

TOWN OF WALPOLE, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
Year Ended June 30, 2011

TOWN OF WALPOLE, MASSACHUSETTS

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ROSELLI, CLARK & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of Selectmen
Town of Walpole, 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 Walpole, Massachusetts, (the Town) as of and for the year ended June 30, 2011 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town. Our responsibility is to express an opinion on these basic financial statements based on our audit.

As discussed in Note IV, subsection A and Note V, the Town restated its 2010 basic financial statements to reflect the effects of the implementation of Government Accounting Standards Board Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

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, 2011, 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 November 4, 2011, 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 on pages 3-14, the funding and contribution progress for pension benefits and other post-employment benefits on page 49 and budgetary comparison information on pages 50-51, 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.

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 and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
November 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$145.4 million (*total net assets*).
- The government's total net assets increased by approximately \$2.5 million (1.8%). The governmental activities increased net assets by approximately \$ 1.3 million (1.5%) while the business - type activities increased net assets by approximately \$1.2 million (2.4%).
- The Town's Unassigned Fund Balance reported in the General Fund was approximately \$3.7 million (5.0% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$6.1 million (8.4% of General Fund expenditures). The Town reported a Restricted Fund Balance of approximately \$3.2 million in the Library Construction Project Fund and reported Total Fund Balances of approximately \$6.6 million in the Combined Nonmajor Governmental Funds.
- The Town's total debt decreased by approximately \$2.3 million during the fiscal year. This was due to regular scheduled maturities of principal approximating \$3.5 million being offset by new issuances of approximately \$1.2 million.

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, 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.)

The government-wide financial statements consist of two classifications; (1) those whose activities are principally supported by taxes and intergovernmental revenue (*governmental activities*) and (2) those whose activities 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, education, health and human services, debt service, fringe benefits and culture and recreation. The business-type activities of the Town are comprised completely of the water and sewer enterprise funds.

The government-wide financial statements can be found on pages 15 - 16 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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.

During the fiscal year, the Town implemented Governmental Accounting Standards Board (GASB) Statement Number 54. This accounting pronouncement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

Statement 54 distinguishes 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, fund balance amounts will be 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 on pages 18 and 20 to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains many 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 and Library Construction Project Fund which are

considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor governmental funds is provided in the form of combining statements. The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

The Town adopts an annual appropriated budget for its general fund and its enterprise fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget on page 50 of this report.

Proprietary funds – Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities. The basic proprietary fund financial statements can be found on pages 20 – 23 of this report.

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.

The basic fiduciary fund financial statements can be found of pages 24 – 25 of this report.

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. The notes to the financial statements can be found of pages 26 – 48 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Required supplementary information can be found on pages 49 – 51 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$145.5 million at the close of the most recent fiscal year.

Condensed data is presented as follows in Exhibit I and Exhibit II:

Government-Wide Financial Analysis - Exhibit I
Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<u>Assets</u>						
Current and other assets	\$ 23,643,241	\$ 27,092,786	\$ 10,336,346	\$ 12,165,497	\$ 33,979,587	\$ 39,258,283
Capital assets, net	<u>104,092,291</u>	<u>98,861,937</u>	<u>54,315,996</u>	<u>53,828,315</u>	<u>158,408,287</u>	<u>152,690,252</u>
Total assets	<u>127,735,532</u>	<u>125,954,723</u>	<u>64,652,342</u>	<u>65,993,812</u>	<u>192,387,874</u>	<u>191,948,535</u>
<u>Liabilities</u>						
Long-term liabilities	3,830,036	4,989,497	13,259,597	13,828,993	17,089,633	18,818,490
Other liabilities	<u>29,767,049</u>	<u>28,180,806</u>	<u>66,282</u>	<u>2,027,738</u>	<u>29,833,331</u>	<u>30,208,544</u>
Total liabilities	<u>33,597,085</u>	<u>33,170,303</u>	<u>13,325,879</u>	<u>15,856,731</u>	<u>46,922,964</u>	<u>49,027,034</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	84,728,859	83,406,640	41,625,326	44,095,524	126,354,185	127,502,164
Restricted	8,217,358	2,137,041	-	-	8,217,358	2,137,041
Unrestricted	<u>1,192,230</u>	<u>7,240,739</u>	<u>9,701,137</u>	<u>6,041,557</u>	<u>10,893,367</u>	<u>13,282,296</u>
Net Assets	<u>\$ 94,138,447</u>	<u>\$ 92,784,420</u>	<u>\$ 51,326,463</u>	<u>\$ 50,137,081</u>	<u>\$ 145,464,910</u>	<u>\$ 142,921,501</u>

By far, the largest portion (approximately \$126.3million) of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, 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 (approximately \$8.2 million) of the Town's net assets represents resources that are subject to external restriction on how they may be used.

The remaining net asset balance consists of *unrestricted net assets*, (approximately 10.9 million). These may be used to meet the government's ongoing obligations to citizens and creditors.

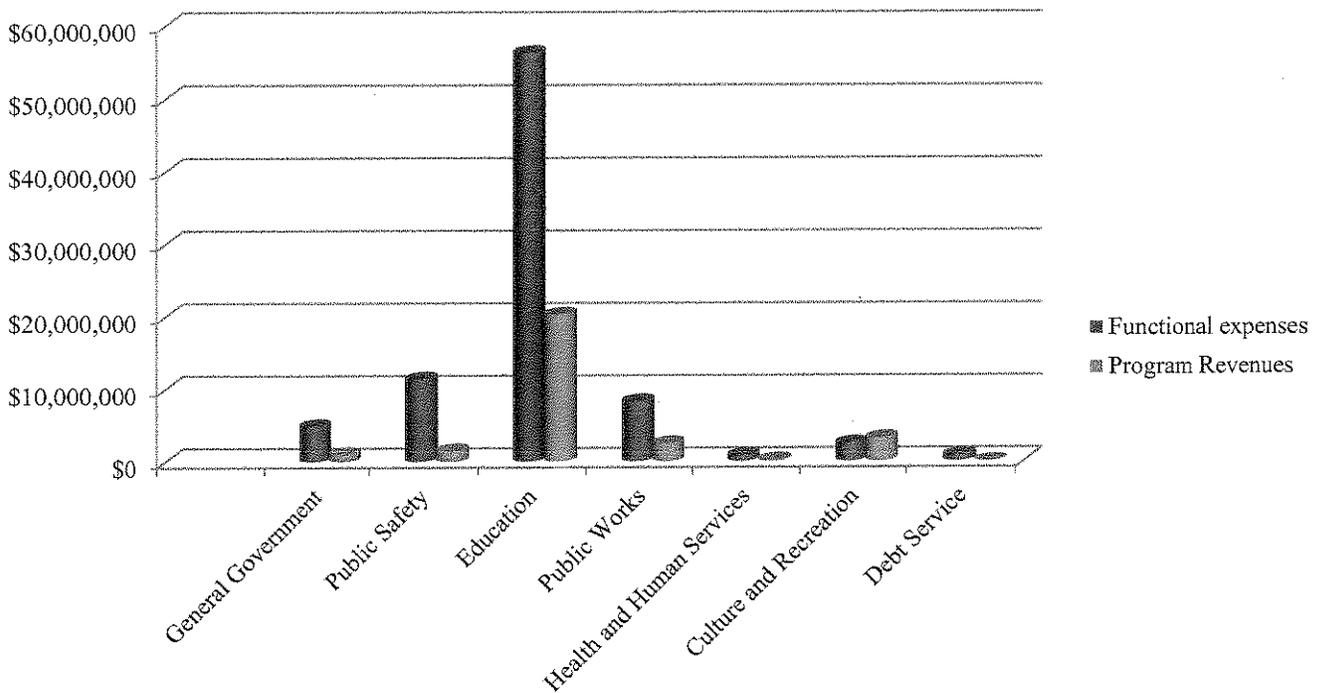
Government-Wide Financial Analysis - Exhibit II
Changes in Net Assets

	Governmental activities		Business activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenues						
Program revenues:						
Charges for services	\$ 5,983,924	\$ 5,788,617	\$ 8,775,184	\$ 7,888,755	\$ 14,759,108	\$ 13,677,372
Operating grants and contributions	17,356,146	16,938,788	420,243	-	17,776,389	16,938,788
Capital grants and contributions	5,149,952	1,876,627	1,879,600	294,642	7,029,552	2,171,269
General revenues:						
Property taxes	50,679,925	48,240,587	-	-	50,679,925	48,240,587
Intergovernmental	2,130,668	2,507,842	-	-	2,130,668	2,507,842
Other	3,911,921	3,905,386	7,633	10,717	3,919,554	3,916,103
Total revenues	85,212,536	79,257,847	11,082,660	8,194,114	96,295,196	87,451,961
Expenses						
General government	4,861,321	4,532,956	-	-	4,861,321	4,532,956
Public safety	11,354,417	10,286,016	-	-	11,354,417	10,286,016
Education	56,276,474	57,064,808	-	-	56,276,474	57,064,808
Public works	8,286,909	7,674,873	-	-	8,286,909	7,674,873
Health and human services	849,809	865,730	-	-	849,809	865,730
Culture and recreation	2,453,861	2,992,220	-	-	2,453,861	2,992,220
Debt service	758,715	509,863	-	-	758,715	509,863
Sewer	-	-	4,246,236	3,818,625	4,246,236	3,818,625
Water	-	-	4,664,045	4,136,046	4,664,045	4,136,046
Total expenses	84,841,506	83,926,466	8,910,281	7,954,671	93,751,787	91,881,137
Increase (deficiency) in net assets	371,030	(4,668,619)	2,172,379	239,443	2,543,409	(4,429,176)
Transfers	982,997	862,734	(982,997)	(862,734)	-	-
Increase in net assets	1,354,027	(3,805,885)	1,189,382	(623,291)	2,543,409	(4,429,176)
Net assets, beginning of year	92,784,420	96,590,305	50,137,081	50,760,372	142,921,501	147,350,677
Net assets, end of year	<u>\$ 94,138,447</u>	<u>\$ 92,784,420</u>	<u>\$ 51,326,463</u>	<u>\$ 50,137,081</u>	<u>\$ 145,464,910</u>	<u>\$ 142,921,501</u>

Governmental Activities The governmental activities increased net assets by approximately \$1.3 million. These results were in line with management forecasts as revenues plus net transfers exceeded expenses by this amount.

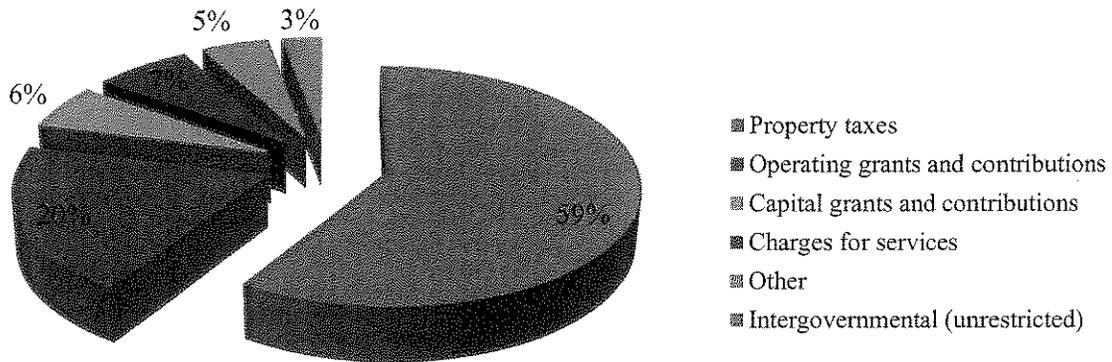
Business-type activities increased net assets by approximately \$1.2 million. This was caused by contributions of infrastructure by a developer approximating \$1.9 million which exceeded an operating shortfall of approximately \$0.7 million.

Fiscal Year 2011 Expenses and Program Revenues – Governmental Activities



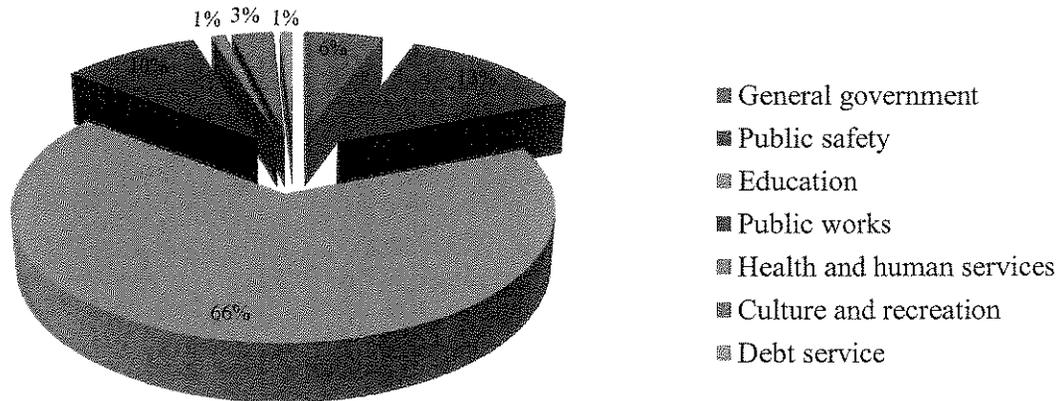
Major revenue sources of governmental activities consist of revenue from; (1) Operating grants which comprised approximately 20.4% of the total governmental activity revenues; down from 21.4% in the comparable prior year period; and (2) Property taxes which represented 59.5% of total revenues, down from 60.9% in the comparable prior year period. No other revenue sources exceeded 10% of total revenues in either fiscal 2011 or 2010.

Revenues

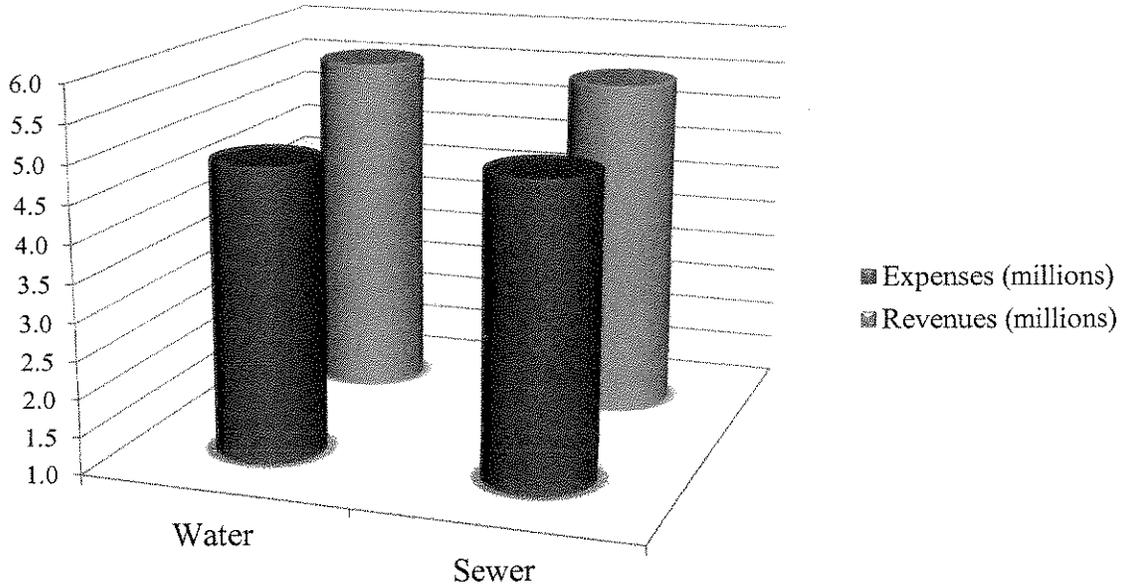


Educational expenses represented the area of largest disbursement for the Town as the Town continues to commit resources to this vital area. Approximately 66.3% percent of total disbursements related to education down slightly from 68.0% in the comparable prior year period. Public Safety expenses represented 13.4% of total expenses, up slightly from 12.3% in the comparable prior year period. No other expenses represented greater than 10 percent of total expenses in the current or prior period.

Expenses



Business-type Activities Business-type activities increased the Town’s net assets by approximately \$1.2 million. Infrastructure contributions from a developer of \$1.9 million were offset by a deficit in operating results of approximately \$0.7 million.



Fund-wide 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, *unrestricted 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 of approximately \$15.8 million, a decrease of approximately \$3.2 million over the prior year. This was due primarily to the construction and acquisition of capital assets related to the Library Construction Project Fund.

The Town’s Unassigned Fund Balance reported in the General Fund was approximately \$3.7 million (5.0% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$6.1 million (8.4% of General Fund expenditures).

The Library Construction Project Fund has a restricted fund balance of approximately \$3.7 million at the end of the fiscal year. It is expected that this fund balance will be liquidated during fiscal year 2012 as the project nears completion.

The Town reported total fund balances of approximately \$6.1 million in the Combined Nonmajor Governmental Funds; \$4.9 million is restricted due to constraints placed externally by third-parties, and \$1.2 million is nonspendable due to being the corpus of an endowment.

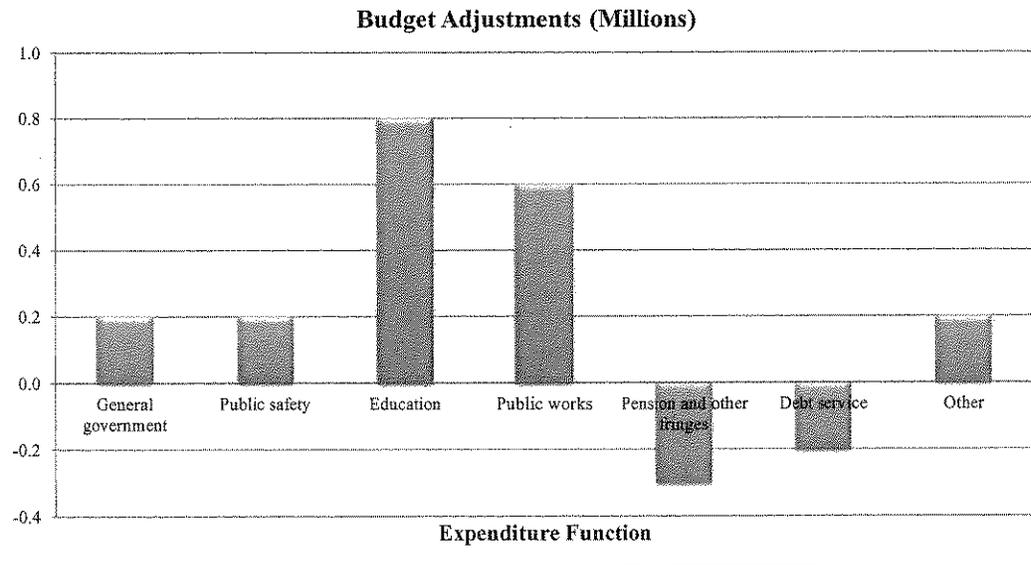
Proprietary funds – The Town’s proprietary funds consist of the Water and Sewer Enterprise Funds which provide the same type of information found in the government-wide financial statements under Business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget included revisions to the following line items:

- Approximately \$0.8 million in increases allocated to education.
- Approximately \$0.3 million in decreases allocated to pension and other fringes.
- Approximately \$0.2 million in increases allocated to public safety.
- Approximately \$0.2 million in increases allocated to general government.
- Approximately \$0.6 million in increases allocated to public works.
- Approximately \$0.2 million in decreases allocated to debt service.
- Approximately \$0.2 million in increases allocated other line items.

All of the net increase was appropriated from free cash.



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, 2011 amounts to approximately \$158.4 million (net of accumulated depreciation) an increase from the previous year's balance of approximately \$5.7 million. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, and equipment. The total increase is due to capital investments exceeding depreciation for the year.

The Town is currently in the process of constructing and equipping a brand new library. This has been funded through government grants, donations and bonds. Final costs are expected to exceed \$9 million. The activity for this project is reported in the Library construction project fund. In addition, the Town continues to accept roads, sidewalks, water and sewer infrastructure constructed by developers as part of development projects.

Additional information on the Town's capital assets can be found in Note II. under subsection D. on pages 38 and 39 of this report.

Long-term Debt At the end of the current fiscal year, the Town had total debt outstanding of approximately \$32.8 million. The entire amount comprises debt backed by the full faith and credit of the government. Total debt decreased by approximately \$2.3 million from the previous year. This was due to regular scheduled maturities of principal approximating \$3.5 million being offset by new issuances of approximately \$1.2 million.

The Town maintains an "Aa2" rating from Moody's Investment Services for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation of approximately \$3.6 billion. The current debt limitation for the Town is approximately \$178.4 million, which is significantly in excess of the Town's outstanding general obligation debt classified as inside the debt limit.

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.

The Town does not currently have any bond anticipation note payables outstanding.

Additional information on the Town's short-term and long-term debt can be found in Note II. under subsections E. and F. on pages 40 – 42 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 been stabilizing recently after over 18 months of increasing rates, and while this trend is expected to continue to improve in calendar 2012, this recovery may be slow. Furthermore, 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 comprise nearly 82.7% of the Town's real estate tax base. The Town also relies heavily on its commercial and industrial real estate tax base, which in aggregate comprise 13.6 % of the Town's real estate tax base. Commercial and industrial property is assessed at 1.3 times residential properties.

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 two and one-half percent (2 ½%) of the previous year tax levy.

- Consistent with both State and National indices, the Town's housing market is in a downward trend. Housing prices are approximately 20 - 25 percent lower than their 2005 peaks. As the economy rebounds, the Town expects its housing market to participate ratably in the rebound. The Town has residential developments in various stages of completion. These are expected to be completed upon such a housing rebound. However, the extent, timing or certainty of any housing rebound cannot be reasonably estimated at this time.
- The Town responded well to reductions in State Aid and other local non-property tax receipts in fiscal year 2011 and showed the ability to strategically lower appropriations in ways that preserved local service levels. However, possible revenue deficits, due to the prolonged recession, inflationary pressures and other collateral challenges required the Town to level fund in order to balance its' budget for fiscal year 2012.

All of the above items were considered when the Town developed its budget for fiscal year 2012. The budget was adopted in June 2011.

The Town expects its tax rate for fiscal year 2012 to be certified prior to December 31, 2011.

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 Finance Director, Town Hall, 135 School Street, Walpole, Massachusetts, 02081.

TOWN OF WALPOLE, MASSACHUSETTS

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 17,913,860	\$ 5,132,724	\$ 23,046,584
Investments	1,659,978	-	1,659,978
Receivables, net of allowance for uncollectibles:			
Property taxes	327,101	-	327,101
User fees	-	2,754,891	2,754,891
Departmental and other	3,242,877	203,662	3,446,539
Intergovernmental	499,425	2,245,069	2,744,494
Capital assets, not being depreciated	32,799,242	2,703,108	35,502,350
Capital assets, net of depreciation	71,293,049	51,612,888	122,905,937
Total Assets	127,735,532	64,652,342	192,387,874
Liabilities			
Current liabilities:			
Warrants and accounts payable	3,136,717	65,282	3,201,999
Retainage	267,600	-	267,600
Unearned revenue	395,610	-	395,610
Other	30,109	-	30,109
Noncurrent liabilities:			
Due in one year or less	2,314,423	1,489,247	3,803,670
Due in more than one year	27,452,626	11,771,350	39,223,976
Total Liabilities	33,597,085	13,325,879	46,922,964
Net Assets			
Invested in capital assets, net of related debt	84,728,859	41,625,326	126,354,185
Restricted for:			
Nonexpendable permanent funds	1,212,332	-	1,212,332
Expendable permanent funds	1,663,560	-	1,663,560
Capital projects	3,402,331	-	3,402,331
Gifts and donations	1,044,624	-	1,044,624
Federal and state grants	333,411	-	333,411
Revolving funds	561,100	-	561,100
Unrestricted	1,192,230	9,701,137	10,893,367
	\$ 94,138,447	\$ 51,326,463	\$ 145,464,910
Total Net Assets			

TOWN OF WALPOLE, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General government	\$ 4,861,321	\$ 932,642	\$ 43,354	\$ -	\$ (3,885,325)		\$ (3,885,325)
Public safety	11,354,417	1,253,968	217,635	-	(9,882,814)		(9,882,814)
Education	56,276,474	3,339,359	16,802,617	190,480	(35,944,018)		(35,944,018)
Public works	8,286,909	2,379	-	2,242,892	(6,041,638)		(6,041,638)
Health and human services	849,809	11,445	180,629	2,716,580	2,058,845		2,058,845
Culture and recreation	2,453,861	444,131	111,911	-	(1,897,819)		(1,897,819)
Debt service	758,715	-	-	-	(758,715)		(758,715)
Total Governmental Activities	84,841,506	5,983,924	17,356,146	5,149,952	(56,351,484)		(56,351,484)
<u>Business-Type Activities:</u>							
Water	4,246,236	4,394,418	338,754	870,675		\$ 1,357,611	1,357,611
Sewer	4,664,045	4,380,766	81,489	1,008,925		807,135	807,135
Total Primary Government	\$ 93,751,787	\$ 14,759,108	\$ 17,776,389	\$ 7,029,552	(56,351,484)	2,164,746	(54,186,738)

General Revenues:

Real and personal property taxes	50,679,925	-	50,679,925
Intergovernmental	2,130,668	-	2,130,668
Motor vehicle and other excise	3,399,040	-	3,399,040
Penalties and interest on taxes	201,875	-	201,875
Investment income	369,047	7,633	376,680
Loss on disposal of fixed assets	(58,041)	-	(58,041)
Transfers (net)	982,997	(982,997)	-
Total general revenues and transfers	57,705,511	(975,364)	56,730,147

Change in Net Assets

Beginning of year	92,784,420	50,137,081	142,921,501
End of year	\$ 94,138,447	\$ 51,326,463	\$ 145,464,910

Net Assets:

Beginning of year

End of year	\$ 94,138,447	\$ 51,326,463	\$ 145,464,910
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The notes to the financial statements are an integral part of this statement.

TOWN OF WALPOLE, MASSACHUSETTS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Library Construction Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 9,238,627	\$ 4,265,752	\$ 4,409,481	\$ 17,913,860
Investments	-	-	1,659,978	1,659,978
Receivables, net of allowance:				
Property taxes	327,101	-	-	327,101
Other	3,013,045	-	229,832	3,242,877
Due from Commonwealth	424,521	-	74,904	499,425
Total Assets	\$ 13,003,294	\$ 4,265,752	\$ 6,374,195	\$ 23,643,241
Liabilities and Fund Balances:				
Liabilities:				
Warrants and accounts payable	\$ 2,720,920	\$ 340,049	\$ 75,748	\$ 3,136,717
Retainage	-	267,600	-	267,600
Unearned revenue	395,610	-	-	395,610
Other liabilities	30,108	-	-	30,108
Deferred revenues	3,764,667	-	229,832	3,994,499
Total Liabilities	6,911,305	607,649	305,580	7,824,534
Fund Balances:				
Non-Spendable			1,212,332	1,212,332
Restricted	-	3,658,103	4,912,247	8,570,350
Committed	1,351,599	-	-	1,351,599
Assigned	1,080,066	-	-	1,080,066
Unassigned	3,660,324	-	(55,964)	3,604,360
Total Fund Balances	6,091,989	3,658,103	6,068,615	15,818,707
Total Liabilities and Fund Balances	\$ 13,003,294	\$ 4,265,752	\$ 6,374,195	\$ 23,643,241

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

TOWN OF WALPOLE, MASSACHUSETTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Governmental Fund Balances	\$ 15,818,707
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	104,092,290
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	3,994,499
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	(19,787,953)
Compensated absences	(1,313,195)
Other post-employment benefits	<u>(8,665,901)</u>
Net Assets of Governmental Activities	<u>\$ 94,138,447</u>

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

TOWN OF WALPOLE, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Library Construction Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real estate and personal property taxes, net	\$ 49,938,628	\$ -	\$ -	\$ 49,938,628
Intergovernmental	15,939,401	2,337,710	4,192,225	22,469,336
Motor vehicle and other excises	3,110,214	-	-	3,110,214
Departmental and other revenue	497,726	-	4,773,588	5,271,314
License and permits	658,972	-	-	658,972
Penalties and interest on taxes	201,876	-	-	201,876
Fines and forfeitures	69,848	-	-	69,848
Investment income	42,264	-	326,783	369,047
Contributions and donations	-	356,855	1,952,018	2,308,873
Total Revenues	<u>70,458,929</u>	<u>2,694,565</u>	<u>11,244,614</u>	<u>84,398,108</u>
Expenditures:				
Current:				
General government	2,695,597	-	153,960	2,849,557
Public safety	7,622,993	-	196,400	7,819,393
Education	33,326,401	-	6,860,979	40,187,380
Public works	6,280,747	-	2,271,344	8,552,091
Health and human services	491,447	-	42,054	533,501
Culture and recreation	1,341,976	5,876,639	630,787	7,849,402
Pensions and other fringes	17,306,840	-	-	17,306,840
State and county tax assessments	1,039,653	-	-	1,039,653
Debt service				
Principal maturities	2,047,124	-	-	2,047,124
Interest	758,715	-	-	758,715
Total Expenditures	<u>72,911,493</u>	<u>5,876,639</u>	<u>10,155,524</u>	<u>88,943,656</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,452,564)</u>	<u>(3,182,074)</u>	<u>1,089,090</u>	<u>(4,545,548)</u>
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	-	400,000	400,000
Transfers in	1,824,723	-	128,000	1,952,723
Transfers out	(128,000)	-	(841,726)	(969,726)
Total Other Financing Sources (Uses)	<u>1,696,723</u>	<u>-</u>	<u>(313,726)</u>	<u>1,382,997</u>
Net Change in Fund Balances	<u>(755,841)</u>	<u>(3,182,074)</u>	<u>775,364</u>	<u>(3,162,551)</u>
Fund Balances - Beginning (as restated see Note V)	<u>6,847,830</u>	<u>6,840,177</u>	<u>5,293,251</u>	<u>18,981,258</u>
Fund Balances - Ending	<u>\$ 6,091,989</u>	<u>\$ 3,658,103</u>	<u>\$ 6,068,615</u>	<u>\$ 15,818,707</u>

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

TOWN OF WALPOLE, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (3,162,551)**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, when a fixed asset is disposed of, a gain or loss is reported in the Statement of Activities. The following represents the net of this activity:

Loss on disposal of fixed assets	\$ (58,041)	
Capital Outlays	8,647,014	
Depreciation Expense	<u>(3,358,620)</u>	
Net effect of reporting fixed assets		5,230,353

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 net amount presented here as a reconciling item represents the following differences:

Issuance of debt	(400,000)	
Repayments of debt	<u>2,047,124</u>	
Net effect of reporting long-term debt		1,647,124

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 following differences derived from deferred revenue.

872,470

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, net	218,712	
Other post employment benefits	<u>(3,452,081)</u>	
Net effect of reporting long-term liabilities		<u>(3,233,369)</u>

Change in Net Assets of Governmental Activities **\$ 1,354,027**

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

TOWN OF WALPOLE, MASSACHUSETTS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,163,023	\$1,969,701	\$ 5,132,724
Receivables:			
User charges	1,451,573	1,303,318	2,754,891
Utility liens added to taxes	-	15,594	15,594
Betterments	-	22,776	22,776
Intergovernmental	110,794	40,311	151,105
Total current assets	<u>4,725,390</u>	<u>3,351,700</u>	<u>8,077,090</u>
Noncurrent assets:			
Receivables:			
Intergovernmental	1,860,220	233,744	2,093,964
Betterments	-	165,292	165,292
Capital assets, not being depreciated	2,604,452	98,656	2,703,108
Capital assets, net of depreciation	<u>33,716,652</u>	<u>17,896,236</u>	<u>51,612,888</u>
Total noncurrent assets	<u>38,181,324</u>	<u>18,393,928</u>	<u>56,575,252</u>
Total Assets	<u>42,906,714</u>	<u>21,745,628</u>	<u>64,652,342</u>
Liabilities:			
Current liabilities:			
Warrants payable and other liabilities	61,063	4,219	65,282
Bond and note indebtedness	1,198,122	268,057	1,466,179
Compensated absences	18,997	4,071	23,068
Total current liabilities	<u>1,278,182</u>	<u>276,347</u>	<u>1,554,529</u>
Noncurrent liabilities:			
Bond and note indebtedness	10,380,658	1,118,888	11,499,546
Compensated absences	56,991	12,214	69,205
Other post employment benefits	167,748	34,851	202,599
Total noncurrent liabilities	<u>10,605,397</u>	<u>1,165,953</u>	<u>11,771,350</u>
Total Liabilities	<u>11,883,579</u>	<u>1,442,300</u>	<u>13,325,879</u>
Net Assets:			
Invested in capital assets, net of related debt	26,714,338	16,882,002	43,596,340
Unrestricted	<u>4,308,797</u>	<u>3,421,326</u>	<u>7,730,123</u>
Total Net Assets	<u>\$ 31,023,135</u>	<u>\$ 20,303,328</u>	<u>\$ 51,326,463</u>

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

TOWN OF WALPOLE, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues:			
Charges for services	\$ 4,204,627	\$ 4,266,942	\$ 8,471,569
Other operating income	293,149	151,209	444,358
Total Operating Revenues	<u>4,497,776</u>	<u>4,418,151</u>	<u>8,915,927</u>
Operating Expenses:			
Operating costs	2,737,906	4,143,741	6,881,647
Depreciation	1,005,464	455,132	1,460,596
Total Operating Expenses	<u>3,743,370</u>	<u>4,598,873</u>	<u>8,342,243</u>
Total Operating Income	<u>754,406</u>	<u>(180,722)</u>	<u>573,684</u>
Nonoperating Income (Expenses):			
Intergovernmental	235,396	44,104	279,500
Developer donated infrastructure	870,675	1,008,925	1,879,600
Interest income	4,200	3,433	7,633
Interest expense	(502,866)	(65,172)	(568,038)
Total Nonoperating Revenues (Expenses), net	<u>607,405</u>	<u>991,290</u>	<u>1,598,695</u>
Income (Loss) Before Transfers	1,361,811	810,568	2,172,379
Transfers out	(691,223)	(291,774)	(982,997)
Change in Net Assets	670,588	518,794	1,189,382
Total Net Assets - Beginning	<u>30,352,547</u>	<u>19,784,534</u>	<u>50,137,081</u>
Total Net Assets - Ending	<u>\$ 31,023,135</u>	<u>\$ 20,303,328</u>	<u>\$ 51,326,463</u>

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

TOWN OF WALPOLE, MASSACHUSETTS

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities:			
Receipts from users	\$ 4,805,991	\$ 5,134,544	\$ 9,940,535
Payments to vendors	(2,286,612)	(3,702,458)	(5,989,070)
Payments to employees	(830,075)	(449,851)	(1,279,926)
Net Cash Provided by (Used for) Operating Activities	<u>1,689,304</u>	<u>982,235</u>	<u>2,671,539</u>
Cash Flows from Noncapital Related Financing Activities:			
Intergovernmental subsidies	338,754	81,489	420,243
Transfers, net	(691,223)	(291,774)	(982,997)
Net Cash Used for Noncapital Related Financing Activities	<u>(352,469)</u>	<u>(210,285)</u>	<u>(562,754)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the issuance of bonds and notes	750,000	-	750,000
Acquisition and construction of capital assets	(70,337)	-	(70,337)
Interest expense	(502,866)	(65,172)	(568,038)
Principal payments on bonds and notes	(2,627,869)	(263,974)	(2,891,843)
Net Cash Used for Capital and Related Financing Activities	<u>(2,451,072)</u>	<u>(329,146)</u>	<u>(2,780,218)</u>
Cash Flows from Investing Activities:			
Investment income	4,200	3,433	7,633
Net Cash Provided by Investing Activities	<u>4,200</u>	<u>3,433</u>	<u>7,633</u>
Net Change in Cash and Cash Equivalents	<u>(1,110,037)</u>	<u>446,237</u>	<u>(663,800)</u>
Cash and Cash Equivalents:			
Beginning of year	4,273,060	1,523,464	5,796,524
End of year	<u>\$ 3,163,023</u>	<u>\$ 1,969,701</u>	<u>\$ 5,132,724</u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:			
Operating income (loss)	\$ 754,406	\$ (180,722)	\$ 573,684
Depreciation	1,005,464	455,132	1,460,596
Changes in assets and liabilities:			
Receivables (net)	308,215	716,393	1,024,608
Liabilities (net)	(378,781)	(8,568)	(387,349)
Net Cash Provided From Operating Activities	<u>\$ 1,689,304</u>	<u>\$ 982,235</u>	<u>\$ 2,671,539</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Developer donated infrastructure	\$ 870,675	\$ 1,008,925	\$ 1,879,600

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

TOWN OF WALPOLE, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ -	\$ 320,300
Investments (at fair value)	3,101,290	-
Total Assets	3,101,290	320,300
Liabilities:		
Warrant and accounts payable		\$ 21,280
Planning board deposits	-	189,224
Other liabilities	-	109,796
Total Liabilities	-	\$ 320,300
Net Assets:		
Held in trust for other purposes	3,101,290	-
Total Net Assets	\$ 3,101,290	\$ -

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

TOWN OF WALPOLE, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Funds
Additions:	
Donations	\$ 2,060
Investment income	<u>277,267</u>
Total Additions	<u>279,327</u>
Deductions:	
Educational scholarships	<u>54,800</u>
Total Deductions	<u>54,800</u>
Change in Net Assets	224,527
Total Net Assets - Beginning	<u>2,876,763</u>
Total Net Assets - Ending	<u><u>\$ 3,101,290</u></u>

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

TOWN OF WALPOLE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

I. Summary of Significant Accounting Policies

The accompanying 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 government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Walpole is located in Norfolk County and was incorporated as a town in 1724. The governing structure utilizes an open town meeting form, with an elected five-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, disposal of rubbish and recycling, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities, library and elderly services and inspectional services. The water and sewer services, funded almost entirely with user charges, are provided via connections installed and maintained by the Town directly.

Component units, while separate entities, are in substance part of the governmental operations of the Town due to the significance of their operations and financial relationship with the Town. Pursuant to these criteria there are no entities included as component units in this report.

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. For the most part, the effect of interfund activity has been removed from these statements. *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 the 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.

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. Fiduciary funds are reported by fund type.

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*.

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 unmatured interest on general long-term debt which is recognized when 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. 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.

Library Construction Project Fund – is used to account for all financial resources relating to the construction of a new public library.

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:

The 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.

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

The 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, assessments, 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 fund:

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 use the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the 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 educational scholarships and needy citizen benefit funds.

Agency Fund – is used to account for assets held in a purely custodial capacity. The Town's agency funds consist primarily of off-duty work details and escrow and other deposits.

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 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 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 at the rate of 14% per annum. 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 within 14 days after the due date and are considered 100% collectible. Accordingly, a provision for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

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, 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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 by the Town on a straight-line-basis. The estimated useful lives of capital assets being depreciated are as follows:

Buildings and improvements	40 years
Machinery and equipment	5 years
Vehicles	5 years
Infrastructure	40 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 it is typical for resources to be 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 – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary 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 sickpay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting 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:

Nonexpendable 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 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 to 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 in the amount of \$1,212,332.

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.

The Town reports the following restricted fund balances:

In the Library Construction Project fund, restricted fund balances are reported in the amount of \$3,658,103 which reflects the remaining balances from bond proceeds, state grants, gifts and donations restricted for construction of a new public library.

In the Nonmajor governmental funds, restricted fund balances are reported in the amount of \$4,912,247. These include (1) Federal and State grants restricted by the awarding authority for education in the amount of \$214,180, and other various Town functions in the amount of \$81,225; (2) Revolving funds restricted under Massachusetts General Laws Chapter 44, Section 53E ½, Chapter 71 and Chapter 548 for education in the amount of \$463,037, and other miscellaneous Town functions in the amount of \$136,069; (3) receipts accumulated from ambulance charges collected that are restricted for public safety appropriations in the amount of \$1,290,327; (4) other receipts collected for various purposes that are reserved for appropriations by Massachusetts General Laws in the amount of \$274,997; (5) numerous minor donations totaling \$540,624 restricted for various Town functions; (6) accumulated investment earnings from endowment held in expendable permanent funds in the amount of \$1,663,560; and (7) remaining balances from bond proceeds restricted for various Town functions in the amount of 248,228.

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 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.

The Town reports in its General Fund, committed fund balance of \$1,351,599 which reflects amounts encumbered by Town Meeting vote for public works purposes of \$452,199, building maintenance purposes of \$244,611, educational purposes of \$191,863, recreation purposes of \$101,440, public safety purposes of \$160,799 and various other purposes of \$200,687.

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.

The Town reports in its General Fund, assigned fund balance of \$1,080,066 which reflects amounts encumbered relating to normal purchasing activity of \$331,337 and amounts voted to supplement the subsequent years' budget of \$748,729.

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. The Town reports \$3,660,324 of unassigned balances in its general fund. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

Negative unassigned amounts reported in the Nonmajor governmental funds include deficits in the Town's school lunch fund of \$55,964.

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 Administrator 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.

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended, expenditures exceeded appropriations in the General Fund for the snow removal appropriation by \$380,762. This over-expenditure will be funded through available funds during fiscal year 2012.

The School Lunch Fund, classified as non-major governmental funds, has a deficit balance of \$55,964 at June 30, 2011. This deficit will be funded from departmental revenues or other available funds in fiscal year 2012.

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 (the 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 \$18,097,314 and the bank balance was \$19,137,237. Of the Town's bank balance, \$1,810,661 was covered by federal depository insurance; 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 may not be able to recover the full amount of its principal investment and/or investment earnings. The Town has a custodial credit risk exposure of \$4,761,268 because the related securities are uninsured, unregistered and are held by the counterparty. The investments in MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town does not have a formal investment policy related to custodial credit risk.

Interest Rate Risk - The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing 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 6% of its investments in United States government backed securities and 53% in MMDT.

Credit Risk - The Town has not adopted a formal policy related to credit risk. The Town's investment in MMDT is unrated.

The following is a schedule of classification and maturity for monetary investments held by the Town as of June 30, 2011:

Investment Type	Fair Value	Time Until Maturity (Years)			
		Less Than 1	1-5	6-10	More Than 10
<u>Investments with Maturities:</u>					
Fixed income securities - government backed	\$ 621,097	\$ 52,306	\$ 488,594	\$ 80,197	\$ -
Corporate bonds	1,361,287	142,744	443,748	287,340	487,455
Total Investments with Maturities	<u>1,982,384</u>	<u>\$ 195,050</u>	<u>\$ 932,342</u>	<u>\$ 367,537</u>	<u>\$ 487,455</u>
<u>Other Investments:</u>					
Preferred securities	117,500				
Equities	2,661,381				
Investment pool (State Treasurer's Fund)	5,269,573				
Total Investments - All	<u>\$ 10,030,838</u>				

The following is a schedule of quality ratings for rated investments held by the Town as of June 30, 2011:

Quality Ratings (Moody's)	Fixed Income Securities - Government Backed	Corporate Bonds
Aaa	\$ 621,097	\$ -
Aa1	-	63,986
Aa2	-	127,427
Aa3	-	30,103
A1	-	89,728
A2	-	210,827
A3	-	163,869
Baa1	-	277,332
Baa3	-	108,904
Ba1	-	26,000
Ba3	-	22,960
B3	-	99,500
Not Rated	-	140,651
Totals	<u>\$ 621,097</u>	<u>\$ 1,361,287</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	\$ 465,052	\$ (36,507)	\$ 428,545
Tax liens	2,053,095	(4,778)	2,048,317
Tax foreclosures	289,997	(96,666)	193,331
Excise	773,234	(105,815)	667,419
Departmental and other	232,366	-	232,366
Intergovernmental	499,425	-	499,425
Total Governmental Receivables	<u>\$ 4,313,169</u>	<u>\$ (243,766)</u>	<u>\$ 4,069,403</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 1,422,230	\$ -	\$ 1,422,230
Water liens	28,269	-	28,269
Water other fees	1,073	-	1,073
Water intergovernmental	1,971,014	-	1,971,014
Sub-total Water Fund	<u>3,422,586</u>	<u>-</u>	<u>3,422,586</u>
Sewer user charges	1,301,020	-	1,301,020
Sewer liens	15,594	-	15,594
Sewer betterments	190,366	-	190,366
Sewer intergovernmental	274,055	-	274,055
Sub-total Sewer Fund	<u>1,781,035</u>	<u>-</u>	<u>1,781,035</u>
Total Business-Type Receivables	<u>\$ 5,203,621</u>	<u>\$ -</u>	<u>\$ 5,203,621</u>

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:

Receivable type:	General Fund	Other Governmental Funds	Total
Real estate and personal property taxes	\$ 428,545	\$ -	\$ 428,545
Tax liens	2,048,317	-	2,048,317
Tax foreclosures	193,331	-	193,331
Excise	667,419	-	667,419
Departmental and other	2,535	229,832	232,367
Intergovernmental	424,521	-	424,521
Total deferred revenues	<u>\$ 3,764,668</u>	<u>\$ 229,832</u>	<u>\$ 3,994,500</u>

School Building Assistance Reimbursement – As of June 30, 2011, the Town expects to receive as the balance of grants from the Commonwealth of Massachusetts under School Construction reimbursement regulations, \$424,710 applicable to approved school construction costs which includes both principal and interest. Such costs are reimbursed to the Town in four remaining installments over the life of the related bond issues and are subject to appropriation only by the State Legislature; In the Governmental funds, the General Fund include a receivable of \$424,521 under the caption Intergovernmental which represents the reimbursable portion of the principal as of June 30, 2011.

MWPAT Loan Subsidies – The Town has entered into a number of loan agreements since February 1997 with the MWPAT. It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$2,245,069 and interest costs of \$1,444,890 until the maturity of these agreements. In the business-type funds, the intergovernmental receivables include a receivable for the principal portion of the subsidy.

C. Interfund Payables, Receivables and Transfers

Interfund receivables and payables for the fiscal year ended June 30, 2011, represent interfund borrowing for cash flow purposes and are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Lunch Fund	\$ 55,964
Total		<u>\$ 55,964</u>

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 128,000	\$ 128,000 (1)
Nonmajor Governmental Funds	841,726	-	841,726 (2)
Water Enterprise Fund	691,223	-	691,223 (3)
Sewer Enterprise Fund	291,774	-	291,774 (4)
Total	<u>\$ 1,824,723</u>	<u>\$ 128,000</u>	<u>\$ 1,952,723</u>

- 1) Transfers to nonmajor funds for capital project funding and future benefits 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 and debt obligation retirement funding.

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 26,922,603	\$ -	\$ -	\$ 26,922,603
Construction in progress	-	5,876,639	-	5,876,639
Total capital assets not being depreciated	<u>26,922,603</u>	<u>5,876,639</u>	<u>-</u>	<u>32,799,242</u>
Capital assets being depreciated:				
Buildings and improvements	74,245,365	428,260	-	74,673,625
Infrastructure	51,489,647	2,237,766	(165,023)	53,562,390
Machinery and equipment	5,250,801	32,600	(94,582)	5,188,819
Vehicles	6,337,694	71,750	(97,547)	6,311,897
Total capital assets being depreciated	<u>137,323,507</u>	<u>2,770,376</u>	<u>(357,152)</u>	<u>139,736,731</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,339,314)	(1,520,284)	-	(24,859,598)
Infrastructure	(35,120,682)	(1,112,154)	134,369	(36,098,467)
Machinery and equipment	(3,720,537)	(262,362)	94,582	(3,888,317)
Vehicles	(3,199,889)	(467,571)	70,160	(3,597,300)
Total accumulated depreciation	<u>(65,380,422)</u>	<u>(3,362,371)</u>	<u>299,111</u>	<u>(68,443,682)</u>
Total capital assets being depreciated, net	<u>71,943,085</u>	<u>(591,995)</u>	<u>(58,041)</u>	<u>71,293,049</u>
Governmental activities capital assets, net	<u>\$ 98,865,688</u>	<u>\$ 5,284,644</u>	<u>\$ (58,041)</u>	<u>\$ 104,092,291</u>
<i><u>Business-Type Activities - All:</u></i>				
Capital assets not being depreciated:				
Land	\$ 2,703,108	\$ -	\$ -	\$ 2,703,108
Construction in progress	346,000	-	(346,000)	-
Total capital assets not being depreciated	<u>3,049,108</u>	<u>-</u>	<u>(346,000)</u>	<u>2,703,108</u>
Capital assets being depreciated:				
Buildings and improvements	19,880,461	-	-	19,880,461
Infrastructure	49,587,496	1,879,625	-	51,467,121
Machinery and equipment	8,041,850	271,500	-	8,313,350
Vehicles	673,348	154,000	(10,848)	816,500
Total capital assets being depreciated	<u>78,183,155</u>	<u>2,305,125</u>	<u>(10,848)</u>	<u>80,477,432</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,024,107)	(397,390)	-	(6,421,497)
Infrastructure	(18,222,049)	(728,055)	-	(18,950,104)
Machinery and equipment	(2,870,087)	(270,760)	-	(3,140,847)
Vehicles	(287,705)	(75,239)	10,848	(352,096)
Total accumulated depreciation	<u>(27,403,948)</u>	<u>(1,471,444)</u>	<u>10,848</u>	<u>(28,864,544)</u>
Total capital assets being depreciated, net	<u>50,779,207</u>	<u>833,681</u>	<u>-</u>	<u>51,612,888</u>
Business-type activities capital assets, net	<u>\$ 53,828,315</u>	<u>\$ 833,681</u>	<u>\$ (346,000)</u>	<u>\$ 54,315,996</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities - Water:</u></i>				
Capital assets not being depreciated:				
Land	\$ 2,604,452	\$ -	\$ -	\$ 2,604,452
Construction in progress	346,000	-	(346,000)	-
Total capital assets not being depreciated	<u>2,950,452</u>	<u>-</u>	<u>(346,000)</u>	<u>2,604,452</u>
Capital assets being depreciated:				
Buildings and improvements	17,870,083	-	-	17,870,083
Infrastructure	26,360,456	870,700	-	27,231,156
Machinery and equipment	7,398,986	271,500	-	7,670,486
Vehicles	317,848	154,000	(10,848)	461,000
Total capital assets being depreciated	<u>51,947,373</u>	<u>1,296,200</u>	<u>(10,848)</u>	<u>53,232,725</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,351,456)	(354,960)	-	(5,706,416)
Infrastructure	(10,534,676)	(377,283)	-	(10,911,959)
Machinery and equipment	(2,526,545)	(247,767)	-	(2,774,312)
Vehicles	(97,932)	(36,302)	10,848	(123,386)
Total accumulated depreciation	<u>(18,510,609)</u>	<u>(1,016,312)</u>	<u>10,848</u>	<u>(19,516,073)</u>
Total capital assets being depreciated, net	<u>33,436,764</u>	<u>279,888</u>	<u>-</u>	<u>33,716,652</u>
Water capital assets, net	<u>\$ 36,387,216</u>	<u>\$ 279,888</u>	<u>\$ (346,000)</u>	<u>\$ 36,321,104</u>
<i><u>Business-Type Activities - Sewer:</u></i>				
Capital assets not being depreciated:				
Land	\$ 98,656	\$ -	\$ -	\$ 98,656
Total capital assets not being depreciated	<u>98,656</u>	<u>-</u>	<u>-</u>	<u>98,656</u>
Capital assets being depreciated:				
Buildings and improvements	2,010,378	-	-	2,010,378
Infrastructure	23,227,040	1,008,925	-	24,235,965
Machinery and equipment	642,864	-	-	642,864
Vehicles	355,500	-	-	355,500
Total capital assets being depreciated	<u>26,235,782</u>	<u>1,008,925</u>	<u>-</u>	<u>27,244,707</u>
Less accumulated depreciation for:				
Buildings and improvements	(672,651)	(42,430)	-	(715,081)
Infrastructure	(7,687,373)	(350,772)	-	(8,038,145)
Machinery and equipment	(343,542)	(22,993)	-	(366,535)
Vehicles	(189,773)	(38,937)	-	(228,710)
Total accumulated depreciation	<u>(8,893,339)</u>	<u>(455,132)</u>	<u>-</u>	<u>(9,348,471)</u>
Total capital assets being depreciated, net	<u>17,342,443</u>	<u>553,793</u>	<u>-</u>	<u>17,896,236</u>
Sewer capital assets, net	<u>\$ 17,441,099</u>	<u>\$ 553,793</u>	<u>\$ -</u>	<u>\$ 17,994,892</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 208,625
Public safety	354,636
Education	1,424,900
Public works	1,292,265
Health and human services	9,234
Culture and recreation	72,711
Total Governmental Activities	<u>\$ 3,362,371</u>

Business-Type Activities:

Water	\$ 1,016,312
Sewer	455,132
Total Business-Type Activities	<u>\$ 1,471,444</u>

E. Temporary Debt

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

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes (RANS or 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 Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively. Temporary notes outstanding at June 30, 2011, 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	2.00%	Matured	\$ 3,032,500	\$ -	\$ (3,032,500)	\$ -
Total Governmental Notes			<u>\$ 3,032,500</u>	<u>\$ -</u>	<u>\$ (3,032,500)</u>	<u>\$ -</u>
Total Business-Type Notes			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Notes Payable			<u>\$ 3,032,500</u>	<u>\$ -</u>	<u>\$ (3,032,500)</u>	<u>\$ -</u>

F. Long-Term Obligations

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 a 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, a town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

During fiscal year 2011, the Town issued \$1,150,000 of general obligation bonds. The proceeds of these bonds were used to provide permanent financing for school roof repairs (\$200,000), road construction (\$200,000) and construction of a water treatment plant (\$750,000). The water debt is expected to be repaid from user fees.

Bond and Note Debt Issued - The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2011:

Description of Issue	Maturity Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities</i>						
General Obligation Bonds	2030	2.00 - 5.75%	\$ 18,221,000	\$ 400,000	\$ (1,488,000)	\$ 17,133,000
General Obligation Refunding Bonds	2016	2.00 - 3.00%	3,165,000	-	(555,000)	2,610,000
MA Water Pollution Abatement Trust Notes	2024	2.50 - 5.25%	49,077	-	(4,124)	44,953
Total Governmental Activities			<u>21,435,077</u>	<u>400,000</u>	<u>(2,047,124)</u>	<u>19,787,953</u>
<i>Business-Type Activities - Water</i>						
General Obligation Bonds	2030	2.00 - 5.00%	\$ 2,239,000	\$ 750,000	\$ (341,000)	\$ 2,648,000
General Obligation Refunding Bonds	2018	2.00 - 3.00%	2,345,000	-	(315,000)	2,030,000
MA Water Pollution Abatement Trust Notes	2022	2.50 - 5.25%	7,380,449	-	(479,669)	6,900,780
Total Water Debt			<u>11,964,449</u>	<u>750,000</u>	<u>(1,135,669)</u>	<u>11,578,780</u>
<i>Business-Type Activities - Sewer</i>						
General Obligation Bonds	2016	2.50 - 5.00%	310,000	-	(55,000)	255,000
MA Water Resources Authority Notes	2013	0.00%	170,720	-	(68,200)	102,520
MA Water Pollution Abatement Trust Notes	2020	0.00 - 5.45%	1,170,199	-	(140,774)	1,029,425
Total Sewer Debt			<u>1,650,919</u>	<u>-</u>	<u>(263,974)</u>	<u>1,386,945</u>
Total Business-Type Activities			<u>\$ 13,615,368</u>	<u>\$ 750,000</u>	<u>\$ (1,399,643)</u>	<u>\$ 12,965,725</u>
Total Bond and Note Debt			<u>\$ 35,050,445</u>	<u>\$ 1,150,000</u>	<u>\$ (3,446,767)</u>	<u>\$ 32,753,678</u>

Long-Term Liability Obligations - During the year ended June 30, 2011, 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 indebtedness	\$ 21,435,077	\$ 400,000	\$ (2,047,124)	\$ 19,787,953	\$ 1,986,124
Compensated absences, net	1,531,907	-	(218,712)	1,313,195	328,299
Other post employment benefits	5,213,820	5,184,757	(1,732,676)	8,665,901	-
Total Governmental Activities	<u>\$ 28,180,804</u>	<u>\$ 5,584,757</u>	<u>\$ (3,998,512)</u>	<u>\$ 29,767,049</u>	<u>\$ 2,314,423</u>
<i>Business-type Activities: Water</i>					
Bond and note indebtedness	\$ 11,964,449	\$ 750,000	\$ (1,135,669)	\$ 11,578,780	\$ 1,198,122
Compensated absences, net	75,730	258	-	75,988	18,997
Other post employment benefits	100,546	100,932	(33,730)	167,748	-
Total Business-type Activities: Water	<u>12,140,725</u>	<u>851,190</u>	<u>(1,169,399)</u>	<u>11,822,516</u>	<u>1,217,119</u>
<i>Business-type Activities: Sewer</i>					
Bond and note indebtedness	1,650,919	-	(263,974)	1,386,945	268,057
Compensated absences, net	17,539	-	(1,254)	16,285	4,071
Other post employment benefits	19,810	22,591	(7,550)	34,851	-
Total Business-type Activities: Sewer	<u>1,688,268</u>	<u>22,591</u>	<u>(272,778)</u>	<u>1,438,081</u>	<u>272,128</u>
Total Business-type Activities	<u>\$ 13,828,993</u>	<u>\$ 873,781</u>	<u>\$ (1,442,177)</u>	<u>\$ 13,260,597</u>	<u>\$ 1,489,247</u>
Total Long-term Obligations	<u>\$ 42,009,797</u>	<u>\$ 6,458,538</u>	<u>\$ (5,440,689)</u>	<u>\$ 43,027,646</u>	<u>\$ 3,803,670</u>

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

<i>Governmental Activities - Total Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2012	\$ 1,986,124	\$ -	\$ 1,986,124	\$ 683,428	\$ (2,167)	\$ 681,261	\$ 2,667,385
2013	1,961,124	-	1,961,124	616,775	(1,973)	614,802	2,575,926
2014	1,706,124	-	1,706,124	554,825	(4,023)	550,802	2,256,926
2015	1,636,123	-	1,636,123	502,579	(1,676)	500,903	2,137,026
2016	1,594,245	-	1,594,245	446,915	(1,460)	445,455	2,039,700
2017 - 2021	5,226,260	-	5,226,260	1,585,953	(4,098)	1,581,855	6,808,115
2012 - 2026	4,437,953	-	4,437,953	661,303	(863)	660,440	5,098,393
2027 - 2030	1,240,000	-	1,240,000	120,900	-	120,900	1,360,900
Total	\$ 19,787,953	\$ -	\$ 19,787,953	\$ 5,172,678	\$ (16,260)	\$ 5,156,418	\$ 24,944,371

<i>Business-type Activities: Water - Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2012	\$ 1,198,122	\$ (110,794)	\$ 1,087,328	\$ 466,271	\$ (219,699)	\$ 246,572	\$ 1,333,900
2013	1,212,168	(118,551)	1,093,617	424,286	(206,751)	217,535	1,311,152
2014	1,222,623	(139,780)	1,082,843	340,645	(157,174)	183,471	1,266,314
2015	1,212,600	(150,083)	1,062,517	291,174	(136,703)	154,471	1,216,988
2016	1,174,600	(158,763)	1,015,837	244,176	(119,614)	124,562	1,140,399
2017 - 2021	4,251,532	(892,868)	3,358,664	648,524	(376,604)	271,920	3,630,584
2022 - 2024	1,307,135	(400,175)	906,960	65,785	(55,302)	10,483	917,443
Total	\$ 11,578,780	\$ (1,971,014)	\$ 9,607,766	\$ 2,480,861	\$ (1,271,847)	\$ 1,209,014	\$ 10,816,780

<i>Business-type Activities: Sewer - Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2012	\$ 268,057	\$ (40,311)	\$ 227,746	\$ 61,030	\$ (36,197)	\$ 24,833	\$ 252,579
2013	212,825	(25,879)	186,946	79,415	(48,655)	30,760	217,706
2014	207,435	(41,808)	165,627	44,694	(28,582)	16,112	181,739
2015	202,148	(42,893)	159,255	35,048	(24,085)	10,963	170,218
2016	206,977	(44,553)	162,424	24,151	(18,345)	5,806	168,230
2017 - 2019	289,503	(78,611)	210,892	17,981	(17,179)	802	211,694
Total	\$ 1,386,945	\$ (274,055)	\$ 1,112,890	\$ 262,319	\$ (173,043)	\$ 89,276	\$ 1,202,166

<i>Business-type Activities - Total Bond and Note Indebtedness</i>							
Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2012	\$ 1,466,179	\$ (151,105)	\$ 1,315,074	\$ 527,301	\$ (255,896)	\$ 271,405	\$ 1,586,479
2013	1,424,993	(144,430)	1,280,563	503,701	(255,406)	248,295	1,528,858
2014	1,430,058	(181,588)	1,248,470	385,339	(185,756)	199,583	1,448,053
2015	1,414,748	(192,976)	1,221,772	326,222	(160,788)	165,434	1,387,206
2016	1,381,577	(203,316)	1,178,261	268,327	(137,959)	130,368	1,308,629
2017 - 2021	4,541,035	(971,479)	3,569,556	666,505	(393,783)	272,722	3,842,278
2022 - 2024	1,307,135	(400,175)	906,960	65,785	(55,302)	10,483	917,443
Total	\$ 12,965,725	\$ (2,245,069)	\$ 10,720,656	\$ 2,743,180	\$ (1,444,890)	\$ 1,298,290	\$ 12,018,946

Authorized and Unissued Debt - At June 30, 2011, the Town had authorized and unissued debt as follows:

Project	Amount	Project	Amount
<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
School equipment	\$ 535,000	Water storage tank	\$ 2,085,000
School building renovations	355,000	Water various	50,000
Road improvements	200,000	Sewer I/I - phase IV	178,200
Animal control kennel/shelter	85,000	Sewer planning	10,000
		Sewer various	80,000
Total Governmental Activities	\$ 1,175,000	Total Business-Type Activities	\$ 2,403,200
Total Authorized and Unissued Debt	\$ 3,578,200		

III. Other Information

A. Retirement System

System Description – The Town contributes to the Norfolk County Retirement System (the “System”), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and is administered by Norfolk County 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 an unaudited publicly available financial report, which is available at the Norfolk County Retirement System, 480 Neponset Street, Building 15, Canton, MA 02021.

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, 2011, 2010, and 2009 were \$2,916,020; \$2,810,876 and \$2,638,256, respectively. These contributions were equal to the required contribution for each year as set by the Board. Schedules of funding progress and contribution funding are included as required supplementary information.

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the School Department participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$5,854,800 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. Other Post Employment Benefits (OPEB)

Plan Description – The Town administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries 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 self-funded insurance program described previously. 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 672 active employees and 456 retired employees for a total of 1,128.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 25% of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the Town.

The Retirees also contribute 50% towards life insurance premiums (face value is \$5,000), while the Town contributes the remainder. 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)	\$ 5,308,280
Contributions made	<u>(1,773,956)</u>
Increase in net OPEB obligation	3,534,324
Net OPEB obligation at beginning of year	<u>5,334,176</u>
Net OPEB obligation at end of year	<u>\$ 8,868,500</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, 2009*	\$ 4,044,061	35.4%	\$ 2,611,792
June 30, 2010	\$ 4,260,533	36.1%	\$ 5,334,176
June 30, 2011	\$ 5,308,280**	33.4%	\$ 8,868,500

* Transition year.

** Reflected in the Statement of Activities as follows:

The AOPEBC at June 30, 2011 was charged to the following functional programs: General Government \$284,859; Public Safety \$897,342; Education \$3,623,296; Public Works \$183,787; Health and Human Services \$79,385; Culture and Recreation \$116,088; Water \$100,932; and Sewer \$22,591.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2011, the most recent actuarial valuation performed as of July 1, 2010, was as follows (in millions):

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)
\$ -	\$66.7	\$66.7	0.0%	\$43.1	155%

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. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

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:

Valuation date:	July 1, 2010
Actuarial cost method:	Projected Unit Credit Method
Amortization method:	Level percent of pay assuming 4.5% increasing, open basis, 30 year rolling
Remaining amortization period:	30 years as of July 1, 2010
Interest discount rate:	3.5 percent
Healthcare/Medical cost trend rate:	7.5 percent grading down to 5 percent in year 2015 and thereafter

D. 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 amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is a part of a premium-based self-insurance group which insures for worker's compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association (MIIA). The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town's experience history.

E. Commitments and Contingencies

The Town is party to other 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, 2011, 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, 2011.

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.

In addition, 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.

The Town has entered into contracts for the construction of a new library. The estimated cost of construction is estimated to be approximately \$9,100,000 with approximately \$5,400,000 completed as of June 30, 2011.

IV. Implementation of New GASB pronouncements

A. Current Year Implementations

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to alter the focus and to bring greater clarity and consistency to fund balance reporting and terminology used to report fund balance in governmental funds. GASB 54 is effective for periods beginning after June 15, 2010. The adoption of GASB 54 had a material impact on the Town's fund balance reporting. Stabilization Fund is now reported in the General Fund and terminology for all other funds was amended to conform to GASB 54 requirements.

In June 2010, the GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of GASB 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of GASB 59 are effective for financial statements for periods beginning after June 15, 2010. The adoption of GASB 59 did not have a material impact on the Town's financial position or its results from operations.

B. Future Implementations

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 2013). Statement 57 addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The Town does not expect that the adoption of GASB 57 will have a material effect on its financial statements.

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 is currently evaluating whether its adoption will have a material impact on the 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 Pronouncements*. 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 its 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.

V. Prior Period Restatements

The prior period ending general fund balance was increased by \$1,353,634 and the prior period ending stabilization fund balance was reduced by this amount. This was done to reflect the effects of implementing GASB 54.

TOWN OF WALPOLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

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	\$ 600,790,835	\$ 1,001,881,055	\$ 401,090,220	60.0%	\$ 223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	233,814,977	133.3%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%

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)
7/1/2010	\$ -	\$ 66,672,750	\$ 66,672,750	0.0%	\$ 43,109,910	154.7%
7/1/2008	-	49,374,785	49,374,785	0.0%	40,394,469	122.2%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended June 30,	Norfolk County Retirement System			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2011	\$ 39,749,857	\$ 39,749,857	100%	\$ 2,916,020	7.3%
2010	41,242,373	41,242,373	100%	2,810,876	6.8%
2009	38,920,499	38,920,499	100%	2,638,256	6.8%

Other Post Employment Benefits

Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed
2011	\$ 5,308,280	\$ 1,773,956	33.4%
2010	4,260,533	1,538,149	36.1%
2009	4,044,061	1,432,269	35.4%

See accompanying independent auditor's report.

TOWN OF WALPOLE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
REVENUES						
Real estate and personal property taxes, net	\$ 50,541,854	\$ 50,393,262	\$ 49,938,628	\$ -	\$ 49,938,628	\$ (454,634)
Intergovernmental	9,686,486	9,686,486	10,084,601	-	10,084,601	398,115
Motor vehicle and other excises	3,290,000	3,290,000	3,110,214	-	3,110,214	(179,786)
License and permits	635,000	635,000	658,972	-	658,972	23,972
Departmental and other revenue	325,000	325,000	497,726	-	497,726	172,726
Penalties and interest on taxes	160,000	160,000	201,876	-	201,876	41,876
Fines and forfeitures	60,000	60,000	69,848	-	69,848	9,848
Investment income	86,000	86,000	38,130	-	38,130	(47,870)
Total Revenues	<u>64,784,340</u>	<u>64,635,748</u>	<u>64,599,995</u>	<u>-</u>	<u>64,599,995</u>	<u>(35,753)</u>
EXPENDITURES						
General government	2,820,868	3,020,517	2,695,598	199,275	2,894,873	125,644
Public safety	7,664,348	7,888,262	7,622,993	174,781	7,797,774	90,488
Education	32,762,898	33,562,575	33,326,401	222,048	33,548,449	14,126
Public works	6,518,837	7,149,113	6,280,747	942,895	7,223,642	(74,529)
Health and human services	497,606	499,119	491,447	1,270	492,717	6,402
Culture and recreation	1,384,425	1,495,625	1,341,975	123,777	1,465,752	29,873
State and county tax assessments	1,088,813	1,088,813	1,039,653	-	1,039,653	49,160
Pension and other fringe benefits	12,013,904	11,670,867	11,452,040	18,890	11,470,930	199,937
Debt service	2,991,140	2,836,040	2,805,839	-	2,805,839	30,201
Total Expenditures	<u>67,742,839</u>	<u>69,210,931</u>	<u>67,056,693</u>	<u>\$ 1,682,936</u>	<u>68,739,629</u>	<u>471,302</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,745,997	1,818,997	1,824,723	-	1,824,723	5,726
Transfers out	-	(128,000)	(128,000)	-	(128,000)	-
Total Other Financing Sources (Uses)	<u>1,745,997</u>	<u>1,690,997</u>	<u>1,696,723</u>	<u>-</u>	<u>1,696,723</u>	<u>5,726</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(1,212,502)</u>	<u>(2,884,186)</u>	<u>\$ (759,975)</u>	<u>-</u>	<u>\$ (2,442,911)</u>	<u>\$ 441,275</u>
Other budgetary items:						
Undesignated surplus (free cash)	-	1,671,684	-	-	-	-
Overlay	170,000	170,000	-	-	-	-
Prior year encumbrances	1,042,502	1,042,502	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.
 See accompanying notes to required supplementary information.

TOWN OF WALPOLE, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

I. Budgetary Basis of Accounting

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

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2011, Town Meeting approved approximately \$1.5 million in supplemental budgetary appropriations, primarily for education, public safety, public works, culture and recreation and general governmental expenditures.

The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by 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 of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2011, is as follows:

Net change in fund balance, budgetary basis	\$ 759,975
<i>Basis of accounting differences:</i>	
Revenue for on-behalf pension payment	5,854,800
Expenditure for on-behalf pension payment	(5,854,800)
<i>Perspective difference:</i>	
Stabilization activity	(4,134)
Net change in fund balance, GAAP basis	<u>\$ 755,841</u>

Appropriation Deficits – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for the snow removal appropriation by \$380,762. This over-expenditure will be funded through available funds during fiscal year 2012.