

TOWN OF ASHBY, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Ashby, Massachusetts

Report on the Financial Statements

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 Ashby, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

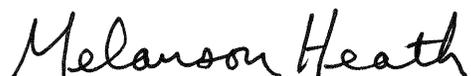
Opinions

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 Ashby, Massachusetts, as of June 30, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedule of Funding Progress 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.



December 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Ashby, we offer readers this narrative overview and analysis of the financial activities of the Town of Ashby for the fiscal year ended June 30, 2014.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, culture and recreation, employee benefits, and intergovernmental. The business-type activities include 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 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 transfer station operations, which is considered to be a major fund.

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 are 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 infor-

mation 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 \$8,503,384 (i.e., net position), an increase of \$104,273 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,466,893, an increase of \$33,913 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,279,833, an increase of \$185,758 in comparison with 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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 2,770,450	\$ 2,741,330	\$ 44,114	\$ 49,390	\$ 2,814,564	\$ 2,790,720
Capital assets	5,902,713	5,762,958	-	-	5,902,713	5,762,958
Other noncurrent assets	<u>67,318</u>	<u>57,895</u>	<u>-</u>	<u>-</u>	<u>67,318</u>	<u>57,895</u>
Total Assets	8,740,481	8,562,183	44,114	49,390	8,784,595	8,611,573
Long-term liabilities outstanding	116,405	74,915	-	-	116,405	74,915
Other liabilities	<u>163,268</u>	<u>136,804</u>	<u>1,538</u>	<u>743</u>	<u>164,806</u>	<u>137,547</u>
Total Liabilities	279,673	211,719	1,538	743	281,211	212,462
Net position:						
Invested in capital assets	5,854,238	5,762,958	-	-	5,854,238	5,762,958
Restricted	988,000	934,237	-	-	988,000	934,237
Unrestricted	<u>1,618,570</u>	<u>1,653,269</u>	<u>42,576</u>	<u>48,647</u>	<u>1,661,146</u>	<u>1,701,916</u>
Total Net Position	\$ <u>8,460,808</u>	\$ <u>8,350,464</u>	\$ <u>42,576</u>	\$ <u>48,647</u>	\$ <u>8,503,384</u>	\$ <u>8,399,111</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 196,467	\$ 197,922	\$ 24,479	\$ 26,493	\$ 220,946	\$ 224,415
Operating grants and contributions	153,831	803,259	-	-	153,831	803,259
Capital grants and contributions	105,805	517,841	-	-	105,805	517,841
General revenues:						
Property taxes	5,095,659	4,913,181	-	-	5,095,659	4,913,181
Excises	380,159	360,454	-	-	380,159	360,454
Penalties, interest and other taxes	30,721	32,763	-	-	30,721	32,763
Grants and contributions not restricted	490,486	479,067	-	-	490,486	479,067
Investment income / (loss)	18,380	(7,974)	52	58	18,432	(7,916)
Miscellaneous	9,207	-	-	-	9,207	-
Total Revenues	<u>6,480,715</u>	<u>7,296,513</u>	<u>24,531</u>	<u>26,551</u>	<u>6,505,246</u>	<u>7,323,064</u>
Expenses:						
General government	613,374	1,296,359	-	-	613,374	1,296,359
Public safety	1,083,124	1,006,889	-	-	1,083,124	1,006,889
Education	3,268,706	3,149,870	-	-	3,268,706	3,149,870
Public works	643,760	909,653	-	-	643,760	909,653
Health and human services	68,081	67,877	-	-	68,081	67,877
Culture and recreation	181,464	182,408	-	-	181,464	182,408
Employee benefits	488,008	484,680	-	-	488,008	484,680
Intergovernmental	23,854	24,180	-	-	23,854	24,180
Transfer station	-	-	30,602	25,524	30,602	25,524
Total expenses	<u>6,370,371</u>	<u>7,121,916</u>	<u>30,602</u>	<u>25,524</u>	<u>6,400,973</u>	<u>7,147,440</u>
Change in net position before transfers	110,344	174,597	(6,071)	1,027	104,273	175,624
Net position - beginning of year	<u>8,350,464</u>	<u>8,175,867</u>	<u>48,647</u>	<u>47,620</u>	<u>8,399,111</u>	<u>8,223,487</u>
Net position - end of year	<u>\$ 8,460,808</u>	<u>\$ 8,350,464</u>	<u>\$ 42,576</u>	<u>\$ 48,647</u>	<u>\$ 8,503,384</u>	<u>\$ 8,399,111</u>

As noted earlier, net position 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 position was \$8,503,384, an increase of \$104,273 from the prior year.

The largest portion of net position, \$5,854,238, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment net of a capital lease liability). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of net position, \$988,000, represents resources that are subject to external restrictions on how they may be used. The remaining balance

of unrestricted net position, \$1,661,146, may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net position of \$110,344. Key elements of this increase are as follows:

Excess of tax collections compared to budget	\$ 74,703
Excess of State and local revenues over budget	132,439
Budgetary appropriations under-expended by departments	164,073
Use of free cash as a funding source	(449,865)
Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in the subsequent year	8,092
Change in stabilization fund	50,708
Title V - major fund revenues over expenditures	768
Non-major fund revenues over expenditures	52,995
Capital asset additions funded by grants and general fund appropriations	334,128
Current year depreciation (not budgeted for) in excess of capital lease repayment (included in the budget)	(242,848)
Other timing differences	<u>(14,849)</u>
Total	<u>\$ 110,344</u>

Business-type activities. Business-type activities for the year resulted in a decrease in net position of \$(6,071), all of which was the result of expenditures in excess of user fee revenues and investment income.

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 \$2,466,893, an increase of \$33,913 in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues (see below)	\$ (19,850)
Title V major fund revenues in excess of expenses	768
Non-major governmental funds revenues in excess of expenditures	<u>52,995</u>
Total	<u>\$ 33,913</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,279,833, while total fund balance was \$1,478,893. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% of Total 2014 General Fund Expenditures</u>
General fund unassigned	\$ 527,512	\$ 392,462	\$ 135,050	8%
Stabilization	<u>752,321</u>	<u>701,613</u>	<u>50,708</u>	<u>12%</u>
Total unassigned fund balance	\$ 1,279,833	\$ 1,094,075	\$ 185,758	20%
Total fund balance	\$ 1,478,893	\$ 1,498,743	\$ (19,850)	24%

The fund balance of the general fund decreased by \$(19,850) during the current fiscal year. Key factors in this change are as follows:

Excess of tax collections compared to budget	\$ 74,703
Excess of State and local revenues over budget	132,439
Budgetary appropriations under-expended by departments	164,073
Use of free cash as a funding source	(449,865)
Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in the subsequent year	8,092
Change in stabilization fund	<u>50,708</u>
Total	\$ <u>(19,850)</u>

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 position of the enterprise funds at the end of the year amounted to \$42,576, a decrease of \$(6,071) in comparison with 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 increase in appropriations of \$158,165. Major reasons for these amendments include:

- \$88,284 Winter operations deficit
- \$20,000 Dispatch wages and benefits
- \$21,231 Transfer to stabilization fund
- \$28,650 Other increases

All of these increases were funded by free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$5,902,713 (net of accumulated depreciation), an increase of \$139,755 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:

- Depreciation expense: \$(269,288)
- Dump truck purchase: \$167,438
- Equipment purchase – various general government, public safety, public works, culture and recreation equipment: \$50,824
- Purchase of two police cruisers (through capital lease): \$74,915
- Construction of replacement bridge: \$67,792
- Wood chipper purchase: \$35,475
- Property foreclosures: \$12,599

Additional information on capital assets can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

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

Ms. Theresa Walsh
Town Accountant
Town of Ashby
895 Main Street
Ashby, MA 01431

TOWN OF ASHBY, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 1,240,991	\$ 44,114	\$ 1,285,105
Investments	1,321,100	-	1,321,100
Receivables, net of allowance for uncollectible:			
Property taxes	98,030	-	98,030
Excises	33,396	-	33,396
Intergovernmental	35,474	-	35,474
Departmental and other	41,077	-	41,077
Loans receivable	382	-	382
Noncurrent:			
Property taxes, net of allowance for uncollectible	31,450	-	31,450
Loans receivable, net of allowance for uncollectible and current portion	35,868	-	35,868
Land and construction in progress	1,747,971	-	1,747,971
Capital assets, net of accumulated depreciation	<u>4,154,742</u>	<u>-</u>	<u>4,154,742</u>
TOTAL ASSETS	8,740,481	44,114	8,784,595
LIABILITIES			
Current:			
Warrants payable	86,612	1,538	88,150
Accrued payroll and withholdings	76,656	-	76,656
Current portion of long-term liabilities:			
Capital lease	23,532	-	23,532
Landfill closure	7,000	-	7,000
Noncurrent:			
Capital lease, net of current portion	24,943	-	24,943
Landfill closure, net of current portion	<u>60,930</u>	<u>-</u>	<u>60,930</u>
TOTAL LIABILITIES	279,673	1,538	281,211
NET POSITION			
Invested in capital assets	5,854,238	-	5,854,238
Restricted for:			
Grants and other statutory restrictions	333,434	-	333,434
Permanent funds:			
Nonexpendable	473,317	-	473,317
Expendable	181,249	-	181,249
Unrestricted	<u>1,618,570</u>	<u>42,576</u>	<u>1,661,146</u>
TOTAL NET POSITION	\$ <u>8,460,808</u>	\$ <u>42,576</u>	\$ <u>8,503,384</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 613,374	\$ 30,291	\$ 61,265	\$ -	\$ (521,818)	\$ -	\$ (521,818)
Public safety	1,083,124	153,975	12,547	2,030	(914,572)	-	(914,572)
Education	3,268,706	-	215	-	(3,268,491)	-	(3,268,491)
Public works	643,760	10,569	25,083	103,775	(504,333)	-	(504,333)
Health and human services	68,081	490	45,515	-	(22,076)	-	(22,076)
Culture and recreation	181,464	1,142	9,206	-	(171,116)	-	(171,116)
Employee benefits	488,008	-	-	-	(488,008)	-	(488,008)
Intergovernmental	23,854	-	-	-	(23,854)	-	(23,854)
Total Governmental Activities	6,370,371	196,467	153,831	105,805	(5,914,268)	-	(5,914,268)
Business-Type Activities							
Transfer station	30,602	24,479	-	-	-	(6,123)	(6,123)
Total Business-Type Activities	30,602	24,479	-	-	-	(6,123)	(6,123)
Total	\$ <u>6,400,973</u>	\$ <u>220,946</u>	\$ <u>153,831</u>	\$ <u>105,805</u>	(5,914,268)	(6,123)	(5,920,391)
General Revenues and Transfers							
					5,095,659	-	5,095,659
					380,159	-	380,159
					30,721	-	30,721
					490,486	-	490,486
					18,380	52	18,432
					9,207	-	9,207
Total general revenues					<u>6,024,612</u>	<u>52</u>	<u>6,024,664</u>
Change in Net Position					110,344	(6,071)	104,273
Net Position							
Beginning of year					<u>8,350,464</u>	<u>48,647</u>	<u>8,399,111</u>
End of year					\$ <u>8,460,808</u>	\$ <u>42,576</u>	\$ <u>8,503,384</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>Title V Septic Loans</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 920,634	\$ 41,124	\$ 279,233	\$ 1,240,991
Investments	681,285	-	639,815	1,321,100
Receivables:				
Property taxes	145,277	-	-	145,277
Excises	47,331	-	-	47,331
Intergovernmental	-	-	35,474	35,474
Departmental and other	48,326	-	-	48,326
Loans	-	51,785	-	51,785
TOTAL ASSETS	\$ <u>1,842,853</u>	\$ <u>92,909</u>	\$ <u>954,522</u>	\$ <u>2,890,284</u>
LIABILITIES				
Liabilities:				
Warrants payable	\$ 78,966	\$ -	\$ 7,646	\$ 86,612
Accrued payroll and withholdings	76,656	-	-	76,656
TOTAL LIABILITIES	155,622	-	7,646	163,268
DEFERRED INFLOWS OF RESOURCES	208,338	51,785	-	260,123
FUND BALANCES				
Nonspendable	-	-	473,317	473,317
Restricted	-	41,124	456,045	497,169
Committed	78,982	-	30,336	109,318
Assigned	120,078	-	-	120,078
Unassigned	1,279,833	-	(12,822)	1,267,011
TOTAL FUND BALANCES	<u>1,478,893</u>	<u>41,124</u>	<u>946,876</u>	<u>2,466,893</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>1,842,853</u>	\$ <u>92,909</u>	\$ <u>954,522</u>	\$ <u>2,890,284</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

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

JUNE 30, 2014

Total Governmental Fund Balances	\$ 2,466,893
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,902,713
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting, net of allowance for uncollectibles, and are not deferred until collection.	207,607
<ul style="list-style-type: none">• Long-term liabilities, (landfill closure and capital lease) are not due and payable in the current period and, therefore are not reported in the governmental funds.	<u>(116,405)</u>
Net Position of Governmental Activities	<u>\$ 8,460,808</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Title V Septic Loans</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 5,095,862	\$ -	\$ -	\$ 5,095,862
Excises	394,956	-	-	394,956
Penalties, interest and other taxes	30,721	-	-	30,721
Charges for services	131,188	-	10,772	141,960
Intergovernmental	549,194	-	196,583	745,777
Licenses and permits	37,969	-	-	37,969
Fines and forfeitures	10,005	-	-	10,005
Investment income / (loss)	11,594	-	11,131	22,725
Loan repayments	-	768	-	768
Miscellaneous	-	-	9,207	9,207
	<u>6,261,489</u>	<u>768</u>	<u>227,693</u>	<u>6,489,950</u>
Expenditures				
Current:				
General government	571,893	-	8,600	580,493
Public safety	1,005,945	-	32,048	1,037,993
Education	3,268,706	-	-	3,268,706
Public works	748,743	-	118,082	866,825
Health and human services	58,896	-	9,185	68,081
Culture and recreation	115,294	-	6,783	122,077
Employee benefits	488,008	-	-	488,008
Intergovernmental	23,854	-	-	23,854
	<u>6,281,339</u>	<u>-</u>	<u>174,698</u>	<u>6,456,037</u>
Change in fund balance	(19,850)	768	52,995	33,913
Fund Equity, at Beginning of Year, as restated	<u>1,498,743</u>	<u>40,356</u>	<u>893,881</u>	<u>2,432,980</u>
Fund Equity, at End of Year	<u>\$ 1,478,893</u>	<u>\$ 41,124</u>	<u>\$ 946,876</u>	<u>\$ 2,466,893</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, 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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 33,913								
<ul style="list-style-type: none"> • 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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="width: 20%; text-align: right;">409,043</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(269,288)</td> </tr> </table> • 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 change in deferred revenue, net of allowance for uncollectibles. (21,834) • The issuance of long-term debt (e.g., capital 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 position: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital lease issuance</td> <td style="width: 20%; text-align: right;">(74,915)</td> </tr> <tr> <td>Lease repayment</td> <td style="text-align: right;">26,440</td> </tr> </table> • Some expenses reported in the statement of activities, (landfill closure liability) do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <u>6,985</u> 		Capital outlay purchases	409,043	Depreciation	(269,288)	Capital lease issuance	(74,915)	Lease repayment	26,440
Capital outlay purchases	409,043								
Depreciation	(269,288)								
Capital lease issuance	(74,915)								
Lease repayment	26,440								
Change in Net Position of Governmental Activities	\$ <u>110,344</u>								

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources				
Property taxes	\$ 5,021,159	\$ 5,021,159	\$ 5,021,159	\$ -
Excise	330,796	330,796	394,956	64,160
Penalties, interest and other taxes	25,320	25,320	30,721	5,401
Charges for services	103,650	103,650	131,188	27,538
Intergovernmental	525,195	525,195	549,194	23,999
Licenses and permits	27,000	27,000	37,969	10,969
Fines and forfeits	9,750	9,750	10,005	255
Investment income	2,000	2,000	2,117	117
Other sources	291,700	449,865	449,865	-
Total Revenues and Other Sources	6,336,570	6,494,735	6,627,174	132,439
Expenditures and Other Uses				
General government	617,390	633,020	582,685	50,335
Public safety	1,041,702	1,067,092	1,006,670	60,422
Education	3,268,706	3,268,706	3,268,706	-
Public works	634,641	758,332	742,988	15,344
Health and human services	67,011	67,011	58,896	8,115
Culture and recreation	136,689	122,111	117,624	4,487
Employee benefits	526,097	512,898	488,008	24,890
Intergovernmental	24,334	24,334	23,854	480
Other uses	20,000	41,231	41,231	-
Total Expenditures and Other Uses	6,336,570	6,494,735	6,330,662	164,073
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 296,512	\$ 296,512

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Business- Type Activities Enterprise Funds Transfer Station</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ <u>44,114</u>
TOTAL ASSETS	44,114
<u>LIABILITIES</u>	
Current:	
Warrants payable	<u>1,538</u>
TOTAL LIABILITIES	1,538
<u>NET POSITION</u>	
Unrestricted	<u>42,576</u>
TOTAL NET POSITION	\$ <u>42,576</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Business- Type Activities <u>Enterprise Funds</u> Transfer <u>Station</u>
Operating Revenues	
Charges for services	\$ <u>24,479</u>
Total Operating Revenues	24,479
Operating Expenses	
Salaries and wages	5,522
Operating expenses	<u>25,080</u>
Total Operating Expenses	<u>30,602</u>
Operating Income (Loss)	(6,123)
Nonoperating Revenues	
Investment income	<u>52</u>
Total Nonoperating Revenue	<u>52</u>
Change in Net Position	(6,071)
Net Position, at Beginning of Year	<u>48,647</u>
Net Position, at End of Year	\$ <u><u>42,576</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business- Type Activities Enterprise Funds <u>Transfer Station</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 24,479
Payments to vendors and employees	<u>(29,807)</u>
Net Cash (Used For) Operating Activities	(5,328)
<u>Cash Flows From Investing Activities</u>	
Investment income	<u>52</u>
Net Cash Provided By Investing Activities	<u>52</u>
Net Change in Cash and Short-Term Investments	(5,276)
Cash and Short Term Investments, Beginning of Year	<u>49,390</u>
Cash and Short Term Investments, End of Year	<u>\$ 44,114</u>
<u>Reconciliation of Operating (Loss) to Net Cash Provided By (Used For) Operating Activities</u>	
Operating (loss)	\$ (6,123)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Warrants payable	<u>795</u>
Net Cash Provided By Operating Activities	<u>\$ (5,328)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ 3,117
Investments	15,840
Departmental and other receivables	<u>4,369</u>
Total Assets	23,326
 <u>LIABILITIES</u>	
Warrants payable	4,009
Deposits in custody	134
Due to other governments	2,145
Other liabilities	<u>17,038</u>
Total Liabilities	<u>\$ 23,326</u>

The accompanying notes are an integral part of these financial statements.

Town of Ashby, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Ashby (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 2014, 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 are the proprietary 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, landfill closure expenditures 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 *Title V septic loans fund* accounts for the Town's Title V Septic loans and related activity.

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 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 non-operating revenues and expenses.

The government reports the following major proprietary fund:

- The *transfer station enterprise fund*, which accounts for operations of the Town's transfer station and supporting infrastructure.

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 is included under investment income. For purposes of the statement of cash flows, the proprietary fund considers investments with original maturities of three months or less to be cash equivalents.

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 2 1/2” limits the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of \$662.

G. Capital Assets

Capital assets, which include property, plant and equipment are reported 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5 - 10
Office equipment	5 - 15
Computer equipment	5 - 10

H. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities.

I. 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 position”.

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 Position - 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 position are reported as unrestricted.

J. 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.

K. Other Post-Employment Benefits

The Town of Ashby does not offer other post-employment benefits to its retirees.

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 Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 6,261,489	\$ 6,281,339
Remove the effect of adding Town stabilization fund per GASB 54	(9,477)	41,231
Adjust tax revenue to accrual basis	(74,703)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(112,968)
Add end of year appropriation carryforwards to expenditures	-	121,060
Recognize use of fund balance as funding source	<u>449,865</u>	<u>-</u>
Budgetary basis	\$ <u>6,627,174</u>	\$ <u>6,330,662</u>

D. Deficit Fund Equity

The following fund had a deficit fund balance as of June 30, 2014:

E-911 Training Grant \$(12,822)

This deficit will be eliminated through future grant receipts.

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 to it. Massachusetts General Laws Chapter 44, Section 55 limits 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, 2014, none of the Town's bank balance of \$1,283,142 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the Town's name.

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 Laws Chapter 44, Section 55 limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for each investment type:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
			<u>A1/AA+</u>	<u>A3/A-</u>	<u>BAA1/BBB+</u>
Federal agency securities	\$ 300,519	\$ -	\$ 300,519	\$ -	\$ -
Corporate bonds	177,099	-	96,874	50,133	30,092
Certificates of deposits	552,904	552,904	-	-	-
Mutual funds	172,988	172,988	-	-	-
Equity securities	133,430	133,430	-	-	-
Total investments	\$ <u>1,336,940</u>	\$ <u>859,322</u>	\$ <u>397,393</u>	\$ <u>50,133</u>	\$ <u>30,092</u>

B. Custodial Credit Risk

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 se-

curities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town has no custodial credit risk exposure for its investments because the related securities are insured, registered and held in the Town's name by a third party custodian. The custodial credit risk is further reduced by the application of SIPC and excess SIPC insurance.

C. Concentration of Credit Risk

The Town's investments in one issuer, other than the Federal government, greater than 5% of total investments are as follows:

Ally Bank, Midvale CU - CD	\$ 196,234
State BK India New York NY	100,591

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Exempt From Disclosure</u>	<u>Less Than 1</u>	<u>1 - 5</u>
Federal agency securities	\$ 300,519	\$ -	\$ -	\$ 300,519
Corporate bonds	177,099	-	80,488	96,611
Certificates of deposit	552,904	-	130,276	422,628
Mutual funds	172,988	172,988	-	-
Equity securities	<u>133,430</u>	<u>133,430</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,336,940</u>	<u>\$ 306,418</u>	<u>\$ 210,764</u>	<u>\$ 819,758</u>

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, 2014 consist of the following:

Real Estate		
2014	\$ 88,418	
2013	<u>7,189</u>	95,607
Personal Property		
2014	1,368	
2013	1,196	
2012 and prior	<u>2,178</u>	4,742
Tax Liens		<u>44,928</u>
Total		<u>\$ 145,277</u>

6. Allowance for Doubtful Accounts

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

	Governmental
	<u>Activities</u>
Property taxes - current	\$ 2,319
Tax liens	13,478
Excises	13,935
Ambulance	7,249
Title V Septic Loans	15,535

7. Loans Receivable

This balance represents loans to taxpayers for septic improvements granted under a State-sponsored Title V loan program.

8. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Convert <u>CIP</u>	Ending <u>Balance</u>
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 8,002,434	\$ 89,417	\$ -	\$ -	\$ 8,091,851
Machinery, equipment, and furnishings	<u>2,317,663</u>	<u>301,542</u>	<u>-</u>	<u>69,145</u>	<u>2,688,350</u>
Total capital assets, being depreciated	10,320,097	390,959	-	69,145	10,780,201
Less accumulated depreciation for:					
Buildings and improvements	(4,729,431)	(123,102)	-	-	(4,852,533)
Machinery, equipment, and furnishings	<u>(1,626,740)</u>	<u>(146,186)</u>	<u>-</u>	<u>-</u>	<u>(1,772,926)</u>
Total accumulated depreciation	<u>(6,356,171)</u>	<u>(269,288)</u>	<u>-</u>	<u>-</u>	<u>(6,625,459)</u>
Total capital assets, being depreciated, net	3,963,926	121,671	-	69,145	4,154,742
Capital assets, not being depreciated:					
Land	1,707,199	12,599	-	-	1,719,798
Construction in progress (CIP)	<u>91,833</u>	<u>5,485</u>	<u>-</u>	<u>(69,145)</u>	<u>28,173</u>
Total capital assets, not being depreciated	<u>1,799,032</u>	<u>18,084</u>	<u>-</u>	<u>(69,145)</u>	<u>1,747,971</u>
Governmental activities capital assets, net	<u>\$ 5,762,958</u>	<u>\$ 139,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,902,713</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 45,269
Public safety	82,662
Public works	60,951
Culture and recreation	<u>80,406</u>
Total depreciation expense - governmental activities	<u>\$ 269,288</u>

9. Warrants Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014 as permitted by law.

10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The balance as of June 30, 2014 represents unearned revenues.

11. Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2013	Additions	Reductions	Total Balance June 30, 2014	Less Current Portion	Long-Term Portion June 30, 2014
<u>Governmental Activities</u>						
Capital leases	\$ -	\$ 74,915	\$ (26,440)	\$ 48,475	\$ (23,532)	\$ 24,943
Landfill closure	<u>74,915</u>	<u>-</u>	<u>(6,985)</u>	<u>67,930</u>	<u>(7,000)</u>	<u>60,930</u>
Totals	\$ <u>74,915</u>	\$ <u>74,915</u>	\$ <u>(33,425)</u>	\$ <u>116,405</u>	\$ <u>(30,532)</u>	\$ <u>85,873</u>

12. Overlapping Debt

The Town is a member community of other governmental agencies, which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets of these agencies and are funded through user charges and/or assessments to the Town. The following summarizes the debt of these other agencies and the Town's related participation percentages:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
North Middlesex Regional School District:			
Ashby Elementary roof and window project	\$ 384,336	100.00%	\$ 384,336
Montachusett Regional Vocational Technical School:			
School construction bond	<u>6,296,000</u>	1.97%	<u>124,031</u>
Total	\$ <u>6,680,336</u>		\$ <u>508,367</u>

In addition, the Town has authorized North Middlesex Regional School District to issue debt totaling \$90,024,977 for construction of a new high school. The Town will be responsible for 12.54% of this future issuance.

13. Capital Lease Obligations

The Town is the lessee of two police cruisers under a capital lease expiring on July 24, 2015. Future minimum lease payments consisted of the following as of June 30, 2014:

2015	\$ 26,442
2016	<u>26,438</u>
Total minimum lease payments	52,880
Less amounts representing interest	<u>(4,405)</u>
Present Value of Minimum Lease Payments	\$ <u>48,475</u>

14. Landfill Closure and Post-Closure 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 \$67,930 reported as landfill liability at June 30, 2014 represents the estimated cost of monitoring the landfill for the next 16 years, less \$44,070, which represents the unexpended balance of the landfill capping project which the Town is required to keep in escrow per the Massachusetts Department of Environmental Protection. This amount is based on what it would cost to perform all closure and post-closure care in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. Restricted Net Position

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

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

16. Governmental Funds - Balances

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

The Town 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, 2014:

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 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 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 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, and various capital project funds.

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

Unassigned - Represents amounts that are available to be spent in future periods and any fund in deficit.

Following is a breakdown of the Town's fund balances at June 30, 2014:

	General Fund	Title V Septic Loans	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 473,317	\$ 473,317
Total Nonexpendable	-	-	473,317	473,317
Restricted				
Special revenue funds	-	41,124	274,796	315,920
Expendable permanent funds	-	-	181,249	181,249
Total Restricted	-	41,124	456,045	497,169
Committed				
Special articles	78,982	-	-	78,982
Capital project funds	-	-	30,336	30,336
Total Committed	78,982	-	30,336	109,318
Assigned				
Encumbrances	42,078	-	-	42,078
Reserve for expenditure	78,000	-	-	78,000
Total Assigned	120,078	-	-	120,078
Unassigned				
General fund unassigned	527,512	-	-	527,512
Stabilization fund	752,321	-	-	752,321
Deficit funds	-	-	(12,822)	(12,822)
Total Unassigned	1,279,833	-	(12,822)	1,267,011
Total Fund Balance	\$ 1,478,893	\$ 41,124	\$ 946,876	\$ 2,466,893

17. Commitments and Contingencies

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.

18. 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 Employ-*

ees, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the Retirement 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.

Plan Description

The Town contributes to the Middlesex County 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 Middlesex County Retirement System, 40 Thorndike Street, New Superior Courthouse - 3rd Level, Cambridge, MA 02141.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2014, 2013, and 2012, were \$141,772, \$150,810, and \$144,042, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2014 was not available.

19. Risk Management

The government 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.

20. Beginning Fund Balance Restatement

The beginning (July 1, 2013) fund balance of the Town has been restated as follows:

Fund Basis Financial Statements:	Title V Septic Loans	Non Major Governmental Funds
As previously reported	\$ 37,579	\$ 896,658
To correct prior year reclassifications	<u>2,777</u>	<u>(2,777)</u>
As restated	<u>\$ 40,356</u>	<u>\$ 893,881</u>

21. 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 Middlesex County Retirement System's actuarially accrued liability.

TOWN OF ASHBY MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2014

(Unaudited)

(amounts expressed in thousands)

MIDDLESEX COUNTY RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION

**Employees' Retirement System
 Schedule of Funding Status**

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]
01/01/12	\$862,323	\$1,974,145	\$1,111,822	43.7%	\$393,101	282.8%
01/01/10	\$819,988	\$1,742,582	\$922,594	47.1%	\$384,933	239.7%
01/01/08	\$774,864	\$1,529,806	\$754,942	50.7%	\$360,206	209.6%
01/01/06	\$653,157	\$1,223,828	\$570,671	53.4%	\$331,000	172.4%
01/01/04	\$599,699	\$1,020,828	\$421,129	58.7%	\$306,026	137.6%

**Employees' Retirement System
 Schedule of Employer Contributions**

Plan Year End	System Wide			Town of Ashby	
	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/13	\$88,723	\$88,723	100%	\$142	0.2%
12/31/12	\$83,308	\$83,308	100%	\$151	0.2%
12/31/11	\$79,640	\$79,640	100%	\$144	0.2%
12/31/10	\$76,270	\$76,270	100%	\$154	0.2%

The accompanying notes are an integral part of these financial statements.