193	18,198,109	\$ 580,366	18,778,475	542,718
Other Financing Sources (Uses):						
Transfers in	1,115,803	1,115,803	1,115,803		1,115,803	-
Transfers out	(202,929)	(202,929)	(202,929)		(202,929)	-
Total Other Financing Sources (Uses)	912,874	912,874	912,874		912,874	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	(1,049,005)	(1,049,005)	\$ 1,170,673		\$ 590,307	\$ 1,639,312
Other Budgetary Items:						
Prior year articles	293,952	293,952				
From free cash	759,380	759,380				
Other	(4,327)	(4,327)				
Total Other Budgetary Items	1,049,005	1,049,005				
Net Budget	\$ -	\$ -				

See accompanying independent auditors' report.

See notes to the required supplementary information of this schedule.

TOWN OF WESTMINSTER, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2012

I. Budgetary Basis of Accounting

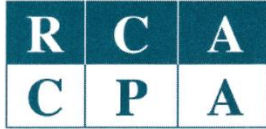
Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and approved by the Town Meeting members at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level, or in the categories of salaries, expenses and various other categories voted by Town Meeting. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each of the budget categories. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments and budget categories. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2012, Town Meeting supplemental appropriations were not significant (less than 1%).

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2012, is as follows:

	Accounting Differences	Fund Perspective Differences	Total
Revenue on a budgetary basis			\$ 18,455,908
On behalf pension subsidy	\$ 7,481	\$ -	7,481
Poor fund transfer	9,945		9,945
Interest earned by Stabilization Fund	-	18,005	18,005
Revenue on a GAAP basis	<u>\$ 17,426</u>	<u>\$ 18,005</u>	<u>\$ 18,491,339</u>
Expenditures on a budgetary basis			\$ 18,198,111
On behalf pension payments	\$ 7,481	\$ -	7,481
Debt service recognition	-	(321,837)	(321,837)
Expenditures on a GAAP basis	<u>\$ 7,481</u>	<u>\$ (321,837)</u>	<u>\$ 17,883,755</u>
Transfers on a budgetary basis (net)			\$ 912,874
Residual equity transfers	\$ 263,994	\$ (60,657)	203,337
Debt service recognition	-	(321,837)	(321,837)
Stabilization transfers	-	(383,188)	(383,188)
Transfers on a GAAP basis (net)	<u>\$ 263,994</u>	<u>\$ (765,682)</u>	<u>\$ 411,186</u>



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

The Honorable Members of the Board of Selectmen
Town of Westminster, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Westminster, Massachusetts, (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 24, 2012. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 Town'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.

Town of Westminster, Massachusetts
Page Two

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 in a separate letter dated October 24, 2012.

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

A handwritten signature in cursive script that reads "Roselli, Clark & Associates".

Roselli, Clark & Associates
Certified Public Accountants
October 24, 2012