TOWN OF DOUGLAS, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2012

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MH&Co

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Douglas, 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 Douglas, Massachusetts, as of June 30, 2012, and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Douglas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Douglas, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated November 28, 2012 on our consideration of Town of Douglas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the Schedule of Funding Progress – OPEB be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 evidence sufficient to express an opinion or provide any assurance.

Melanson, Heath + Company P.C.

Andover, Massachusetts
November 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include water/sewer, and transfer station activities.

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water/sewer and transfer station operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/sewer and transfer station operations, both of which are considered to be major funds.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by $ 38,793,339 (i.e., net assets), a change of $ 156,112 in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of $ 18,691,118, a change of $ 15,525,943 in comparison to the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $ 550,231, a change of $ (67,216) in comparison to the prior year.

- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was $ 29,817,408, a change of $ 13,509,946 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 22,481	$ 13,797	$ 1,515	$ 1,502	$ 23,996	$ 15,299
Capital assets	41,498	35,693	10,187	10,519	51,685	46,212
Total assets	63,979	49,490	11,702	12,021	75,681	61,511
Long-term liabilities outstanding	27,242	12,487	4,883	5,455	32,125	17,942
Other liabilities	4,264	4,311	499	621	4,763	4,932
Total liabilities	31,506	16,798	5,382	6,076	36,888	22,874
Net assets:						
Invested in capital assets, net	31,256	24,599	4,972	4,637	36,228	29,236
Restricted	1,326	1,399	-	-	1,326	1,399
Unrestricted	(109)	6,694	1,348	1,308	1,239	8,002
Total net assets	$ 32,473	$ 32,692	$ 6,320	$ 5,945	$ 38,793	$ 38,637

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 1,369	$ 990	$ 1,405	$ 1,345	$ 2,774	$ 2,335
Operating grants and contributions	11,602	11,640	-	-	11,602	11,640
Capital grants and contributions	1,286	178	-	-	1,286	178
General revenues:						
Property taxes	11,897	11,395	-	-	11,897	11,395
Excises	955	973	-	-	955	973
Penalties and interest on taxes	153	142	-	-	153	142
Grants and contributions not restricted to specific programs	943	903	-	-	943	903
Investment income	83	30	4	4	87	34
Other	332	235	74	7	406	242
Total revenues	28,620	26,486	1,483	1,356	30,103	27,842
Expenses:						
General government	1,542	1,558	-	-	1,542	1,558
Public safety	2,475	2,396	-	-	2,475	2,396
Education	17,280	17,113	-	-	17,280	17,113
Public works	952	1,076	-	-	952	1,076
Human services	313	283	-	-	313	283
Culture and recreation	269	260	-	-	269	260
Employee benefits	4,292	3,893	-	-	4,292	3,893
Intergovernmental	248	233	-	-	248	233
Interest on long-term debt	1,145	474	-	-	1,145	474
Miscellaneous	15	-	-	-	15	-
Water/sewer operations	-	-	1,198	1,233	1,198	1,233
Transfer station	-	-	218	243	218	243
Total expenses	28,531	27,286	1,416	1,476	29,947	28,762
Change in net assets before transfers	89	(800)	67	(120)	156	(920)
Transfers in (out)	(308)	(318)	308	318	-	-
Change in net assets	(219)	(1,118)	375	198	156	(920)
Net assets - beginning of	32,692	33,810	5,945	5,747	38,637	39,557
Net assets - end of year	$ 32,473	$ 32,692	$ 6,320	$ 5,945	$ 38,793	$ 38,637

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were $ 38,793,339, a change of $ 156,112 from the prior year.

The largest portion of net assets $ 36,227,754 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets $ 1,325,878 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets $ 1,239,707 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of $ (218,730). Key elements of this change are as follows:

General fund operating results	$	673,214
Elementary capital project fund deficit - accrual basis		(3,869,364)
Middle school capital project fund - accrual basis		1,598,198
Nonmajor funds - operating results		(42,903)
Excess depreciation over principal maturities, a budgeted expense		8,501,365
Other post employment benefits liability		(804,553)
Other GAAP accruals		(6,274,687)
Total	$	(218,730)

Business-type activities. Business-type activities for the year resulted in a change in net assets of $ 374,842. Key elements of this change are as follows:

Water/sewer operations	$	320,762
Transfer station operations		54,080
Total	$	374,842

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $ 18,691,118, a change of $ 15,525,943 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	$	673,214
Elementary capital project fund operating results		15,005,105
Middle school capital project fund operating results		(109,473)
Nonmajor funds operating results		(42,903)
Total	$	15,525,943

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $ 550,231, while total fund balance was $ 3,051,298. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

General Fund		6/30/12		6/30/11		Change	% of Total General Fund Expenditures
Unassigned fund balance	$	550,231	$	617,447	$	(67,216)	2.2%
Total fund balance	$	3,051,298	$	2,378,084	$	673,214	12.5%

The total fund balance of the general fund changed by $ 673,214 during the current fiscal year. Key factors in this change are as follows:

Excess of state and local revenues over budget	$	716,211
Budgetary appropriation surplus		136,995
Excess tax collections over budget		(29,894)
Excess of prior year encumbrances spent in the current year over current year encumbrances to be spent in the subsequent year		85,915
Use of free cash		(248,620)
Change in stabilization balance		12,607
Total	$	673,214

Included in the total general fund balance is the Town's stabilization account with the following balances:

	6/30/12	6/30/11	Change
General stabilization	$ 1,299,391	$ 1,286,784	$ 12,607

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to $ 1,348,564, a change of $ 40,645 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of $ 44,630. Major reasons for these amendments include:

- $ 9,530 Public Works – including snow and ice and street lighting
- $ (16,582) Various General Government lines were reduced
- $ 25,950 Veteran's benefits – increase in veteran's benefits
- $ 68,032 Employee benefits increase due to current year increase in costs
- $ (42,300) Education reduction in Norfolk County Association

Of this increase, $ 44,630 was funded from supplemental Commonwealth of Massachusetts funding.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to $ 51,684,715 (net of accumulated depreciation), a change of $ 5,472,891 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- $ 4,850,531 of construction in progress on the elementary school
- $ 1,707,671 of construction in progress on the middle school

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was $ 29,817,408, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Office of the Town Accountant

Town of Douglas

29 Depot Street

Douglas, MA 01516

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	$ 19,667,605	$ 1,396,900	$ 21,064,505
Investments	1,298,028	-	1,298,028
Receivables, net of allowance for uncollectibles:			
Property taxes	305,282	-	305,282
Excises	69,739	-	69,739
User fees	-	118,692	118,692
Departmental and other	266,186	-	266,186
Intergovernmental	317,788	-	317,788
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	556,935	-	556,935
Capital assets:			
Land and construction in progress	14,074,332	401,122	14,475,454
Other capital assets, net of accumulated depreciation	27,423,390	9,785,871	37,209,261
TOTAL ASSETS	63,979,285	11,702,585	75,681,870
LIABILITIES			
Current:			
Warrants payable	1,239,989	35,740	1,275,729
Accrued liabilities	1,189,546	42,680	1,232,226
Tax refunds payable	110,715	-	110,715
Other current liabilities	200,282	-	200,282
Current portion of long-term liabilities:			
Bonds payable	1,492,490	420,777	1,913,267
Landfill	12,200	-	12,200
Compensated absence	4,353	-	4,353
Bond premium	23,784	-	23,784
Noncurrent:			
Bonds payable, net of current portion	23,109,584	4,794,557	27,904,141
Landfill, net of current portion	97,600	-	97,600
Compensated absence, net of current portion	82,698	-	82,698
Bond premium	451,903	-	451,903
Accrued other post employment benefits	3,491,025	88,608	3,579,633
TOTAL LIABILITIES	31,506,169	5,382,362	36,888,531
NET ASSETS			
Invested in capital assets, net of related debt	31,256,095	4,971,659	36,227,754
Restricted for:			
Grants and other statutory restrictions	1,211,470	-	1,211,470
Permanent funds:			
Nonexpendable	27,502	-	27,502
Expendable	86,906	-	86,906
Unrestricted	(108,857)	1,348,564	1,239,707
TOTAL NET ASSETS	$ 32,473,116	$ 6,320,223	$ 38,793,339

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

		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
Governmental Activities:							
General government	$ 1,541,670	$ 90,337	$ 444,272	$ -	$ (1,007,061)	$ -	$ (1,007,061)
Public safety	2,474,939	563,910	56,766	-	(1,854,263)	-	(1,854,263)
Education	17,279,634	465,180	10,995,605	1,245,410	(4,573,439)	-	(4,573,439)
Public works	952,145	239,770	79,565	40,353	(592,457)	-	(592,457)
Health and human services	312,692	9,842	6,856	-	(295,994)	-	(295,994)
Culture and recreation	268,647	-	18,653	-	(249,994)	-	(249,994)
Employee benefits	4,292,286	-	-	-	(4,292,286)	-	(4,292,286)
Interest	1,144,850	-	-	-	(1,144,850)	-	(1,144,850)
Intergovernmental	248,653	-	-	-	(248,653)	-	(248,653)
Miscellaneous	15,480	-	-	-	(15,480)	-	(15,480)
Total Governmental Activities	28,530,996	1,369,039	11,601,717	1,285,763	(14,274,477)	-	(14,274,477)
Business-Type Activities:							
Water/Sewer services	1,197,681	1,142,493	-	-	-	(55,188)	(55,188)
Transfer station services	218,549	262,519	-	-	-	43,970	43,970
Total Business-Type Activities	1,416,230	1,405,012	-	-	-	(11,218)	(11,218)
Total	$ 29,947,226	$ 2,774,051	$ 11,601,717	$ 1,285,763	(14,274,477)	(11,218)	(14,285,695)
		General Revenues and Transfers:					
		Property taxes			11,897,014	-	11,897,014
		Excises			955,476	-	955,476
		Penalties, interest and other taxes			152,819	-	152,819
		Grants and contributions not restricted to specific programs			942,955	-	942,955
		Investment income			83,568	3,880	87,448
		Miscellaneous			331,788	74,307	406,095
		Transfers, net			(307,873)	307,873	-
		Total general revenues and transfers			14,055,747	386,060	14,441,807
		Change in Net Assets			(218,730)	374,842	156,112
		Net Assets:					
		Beginning of year			32,691,846	5,945,381	38,637,227
		End of year			$ 32,473,116	$ 6,320,223	$ 38,793,339

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	General	Capital Project Elementary Construction	Capital Project Middle School Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	$ 2,868,919	$ 15,085,412	$ 387,396	$ 1,325,878	$ 19,667,605
Investments	1,298,028	-	-	-	1,298,028
Receivables:					
Property taxes	975,245	-	-	-	975,245
Excises	108,426	-	-	-	108,426
Departmental and other	155	-	-	374,752	374,907
Intergovernmental	73,299	-	-	241,165	314,464
Due from other funds	-	-	-	3,323	3,323
TOTAL ASSETS	$ 5,324,072	$ 15,085,412	$ 387,396	$ 1,945,118	$ 22,741,998
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	$ 63,010	$ 1,112,364	$ -	$ 64,615	$ 1,239,989
Accrued liabilities	812,286	-	-	-	812,286
Deferred revenues	1,086,481	-	-	601,127	1,687,608
Tax refunds payable	110,715	-	-	-	110,715
Other liabilities	200,282	-	-	-	200,282
TOTAL LIABILITIES	2,272,774	1,112,364	-	665,742	4,050,880
Fund Balances:					
Nonspendable	-	-	-	27,502	27,502
Restricted	-	13,973,048	75,000	1,471,645	15,519,693
Committed	1,299,391	-	312,396	-	1,611,787
Assigned	1,201,676	-	-	-	1,201,676
Unassigned	550,231	-	-	(219,771)	330,460
TOTAL FUND BALANCES	3,051,298	13,973,048	387,396	1,279,376	18,691,118
TOTAL LIABILITIES AND FUND BALANCES	$ 5,324,072	$ 15,085,412	$ 387,396	$ 1,945,118	$ 22,741,998

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

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

JUNE 30, 2012

Total governmental fund balances	$ 18,691,118
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,497,722
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,427,171
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(377,258)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(28,765,637)
Net assets of governmental activities	$ 32,473,116

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	General	Capital Project Elementary Construction	Capital Project Middle School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	$ 11,870,520	$ -	$ -	$ -	$ 11,870,520
Excises	955,251	-	-	2,696	957,947
Penalties, interest and other taxes	152,819	-	-	-	152,819
Charges for services	102,491	-	-	782,306	884,797
Intergovernmental	11,033,215	1,512,275	5,408,410	2,098,314	20,052,214
Licenses and permits	130,318	-	-	-	130,318
Fines and forfeitures	28,900	-	-	311	29,211
Investment income	82,630	-	-	938	83,568
Miscellaneous	94,453	-	-	148,286	242,739
Total Revenues	24,450,597	1,512,275	5,408,410	3,032,851	34,404,133
Expenditures:					
Current:					
General government	1,490,008	-	-	-	1,490,008
Public safety	2,398,351	-	-	26,267	2,424,618
Education	13,702,017	6,558,202	5,111,210	120,021	25,491,450
Public works	703,009	-	-	2,332,740	3,035,749
Health and human services	249,718	-	-	204,379	454,097
Culture and recreation	214,641	-	45,385	62,975	323,001
Employee benefits	3,732,461	-	-	44,481	3,776,942
Miscellaneous	205	-	-	12,562	12,767
Debt service	1,773,444	-	-	15,275	1,788,719
Intergovernmental	248,653	-	-	-	248,653
Total Expenditures	24,512,507	6,558,202	5,156,595	2,818,700	39,046,004
Excess (deficiency) of revenues over expenditures	(61,910)	(5,045,927)	251,815	214,151	(4,641,871)
Other Financing Sources (Uses):					
Proceeds of bonds	-	20,000,000	-	-	20,000,000
Bond premium	475,687	-	-	-	475,687
Transfers in	567,310	51,032	-	-	618,342
Transfers out	(307,873)	-	(361,288)	(257,054)	(926,215)
Total Other Financing Sources (Uses)	735,124	20,051,032	(361,288)	(257,054)	20,167,814
Change in fund balance	673,214	15,005,105	(109,473)	(42,903)	15,525,943
Fund Equity, at Beginning of Year, as restated	2,378,084	(1,032,057)	496,869	1,322,279	3,165,175
Fund Equity, at End of Year	$ 3,051,298	$ 13,973,048	$ 387,396	$ 1,279,376	$ 18,691,118

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 15,525,943
• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay purchases	6,984,748
Depreciation	(1,179,864)
• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	(5,915,416)
• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Issuance of debt	(23,725,000)
Repayments of debt	9,681,229
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(287,634)
• Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(1,302,736)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (218,730)

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues and Other Sources:				
Taxes	$ 11,900,414	$ 11,900,414	$ 11,900,414	$ -
Excise	929,293	929,293	955,251	25,958
Penalties, interest and other taxes	120,000	120,000	152,819	32,819
Charges for services	96,385	96,385	102,491	6,106
Intergovernmental	9,742,536	9,787,166	9,802,457	15,291
Licenses and permits	95,600	95,600	130,318	34,718
Fines and forfeits	20,000	20,000	28,900	8,900
Investment income	19,000	19,000	70,280	51,280
Miscellaneous	29,000	29,000	94,452	65,452
Transfers in	567,054	567,054	567,054	-
Use of free cash	248,620	248,620	248,620	-
Other sources	-	-	475,687	475,687
Total Revenues and Other Sources	23,767,902	23,812,532	24,528,743	716,211
Expenditures and Other Uses:				
General government	1,552,089	1,535,507	1,483,224	52,283
Public safety	2,487,188	2,487,188	2,470,233	16,955
Education	12,528,488	12,486,188	12,477,533	8,655
Public works	712,248	721,778	702,227	19,551
Health and human services	227,794	253,744	249,718	4,026
Culture and recreation	217,244	217,244	214,641	2,603
Debt service	2,081,320	2,081,320	2,081,317	3
Intergovernmental	257,257	257,257	248,653	8,604
Employee benefits	3,704,069	3,772,101	3,747,786	24,315
Miscellaneous	205	205	205	-
Total Expenditures and Other Uses	23,767,902	23,812,532	23,675,537	136,995
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ -	$ -	$ 853,206	$ 853,206

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
ASSETS			
Current:			
Cash and short-term investments	$ 1,192,207	$ 204,693	$ 1,396,900
User fees, net of allowance for uncollectibles	118,692	-	118,692
Total current assets	1,310,899	204,693	1,515,592
Noncurrent:			
Capital assets:			
Land and construction in progress	389,384	11,738	401,122
Other capital assets, net of accumulated depreciation	9,781,409	4,462	9,785,871
Total noncurrent assets	10,170,793	16,200	10,186,993
TOTAL ASSETS	11,481,692	220,893	11,702,585
LIABILITIES			
Current:			
Warrants payable	19,193	16,547	35,740
Accrued liabilities	42,680	-	42,680
Current portion of long-term liabilities:			
Bonds payable	420,777	-	420,777
Total current liabilities	482,650	16,547	499,197
Noncurrent:			
Bonds payable, net of current portion	4,794,557	-	4,794,557
Accrued other post employement benefits	88,608	-	88,608
Total noncurrent liabilities	4,883,165	-	4,883,165
TOTAL LIABILITIES	5,365,815	16,547	5,382,362
NET ASSETS			
Invested in capital assets, net of related debt	4,955,459	16,200	4,971,659
Unrestricted	1,160,418	188,146	1,348,564
TOTAL NET ASSETS	$ 6,115,877	$ 204,346	$ 6,320,223

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
Operating Revenues:			
Charges for services	$ 1,142,493	$ 262,519	$ 1,405,012
Other	64,830	9,477	74,307
Total Operating Revenues	1,207,323	271,996	1,479,319
Operating Expenses:			
Operating expenses	711,706	218,291	929,997
Depreciation	331,735	258	331,993
Total Operating Expenses	1,043,441	218,549	1,261,990
Operating Income (Loss)	163,882	53,447	217,329
Nonoperating Revenues (Expenses):			
Investment income	3,247	633	3,880
Interest expense	(154,240)	-	(154,240)
Total Nonoperating Revenues (Expenses), Net	(150,993)	633	(150,360)
Income (Loss) Before Transfers	12,889	54,080	66,969
Transfers:			
Transfers in	307,873	-	307,873
Change in Net Assets	320,762	54,080	374,842
Net Assets at Beginning of Year	5,795,115	150,266	5,945,381
Net Assets at End of Year	$ 6,115,877	$ 204,346	$ 6,320,223

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water/Sewer Fund	Transfer Station Fund	Total
Cash Flows From Operating Activities:			
Receipts from customers and users	$ 1,290,781	$ 271,996	$ 1,562,777
Payments to vendors and employees	(718,771)	(220,701)	(939,472)
Net Cash Provided By Operating Activities	572,010	51,295	623,305
Cash Flows From Noncapital Financing Activities:			
Transfers in	307,873	-	307,873
Net Cash Provided By Noncapital Financing Activities	307,873	-	307,873
Cash Flows From Capital and Related Financing Activities:			
Principal payments on bonds and notes	(683,826)	-	(683,826)
Interest expense	(154,240)	-	(154,240)
Net Cash (Used For) Provided By Capital and Related Financing Activities	(838,066)	-	(838,066)
Cash Flows From Investing Activities:			
Investment income	3,247	634	3,881
Net Cash Provided By Investing Activities	3,247	634	3,881
Net Change in Cash and Short-Term Investments	45,064	51,929	96,993
Cash and Short-Term Investments, Beginning of Year	1,147,143	152,764	1,299,907
Cash and Short-Term Investments, End of Year	$ 1,192,207	$ 204,693	$ 1,396,900
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Operating income (loss)	$ 163,882	$ 53,447	$ 217,329
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	331,735	258	331,993
Changes in assets and liabilities:			
User fees	83,458	-	83,458
Warrants and accounts payable	(9,107)	(2,410)	(11,517)
Accrued liabilities	(18,563)	-	(18,563)
Accrued other post employement benefits	20,605	-	20,605
Net Cash Provided By Operating Activities	$ 572,010	$ 51,295	$ 623,305

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	$ 88,858	$ 289,327
Accounts receivable	-	3,474
Total Assets	88,858	292,801
LIABILITIES AND NET ASSETS		
Warrants payable	-	5,275
Deferred revenue	-	3,474
Other liabilities	-	284,052
Total Liabilities	-	292,801
NET ASSETS		
Total net assets held in trust	$ 88,858	$ -

See notes to financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Funds
Additions:	
Interest income	$ 326
Total additions	326
Deductions:	
Education	700
Total deductions	700
Net increase	(374)
Net assets:	
Beginning of year	89,232
End of year	$ 88,858

See notes to financial statements.

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

Fund Financial Statements
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual govern-

mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *elementary school capital project* fund accounts for the operations pertaining to the construction of the elementary school.

- The *middle school capital project fund* accounts for the operations pertaining to the remodeling, reconstruction, and making extraordinary repairs of the Douglas middle school.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following major proprietary funds:

- Water/sewer operations
- Transfer station operations

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

D. *Cash and Short-Term Investments*

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

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

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. *Investments*

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

F. *Property Tax Limitations*

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of $ 7,419.

G. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $ 5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

J. Fund Equity

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

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

The Town's fund balance classification policies and procedures are as follows:

1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).

2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).

4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.

5) Unassigned funds are available to be spent in future periods.

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. *Budgetary Basis*

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

C. *Budget/GAAP Reconciliation*

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

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

General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP basis)	$ 24,450,597	$ 24,512,507
Other financing sources/uses (GAAP basis)	1,042,997	307,873
Subtotal (GAAP Basis)	25,493,594	24,820,380
Adjust tax revenue to accrual basis	29,894	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(211,081)
To book current year appropriation carryforwards	-	296,996
To record use of free cash	248,620	-
To remove unbudgeted stabilization fund	(12,607)	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(1,230,758)	(1,230,758)
Budgetary basis	$ 24,528,743	$ 23,675,537

D. *Deficit Fund Equity*

The following funds had deficits as of June 30, 2012:

Clean Energy	$ 8,000
Bulletproof Vests	5,243
State 911	441
911 Training	5,175
911 Regional	20,000
Citizens Corp Grant	483
ER Pyne Area	51
Title I	21,980
DEA Task	1,656
FEMA Irene	1,688
Chapter 90	155,054
Total	$ 219,771

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

As of June 30, 2012, none of the Town's bank balances of $ 22,462,538 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA.):

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End Aaa
Certificates of deposits	$ 698		$ -	$ 698
Mutual funds	325	N/A	325	-
Federal agency securities	275		-	275
Total investments	$ 1,298		$ 325	$ 973

B. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Federal Natl Assn Note	$ 60,199	5%
Firstbank P R Santurce	$ 95,129	7%
Florida Bk Tampa Cd	$ 110,045	8%
Wright Express Finl Svcs Corp	$ 100,208	8%
Firstbank P R Santurce	$ 151,022	12%
GE Money Bk Draper Utah	$ 150,965	12%
Federal Natl Mtg Assn	$ 215,149	17%

D. Interest Rate Risk

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

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

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1-5	N/A
Debt Related Securities:				
Certificates of deposit	$ 698	$ 608	$ 90	$ -
Mutual funds	325	-	-	325
Federal agency securities	275	-	275	-
Total	$ 1,298	$ 608	$ 365	$ 325

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy is not to invest in foreign currency investments.

5. Taxes Receivable

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

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consist of the following (in thousands):

Real Estate			
	2012	$ 335	
	2011	4	
	2010	2	
	2009	2	
	Prior	2	
			345
Personal Property			
	2012	1	
	2010	1	
	2009	1	
	Prior	8	
			11
Tax Liens			619
Total			$ 975

6. Allowance for Doubtful Accounts

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

	Governmental
Property taxes	$ 113
Excises	$ 39
Other	$ 109

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

8. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 31,836	$ -	$ -	$ 31,836
Machinery, equipment, and furnishings	6,130	277	-	6,407
Infrastructure	4,990	105	-	5,095
Total capital assets, being depreciated	42,956	382	-	43,338
Less accumulated depreciation for:				
Buildings and improvements	(9,236)	(834)	-	(10,070)
Machinery, equipment, and furnishings	(4,933)	(245)	-	(5,178)
Infrastructure	(566)	(101)	-	(667)
Total accumulated depreciation	(14,735)	(1,180)	-	(15,915)
Total capital assets, being depreciated, net	28,221	(798)	-	27,423
Capital assets, not being depreciated:				
Land	5,622	-	-	5,622
Construction in progress	1,850	6,603	-	8,453
Total capital assets, not being depreciated	7,472	6,603	-	14,075
Governmental activities capital assets, net	$ 35,693	$ 5,805	$ -	$ 41,498

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 8,057	$ -	$ -	$ 8,057
Machinery, equipment, and furnishings	65	-	-	65
Infrastructure	5,512	-	-	5,512
Total capital assets, being depreciated	13,634	-	-	13,634
Less accumulated depreciation for:				
Buildings and improvements	(1,126)	(190)	-	(1,316)
Machinery, equipment, and furnishings	(29)	(12)	-	(41)
Infrastructure	(2,361)	(130)	-	(2,491)
Total accumulated depreciation	(3,516)	(332)	-	(3,848)
Total capital assets, being depreciated, net	10,118	(332)	-	9,786
Capital assets, not being depreciated:				
Land	401	-	-	401
Total capital assets, not being depreciated	401	-	-	401
Business-type activities capital assets, net	$ 10,519	$ (332)	$ -	$ 10,187

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

Governmental Activities:	
General government	$ 31
Public safety	172
Education	805
Public works	162
Culture and recreation	10
Total depreciation expense - governmental activities	$ 1,180
Business-Type Activities:	
Water/sewer	$ 332
Total depreciation expense - business-type activities	$ 332

9. Warrants Payable

Warrants payable represent 2012 expenditures paid by July 15, 2012.

10. Deferred Revenue

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

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

11. Tax Refunds Payable

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

12. Notes Payable

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
School construction	$ 1,500	$ -	$ (1,500)	$ -
Manchaug Street sewer extension	150	-	(150)	-
Total	$ 1,650	$ -	$ (1,650)	$ -

13. Long-Term Debt

A. *General Obligation Bonds*

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

Governmental Activities:	Serial Maturities Through	Interest Rate(s) %		Amount Outstanding as of 6/30/12
Land	07/15/18	4.10%	$	105,000
Land	12/15/21	4.36%		500,000
Fire/EMS	12/15/12	4.99%		53,462
Police	07/17/12	5.63%		28,750
Post office	12/15/14	5.25%		79,862
Building remodel	07/15/13	3.94%		110,000
Elementary and middle school	11/15/32	3.93%		20,000,000
Refunding	06/01/22	1.59%		3,725,000
Total Governmental Activities:			$	24,602,074

Business-Type Activities:	Serial Maturities Through	Interest Rate(s) %		Amount Outstanding as of 6/30/12
Water tank	10/15/17	4.99%	$	1,538
Water tank refunding	01/15/17	1.78%		217,000
Water refunding	01/15/21	2.13%		85,000
Water refunding	01/15/20	2.41%		40,000
Water well refunding	01/15/14	1.63%		128,000
Manchaug sewer improvement	01/15/19	2.13%		80,000
Sewer plant	02/01/25	2.00%		4,437,228
Sewer plant	07/15/24	2.00%		226,568
Total Business-Type Activities:			$	5,215,334

B. *Future Debt Service*

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

Governmental	Principal	Interest	Total
2013	$ 1,492,490	$ 1,299,262	$ 2,791,752
2014	1,441,605	1,258,955	2,700,560
2015	1,192,979	1,222,908	2,415,887
2016	1,195,000	1,192,789	2,387,789
2017	1,230,000	1,150,389	2,380,389
2018 - 2022	6,590,000	5,127,152	11,717,152
2023 - 2027	5,135,000	2,028,825	7,163,825
2028 - 2032	6,325,000	875,175	7,200,175
Total	$ 24,602,074	$ 14,155,455	$ 38,757,529

Business-Type	Principal	Interest	Total
2013	$ 420,777	$ 147,254	$ 568,031
2014	435,034	132,383	567,417
2015	381,600	116,628	498,228
2016	390,529	101,577	492,106
2017	389,428	81,361	470,789
2018 - 2022	1,919,403	191,879	2,111,282
2023 - 2027	1,278,563	7,891	1,286,454
Total	$ 5,215,334	$ 778,973	$ 5,994,307

C. *Changes in General Long-Term Liabilities*

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

	Total Balance 7/1/11	Additions	Reductions	Defeasement of Debt	Total Balance 6/30/12	Less Current Portion	Equals Long-Term Portion 6/30/12
Governmental Activities							
Bonds payable	$ 10,558	$ 23,725	$ (6,921)	$ (2,760)	$ 24,602	$ (1,492)	$ 23,110
Other:							
Landfill closure	122	-	(12)	-	110	(12)	98
Compensated absences	52	35	-	-	87	(4)	83
Bond premium	-	476	-	-	476	(24)	452
Accrued other post-employment benefits	2,686	805	-	-	3,491	-	3,491
Totals	$ 13,418	$ 25,041	$ (6,933)	$ (2,760)	$ 28,766	$ (1,532)	$ 27,234
Business-Type Activities							
Bonds payable	$ 5,749	$ 95	$ (629)	$ -	$ 5,215	$ (421)	$ 4,794
Accrued other post-employment benefits	68	21	-	-	89	-	89
Totals	$ 5,817	$ 116	$ (629)	$ -	$ 5,304	$ (421)	$ 4,883

14. Current Refunding and Cash Defeasance

On May 9, 2012, the Town issued general obligation refunding bonds in the amount of $ 3,725,000 with fixed interest rates ranging from 2.00 percent to 3.00 percent to current refund and redeem $ 6,005,000 outstanding principal amount of the Town's $ 9,900,000 General Obligation Bonds, dated November 15, 2002, and maturing in the years 2013 through 2022, with fixed interest rates ranging from 3.90 percent to 4.50 percent. The total purchase price of the refunding bonds was $ 3,961,785; and after the payment of approximately $ 45,000 of issuance costs, the remaining bond proceeds were applied to the redemption of the refunded bonds. In addition to the proceeds of the refunding bonds, the Town applied $ 2,159,929 of available funds, received from the Massachusetts School Building Authority, towards the redemption of the refunded bonds.

All the refunded bonds were redeemed prior to June 30, 2012.

In addition, on June 28, 2012, the Town deposited $ 2,951,279 of available funds, received from the Massachusetts School Building Authority, in a refunding escrow, in accordance with a Refunding Escrow Agreement between the Town and U.S. Bank National Association dated June 28, 2012, for the purpose of cash defeasing $ 2,760,000 outstanding principal amount of the Town's $ 4,850,000 General Obligation Bonds, dated May 1, 2004, and maturing in the years 2012 through 2023, with fixed interest rates ranging from 3.75 percent to 4.625 percent. Funds from the escrow will be used to pay $ 190,000 of principal payable on July 15, 2012, and the remaining defeased aggregate principal amount of $ 2,570,000 on July 15, 2013, and accrued interest on July 15, 2012; January 15, 2013; and July 15, 2013.

Defeased principal as of June 30, 2012, is $ 2,760,000. In addition, $ 215,000 remaining outstanding principal of the 2004 bonds was not cash defeased; and the Town will continue to pay debt service thereon from revenue funds of the Town.

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The Town reported $ 109,800 as landfill closure and postclosure care liability at June 30, 2012. These amounts are based on what it would cost to perform all closure and postclosure care remaining on the closed landfill site in 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Restricted Net Assets

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

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

17. Governmental Funds - Balances

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

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

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

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

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. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds (now reported as part of the general fund per GASB 54), and various special revenue funds.

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

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2012:

	General Fund	Capital Project Elementary Construction	Capital Project Middle School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	$ -	$ -	$ -	$ 27,502	$ 27,502
Total Nonspendable	-	-	-	27,502	27,502
Restricted					
Bonded projects	-	13,973,048	75,000	-	14,048,048
Special revenue funds	-	-	-	1,384,738	1,384,738
Expendable permanent funds	-	-	-	86,907	86,907
Total Restricted	-	13,973,048	75,000	1,471,645	15,519,693
Committed					
Stabilization funds	1,299,391	-	-	-	1,299,391
Capital project funds	-	-	312,396	-	312,396
Total Committed	1,299,391	-	312,396	-	1,611,787
Assigned					
Reserved for expenditures	1,201,676	-	-	-	1,201,676
Total Assigned	1,201,676	-	-	-	1,201,676
Unassigned	550,231	-	-	(219,771)	330,460
Total Unassigned	550,231	-	-	(219,771)	330,460
Total Fund Balance	$ 3,051,298	$ 13,973,048	$ 387,396	$ 1,279,376	$ 18,691,118

18. General Fund Unassigned Fund Balance

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

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

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

GAAP basis balance	$	550,231
Tax refund estimate		110,715
Statutory (UMAS) Balance	$	660,946

19. Commitments and Contingencies

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

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

20. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2010, the actuarial valuation date, approximately 85 retirees and 251 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. *Benefits Provided*

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. *Funding Policy*

Retirees contribute 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. *Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	$ 1,263,101
Interest on net OPEB obligation	110,179
Adjustment to ARC	(188,390)
Annual OPEB cost	1,184,890
Contributions made	(359,732)
Increase in net OPEB obligation	825,158
Net OPEB obligation - beginning of year	2,754,475
Net OPEB obligation - end of year	$ 3,579,633

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	$ 1,184,890	30%	$ 3,579,633
2011	$ 1,110,768	31%	$ 2,754,475
2010	$ 1,298,000	24%	$ 1,988,000

The Town's net OPEB obligation as of June 30, 2012 is recorded as a component of the "other long-term liabilities" line item.

E. *Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	$ 10,786,564
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 10,786,564
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 13,965,267
UAAL as a percentage of covered payroll	77%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. *Actuarial Methods and Assumptions*

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

In the July 1, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 9%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 5 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

21. Pension Plan

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Midstate Office Park, Auburn, Massachusetts 01501.

A. *Plan Description*

The Town contributes to the Worcester Regional Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Midstate Office Park, Auburn, Massachusetts 01501.

B. *Funding Policy*

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$ 724,649, \$ 644,320, and \$ 650,632, respectively, which were equal to its annual required contributions for each of these years.

C. *Teachers*

As required by state statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 of the

Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The Town is not required to contribute.

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

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

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

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

In fiscal year 2012, the Commonwealth of Massachusetts contributed $ 1,230,758 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. Risk Management

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

23. Beginning Fund Balance Reclassification

The beginning (July 1, 2011) fund balances of the Town have been restated as follows:

Fund Basis Financial Statements:

	Fund Equity 6/30/11 (as previously reported)	Reclassification	Fund Equity 6/30/11 (as restated)
Nonmajor funds	$ 1,819,148	$ (496,869)	$ 1,322,279
Capital projects middle school construction	-	496,869	496,869
As restated	$ 1,819,148	$ -	$ 1,819,148

24. Implementation of New GASB Standards

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Town's actuarially accrued liability.

TOWN OF DOUGLAS, MASSACHUSETTS

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent-age of Covered Payroll [(b-a)/c]
7/1/2008	$ -	$ 11,385,000	$ 11,385,000	0%	$ 17,172,000	66%
7/1/2010	-	10,786,564	10,786,564	0%	13,965,267	77%

See Independent Auditors' Report.