

TOWN OF PLAINVILLE, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Plainville, Massachusetts, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 12, 2013, on our consideration of the Town of Plainville, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The management's discussion and analysis on pages **3** through **9**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **54** through **55** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

R. E. Brown & Company

March 12, 2013

TOWN OF PLAINVILLE, MASSACHUSETTS **Management's Discussion and Analysis**

As management of the Town of Plainville (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider this information in addition to the statements and notes.

The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Users of these financial statements, such as investors and rating agencies, rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of one government compared to others.

Financial Highlights

GASB Statement No. 45 (GASB 45), **Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions** (OPEB), was implemented by the Town effective July 1, 2008. The purpose of GASB 45 is to improve the relevance and usefulness of financial reporting by requiring states and municipalities to identify, through actuarial analysis, the true costs of the OPEB earned by employees over their estimated years of active service. OPEB, as with pensions, is a promise made to employees as a condition of their employment that is part of compensation each year. Even though these benefits are not received until after employment, they constitute compensation to attract and retain qualified employees. These costs will be recognized over the working lifetime of employees rather than after their employment has ceased. As of July 1, 2010, the actuarial accrued liability of the Town is \$13,442,914. . GASB 45 does not require current funding of the OPEB. GASB 45 does require the financial statements to include the annual required contribution of the employer (ARC). The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liability. The Town benefits provided to retirees and eligible surviving spouses include health and life insurance.

Overview of the Financial Statements

These financial statements have been prepared under the Governmental Accounting Standards Board (GASB) Statement Number 34, **Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments**. The approach mandated by GASB 34 focuses on basic financial statements that comprise three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Basic Financial Statements

The government-wide financial statements are intended to provide readers with an overview of finances in a manner similar to private-sector business.

Government-wide Financial Statements

The Statement of Net Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. The amount of net assets serves as a useful indicator of whether the Town's 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.

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions that are principally supported by user fees or charges (business-type activities). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, pension benefits, employee benefits, interest and state and county charges. The business type activities include costs relating to water, sewer and sanitation 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 Town's funds are categorized in three main types: (1) Governmental, (2) Proprietary, and (3) Fiduciary.

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 funds 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. This information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds financial statements 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. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement, the Statement of Revenues, Expenditures and Change in Fund Balance – Budget to Actual, has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has three funds in this category:

- Water Enterprise Fund accounts for the water activity of the Town,
- Sewer Enterprise Fund accounts for the sewer activity of the Town,
- Trash (Sanitation) Enterprise Fund accounts for the trash collection and disposal activities of the Town.

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 essentially the same as that used for proprietary funds.

Private-purpose trust funds and *agency funds* are each reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

Notes to the basic financial statements

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

Government-wide Financial Analysis

Statement of Net Assets

The Town's total net assets as of June 30, 2012 were \$42.3 million, of which the governmental activities were \$30.6 million and the business-type activities were \$11.7 million.

Approximately three-quarters of the Town's net assets (75.7%) reflect its investment in capital assets (land, buildings, improvements other than buildings, construction in progress, vehicles, machinery and equipment, software, and infrastructure); less any related debt used to acquire those assets that remain outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

A modest amount of the Town's net assets (7.8%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (16.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

The following table of Condensed Net Assets indicates a decline in growth for the Town.

Condensed Statement of Net Assets

	Condensed Statement of Net Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Assets:						
Current assets	\$ 8,130,505	\$ 8,638,400	\$ 2,888,258	\$ 2,693,673	\$ 11,018,763	\$ 11,332,073
Noncurrent assets (excluding capital)	5,053,930	10,743,931	-	-	5,053,930	10,743,931
Capital assets	29,229,554	29,857,557	14,639,604	12,389,961	43,869,158	42,247,518
Total assets	42,413,989	49,239,888	17,527,862	15,083,634	59,941,851	64,323,522
Liabilities:						
Current liabilities (excluding debt)	714,231	1,323,326	791,934	389,327	1,506,165	1,712,653
Noncurrent liabilities (excluding debt)	3,706,734	2,478,362	180,829	124,079	3,887,563	2,602,441
Current debt	1,173,631	1,215,102	2,324,171	477,089	3,497,802	1,692,191
Noncurrent debt	6,230,282	11,393,000	2,559,582	2,810,236	8,789,864	14,203,236
Total liabilities	11,824,878	16,409,790	5,856,516	3,800,731	17,681,394	20,210,521
Net Assets:						
Capital assets net of related debt	22,167,241	14,329,401	9,812,912	9,107,074	31,980,153	23,436,475
Restricted	3,310,539	4,128,890	-	-	3,310,539	4,128,890
Unrestricted	5,111,331	14,371,807	1,858,434	2,175,829	6,969,765	16,547,636
Total net assets	\$ 30,589,111	\$ 32,830,098	\$ 11,671,346	\$ 11,282,903	\$ 42,260,457	\$ 44,113,001

Total current assets within the governmental activities were \$8.1 million and included cash & investments of \$6.0 million and receivables net of allowances of \$2.1 million. Governmental non-current assets decreased \$5,690,001. This reduction is inclusive of the continued annual reduction of a long term receivable for School Building Assistance in the amount of \$1,072,924 and the advanced receipt of future reimbursements of \$4,301,148.

Total current liabilities within the governmental activities were \$1.9 million and included accounts payable of \$0.7 million and bonds and notes payable of \$1.2 million. Noncurrent liabilities within the governmental activities were \$9.9 million and included \$6.2 million of general obligation bonds payable and \$3.7 million in postemployment benefits liability. The GASB 45 required OPEB annual contribution of the employer increased noncurrent postemployment benefits liability by \$0.8 million. Noncurrent debt decreased \$5,162,718 reflecting the successful refunding of long term debt.

Unrestricted net assets include a receivable of \$5,559,323 due from Massachusetts School Building Authority (MSBA) which is a reimbursement program for school debt.

Total current assets within the business-type activities were \$2.9 million and included cash & investments of \$2.1 million and receivables of \$0.8 million.

Current liabilities within the business-type activities were \$3.1 million and included \$2.3 million of bonds and notes payable. The increase over FY2011 reflects an interim loan through the Massachusetts Water Pollution Abatement Trust for sewage construction in progress. Noncurrent liabilities within the business-type activities were \$2.7 million and included \$2.5 million of general obligation bonds payable and \$0.2 million in postemployment benefits liability.

The level of investment for FY2012 rose significantly as compared to FY2011 due to the refunding and retirement of debt. Governmental activities' capital assets (net of related debt) increased by \$7.8 million while business type activities' capital assets increased by \$0.7 million.

Governmental activities current assets are down slightly as compared with FY2011 reflecting consistent financial and operational management results for FY2012. Business-type activity current assets showed a modest increase.

Governmental activities current liabilities' decreased by \$0.7 million and non-current liabilities decreased \$4.0 million reflecting the Town's commitment to reducing the burden of future obligations. Business-type activity current liabilities increased \$2.3 million while non-current liabilities decreased \$0.2 million.

Changes in Net Assets

The Net Assets for the Town of Plainville decreased by \$1.9 million. Presented below are the components that contributed to the change in net assets, along with comparative data for the previous fiscal year:

Condensed Statement of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Revenues						
<i>Program Revenues:</i>						
Charges for services	\$ 1,548,399	\$ 1,397,644	\$ 2,815,866	\$ 2,525,193	\$ 4,364,265	\$ 3,922,837
Operating grants and contributions	3,750,972	4,525,885	43,857	31,321	3,794,829	4,557,206
Capital grants and contributions	278,983	372,921	-	-	278,983	372,921
<i>General Revenues:</i>						
Real Estate and personal property taxes	15,595,591	15,079,195	-	-	15,595,591	15,079,195
Tax Liens	128,402	160,248	-	-	128,402	160,248
Motor vehicle and other excise taxes	1,007,125	1,021,616	-	-	1,007,125	1,021,616
Meals and Hotel/Motel Taxes	289,273	241,685	-	-	289,273	241,685
Penalties and Interest on Taxes	77,335	64,847	-	-	77,335	64,847
Payments in Lieu of Taxes	25,729	26,350	-	-	25,729	26,350
Nonrestricted grants and contributions	802,692	829,376	-	-	802,692	829,376
Unrestricted investment income	55,157	33,117	-	-	55,157	33,117
Other revenues	25,725	24,434	-	-	25,725	24,434
Total Revenues	23,585,383	23,777,318	2,859,723	2,556,514	26,445,106	26,333,832
Expenses:						
General Government	989,620	1,021,491	-	-	989,620	1,021,491
Public Safety	3,694,221	3,513,635	-	-	3,694,221	3,513,635
Education	13,965,440	13,263,496	-	-	13,965,440	13,263,496
Public Works	885,665	1,081,195	-	-	885,665	1,081,195
Human Services	418,541	392,804	-	-	418,541	392,804
Culture and Recreation	411,767	399,690	-	-	411,767	399,690
Employee Benefits	4,772,181	4,546,247	-	-	4,772,181	4,546,247
State and County Assessments	339,165	364,067	-	-	339,165	364,067
Interest	508,689	614,871	-	-	508,689	614,871
Sanitation	-	-	398,516	386,836	398,516	386,836
Sewer	-	-	722,676	679,952	722,676	679,952
Water	-	-	1,191,169	1,171,968	1,191,169	1,171,968
Total Expenses	25,985,289	25,197,496	2,312,361	2,238,756	28,297,650	27,436,252
Excess (deficiency) of revenues over expenditures	(2,399,906)	(1,420,178)	547,362	317,758	(1,852,544)	(1,102,420)
Transfers	158,919	67,923	(158,919)	(67,923)	-	-
Change in Net Assets	(2,240,987)	(1,352,255)	388,443	249,835	(1,852,544)	(1,102,420)
Net Assets - beginning	32,830,098	34,182,353	11,282,903	11,033,068	44,113,001	45,215,421
Net Assets - ending	\$ 30,589,111	\$ 32,830,098	\$ 11,671,346	\$ 11,282,903	\$ 42,260,457	\$ 44,113,001

Governmental Activities: Charges for services increased just over 10% while operating grants and contributions decreased just over 17%. Capital grants and contributions for FY2012 declined by \$93,938. Property taxes support 66.7% of the Town's governmental activities and FY2012 shows an increase of

\$484,550 over FY2011. At a Special Town Meeting, August 25, 2009, the Town accepted Massachusetts General Law (MGL) 64L, section 2(a) imposing a local meals excise tax effective October 1, 2009. This continues to be an increasing source of revenue for the Town. The Town collected \$190,309 during FY2012.

Total expenses increased by \$787,793 or 3.1% over FY2011. Attributing for over one-half of total expenditures, education is by far the largest governmental activity of the Town. Approximately \$14.0 million in taxes and other revenues were needed to cover the FY2012 operating expenses for education. Employee benefits and public safety represent the second and third largest governmental activities of the Town. Approximately \$4.8 million and \$3.7 million of taxes and other revenues were needed to cover the FY2012 operating expenses for those two activities respectively.

Business-Type Activities: Revenues from the three business-type activities increase \$303,209 over FY2012. Total expenditures increased by \$73,605 for FY2012.

Analysis of Governmental Fund Statements

Governmental Funds

The focus of the Town of Plainville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending in the subsequent fiscal year.

The general fund is the chief operating fund of the Town of Plainville. The Massachusetts Department of Revenue reviews the unaudited balance sheet at the end of the each fiscal year. It certifies what part of undesignated, unreserved fund balance is available for spending at the government's (Town Meeting) discretion during the subsequent fiscal year. At the end of the fiscal year the Town's unassigned fund balance was \$1,732,798 while total fund balance was \$4,178,928. The Massachusetts Department of Revenue certified \$616,414 available for spending as of July 1, 2012.

Other Governmental Funds

The Stabilization Fund was built over many years from annual surpluses and capital project bank interest. The set aside of capital project interest was intended to be used to temporarily reduce the impact to taxpayers of expected peaks in debt burden. A special revenue account called the Landfill Closure Fund had been built up over many years when the Town was receiving revenue from an active landfill owned by a private company. The fund was intended to protect the taxpayers in the remote chance that the private company failed to fulfill their responsibility to maintain the site. At a Special Town Meeting, June 6, 2005, the Town voted to appropriate \$1,030,589 of the accumulated Closure fund and establish the Landfill Stabilization Fund for the purpose of funding potential costs associated with the closure of the Laidlaw Landfill. At an Annual Town Meeting, June 4, 2012, the Town voted to appropriate \$625,892 remaining in the Closure fund to the established Landfill Stabilization Fund. The combined Stabilization balance of \$2,368,117 is available to the Town as a source for short term borrowing. The original Stabilization Fund is available to be appropriated at Town Meeting to meet any needs of the Town. No Stabilization Funds were appropriated to fund the FY2013 Omnibus Budget.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2012 amounts to \$43,869,158 (net of accumulated depreciation). This investment includes land, buildings, improvements, machinery and equipment, park facilities, streets, sidewalks, and water and sewer systems.

The West Bacon Street Area Sewer Extension Project accumulated \$2.4 million dollars of construction in progress by the end of the fiscal year. This project is expected to be complete by fiscal year end 2013.

Debt Administration

The Town continues to experience an excellent bond rating of Aa3 as assigned by Moody's Investor Service. This reflects the Town's consistent and satisfactory financial operations with improving reserve levels, stable and diverse tax base and improved debt burden. At the end of the fiscal year the Town had a total bonded debt outstanding of \$9,838,236, a decrease of \$5,810,651 over the prior fiscal year. This reduction was completed by refunding \$12.1 million of outstanding debt on April 26, 2012 using \$4.3 million in Massachusetts School Board Authority reimbursement proceeds to provide for the permanent retirement of bonds in the same amount and the issuance of \$7.8 million in general obligation bonds.

Economic Factors and next year's Budget

- The Town of Plainville is strategically positioned at the crossroads of Interstates 95 and 495, 31 miles south of Boston and 14 miles north of Providence, Rhode Island.
- The local unemployment rate mirrors closely to the national median.
- Despite continuing economic difficulties in the Commonwealth, the Town of Plainville has enjoyed recent development and remains optimistic for future growth. The Town of Plainville developed a balanced budget for fiscal year 2013 and continues to be committed to strong budgetary controls.

Request for Information

This financial report is designed to provide a general overview of the Town of Plainville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town Accountant, Town Hall, 142 South Street, Plainville, MA 02762.

TOWN OF PLAINVILLE, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	PRIMARY GOVERNMENT			TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
<u>ASSETS</u>				
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 4,704,016	\$ 2,118,887	\$ 6,822,903	
INVESTMENTS	1,287,767	-	1,287,767	
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	323,715	-	323,715	
TAX LIENS	469,739	-	469,739	
MOTOR VEHICLE EXCISE TAXES	66,337	-	66,337	
USER FEES	-	769,371	769,371	
DEPARTMENTAL AND OTHER	98,712	-	98,712	
INTERGOVERNMENTAL	1,155,193	-	1,155,193	
DUE FROM OTHER FUNDS	25,026	-	25,026	
NONCURRENT:				
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
INTERGOVERNMENTAL	5,053,930	-	5,053,930	
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	29,229,554	14,639,604	43,869,158	
TOTAL ASSETS	<u>42,413,989</u>	<u>17,527,862</u>	<u>59,941,851</u>	
<u>LIABILITIES</u>				
CURRENT:				
ACCOUNTS PAYABLE	662,982	582,862	1,245,844	
DUE TO OTHER FUNDS	-	25,026	25,026	
OTHER LIABILITIES	38,401	174,083	212,484	
ACCRUED INTEREST	12,848	9,963	22,811	
CAPITAL LEASES PAYABLE	6,031	-	6,031	
BONDS AND NOTES PAYABLE	1,167,600	2,324,171	3,491,771	
NONCURRENT:				
CAPITAL LEASES PAYABLE	13,282	-	13,282	
BONDS AND NOTES PAYABLE	6,217,000	2,559,582	8,776,582	
POSTEMPLOYMENT BENEFITS	<u>3,706,734</u>	<u>180,829</u>	<u>3,887,563</u>	
TOTAL LIABILITIES	<u>11,824,878</u>	<u>5,856,516</u>	<u>17,681,394</u>	
<u>NET ASSETS</u>				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	22,167,241	9,812,912	31,980,153	
RESTRICTED FOR:				
STREETS	506,881	-	506,881	
OTHER PURPOSES	2,803,658	-	2,803,658	
UNRESTRICTED	<u>5,111,331</u>	<u>1,858,434</u>	<u>6,969,765</u>	
TOTAL NET ASSETS	<u>\$ 30,589,111</u>	<u>\$ 11,671,346</u>	<u>\$ 42,260,457</u>	

See accompanying notes to the basic financial statements

TOWN OF PLAINVILLE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES						NET (EXPENSE) REVENUE					
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS								
PRIMARY GOVERNMENT:												
GOVERNMENTAL ACTIVITIES:												
GENERAL GOVERNMENT	\$ 989,620	\$ 154,556	\$ 828	\$ -	\$ -	\$ -	\$ (834,236)					
PUBLIC SAFETY	3,694,221	793,899	103,752	-	-	-	(2,796,570)					
EDUCATION	13,965,440	365,025	2,371,505	-	-	-	(11,228,910)					
PUBLIC WORKS	885,665	1,250	5,994	278,983	-	-	(599,438)					
HUMAN SERVICES	418,541	89,484	151,223	-	-	-	(177,834)					
CULTURE & RECREATION	411,767	144,185	10,606	-	-	-	(256,976)					
EMPLOYEE BENEFITS	4,772,181	-	1,107,064	-	-	-	(3,665,117)					
STATE & COUNTY ASSESSMENTS	339,165	-	-	-	-	-	(339,165)					
INTEREST	508,689	-	-	-	-	-	(508,689)					
TOTAL GOVERNMENTAL ACTIVITIES	25,985,289	1,548,399	3,750,972	278,983	-	-	(20,406,935)					
BUSINESS-TYPE ACTIVITIES:												
WATER	1,191,169	1,490,854	43,857	-	-	-	343,542					
SEWER	722,676	929,088	-	-	-	-	206,412					
SANITATION	398,516	395,924	-	-	-	-	(2,592)					
TOTAL BUSINESS-TYPE ACTIVITIES	2,312,361	2,815,866	43,857	-	-	-	547,362					
TOTAL PRIMARY GOVERNMENT	\$ 28,297,650	\$ 4,364,265	\$ 3,794,829	\$ 278,983	\$ -	\$ -	\$ (19,859,573)					

See accompanying notes to the basic financial statements

(continued)

TOWN OF PLAINVILLE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (20,406,935)	\$ 547,362	\$ (19,859,573)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	15,595,591	-	15,595,591
TAX LIENS	128,402	-	128,402
MOTOR VEHICLE EXCISE TAXES	1,007,125	-	1,007,125
MEALS & HOTEL TAXES	289,273	-	289,273
PENALTIES AND INTEREST ON TAXES	77,335	-	77,335
PAYMENTS IN LIEU OF TAXES	25,729	-	25,729
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	802,692	-	802,692
UNRESTRICTED INVESTMENT INCOME	55,157	-	55,157
MISCELLANEOUS	25,725	-	25,725
TRANSFERS, NET	<u>158,919</u>	<u>(158,919)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>18,165,948</u>	<u>(158,919)</u>	<u>18,007,029</u>
CHANGE IN NET ASSETS	(2,240,987)	388,443	(1,852,544)
NET ASSETS:			
BEGINNING OF YEAR	<u>32,830,098</u>	<u>11,282,903</u>	<u>44,113,001</u>
END OF YEAR	<u>\$ 30,589,111</u>	<u>\$ 11,671,346</u>	<u>\$ 42,260,457</u>

See accompanying notes to the basic financial statements

(concluded)

TOWN OF PLAINVILLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

<u>ASSETS</u>	NONMAJOR GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS	
	GENERAL			
CASH AND SHORT-TERM INVESTMENTS	\$ 3,430,873	\$ 1,273,143	\$ 4,704,016	
INVESTMENTS	1,287,767	-	1,287,767	
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	323,715	-	323,715	
TAX LIENS	469,739	-	469,739	
MOTOR VEHICLE EXCISE TAXES	66,337	-	66,337	
DEPARTMENTAL AND OTHER	98,712	-	98,712	
INTERGOVERNMENTAL	5,688,653	520,470	6,209,123	
DUE FROM OTHER FUNDS	25,026	-	25,026	
TOTAL ASSETS	\$ 11,390,822	\$ 1,793,613	\$ 13,184,435	
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 608,169	\$ 54,813	\$ 662,982	
OTHER LIABILITIES	12,491	25,910	38,401	
DEFERRED REVENUES	6,591,234	506,881	7,098,115	
NOTES PAYABLE	-	341,600	341,600	
TOTAL LIABILITIES	7,211,894	929,204	8,141,098	
FUND BALANCES:				
RESTRICTED	-	1,205,968	1,205,968	
COMMITTED	195,466	-	195,466	
ASSIGNED	2,250,664	-	2,250,664	
UNASSIGNED	1,732,798	(341,559)	1,391,239	
TOTAL FUND BALANCES	4,178,928	864,409	5,043,337	
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,390,822	\$ 1,793,613	\$ 13,184,435	

See accompanying notes to the basic financial statements

**TOWN OF PLAINVILLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2012**

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 15,628,554	\$ -	\$ 15,628,554
MOTOR VEHICLE EXCISE TAXES	991,736	-	991,736
PENALTIES AND INTEREST ON TAXES	77,335	-	77,335
INTERGOVERNMENTAL	5,679,035	989,094	6,668,129
CHARGES FOR SERVICES	729,219	583,159	1,312,378
INVESTMENT INCOME	55,147	1,785	56,932
CONTRIBUTIONS & DONATIONS	-	3,225	3,225
DEPARTMENTAL AND OTHER	608,654	27,603	636,257
 TOTAL REVENUES	 23,769,680	 1,604,866	 25,374,546
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	942,794	15,448	958,242
PUBLIC SAFETY	3,400,376	470,422	3,870,798
EDUCATION	12,217,310	1,066,239	13,283,549
PUBLIC WORKS	513,909	335,527	849,436
HUMAN SERVICES	391,747	17,051	408,798
CULTURE & RECREATION	188,504	162,713	351,217
EMPLOYEE BENEFITS	3,971,263	14,238	3,985,501
STATE & COUNTY ASSESSMENTS	339,165	-	339,165
DEBT SERVICE:			
PRINCIPAL	1,296,000	-	1,296,000
INTEREST	487,685	-	487,685
 TOTAL EXPENDITURES	 23,748,753	 2,081,638	 25,830,391
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 20,927	 (476,772)	 (455,845)
OTHER FINANCING SOURCES (USES)			
PROCEEDS FROM MASS. SCHOOL BUILDING AUTHORITY	4,265,000	-	4,265,000
PROCEEDS FROM REFUNDING BONDS	7,850,000	-	7,850,000
PROCEEDS FROM BOND PREMIUM	591,416	-	591,416
BOND REFUNDING COSTS	(124,349)	-	(124,349)
PAYMENTSTO REFUNDED BOND ESCROW AGENT	(12,582,067)	-	(12,582,067)
OPERATING TRANSFERS IN	829,694	-	829,694
OPERATING TRANSFERS OUT	(32,429)	(638,346)	(670,775)
 TOTAL OTHER FINANCING SOURCES (USES)	 797,265	 (638,346)	 158,919
 NET CHANGE IN FUND BALANCES	 818,192	 (1,115,118)	 (296,926)
 FUND BALANCES AT BEGINNING OF YEAR	 3,360,736	 1,979,527	 5,340,263
 FUND BALANCES AT END OF YEAR	 \$ 4,178,928	 \$ 864,409	 \$ 5,043,337

See accompanying notes to the basic financial statements

TOWN OF PLAINVILLE, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2012

TOTAL GOVERNMENTAL FUND BALANCES	\$ 5,043,337
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS	29,229,554
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS	7,098,115
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE	(12,848)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS	
BONDS AND NOTES PAYABLE	(7,043,000)
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(3,706,734)
CAPITAL LEASE PAYABLE	<u>(19,313)</u>
	<u>(10,769,047)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 30,589,111</u></u>

See accompanying notes to the basic financial statements

TOWN OF PLAINVILLE, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (296,926)

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	702,104
DEPRECIATION EXPENSE	<u>(1,330,107)</u>

NET EFFECT OF REPORTING CAPITAL ASSETS (628,003)

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. (1,825,311)

THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) 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. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.

PROCEEDS FROM REFUNDING BONDS	(7,850,000)
PROCEEDS FROM BOND PREMIUM	(591,416)
PROCEEDS FROM MASS. SCHOOL BUILDING AUTHORITY	(4,265,000)
BOND REFUNDING COSTS NET OF PREMIUM	124,349
PAYMENTS TO REFUND BOND ESCROW AGENT	12,582,067
DEBT SERVICE PRINCIPAL PAYMENTS	1,296,000
CAPITAL LEASE PRINCIPAL PAYMENTS	<u>(15,211)</u>

NET EFFECT OF REPORTING LONG-TERM DEBT 1,280,789

SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.

NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(786,680)
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>15,144</u>

NET EFFECT OF RECORDING LONG-TERM LIABILITIES (771,536)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (2,240,987)

See accompanying notes to the basic financial statements

**TOWN OF PLAINVILLE, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2012**

	BUDGETED AMOUNTS		ACTUAL BUDGETARY AMOUNTS	VARIANCE OVER (UNDER)
	ORIGINAL BUDGET	FINAL BUDGET		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 15,677,053	\$ 15,677,053	\$ 15,628,554	\$ (48,499)
MOTOR VEHICLE EXCISE TAXES	942,000	942,000	991,736	49,736
PENALTIES & INTEREST ON TAXES	55,000	55,000	77,335	22,335
INTERGOVERNMENTAL	4,542,393	4,542,393	4,572,006	29,613
CHARGES FOR SERVICES	709,900	709,900	729,219	19,319
INVESTMENT INCOME	20,000	20,000	14,819	(5,181)
DEPARTMENTAL AND OTHER	543,797	543,797	608,654	64,857
 TOTAL REVENUES	 22,490,143	 22,490,143	 22,622,323	 132,180
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,139,684	1,096,297	942,794	153,503
PUBLIC SAFETY	3,528,354	3,564,927	3,400,376	164,551
EDUCATION	12,235,294	12,227,294	12,217,310	9,984
PUBLIC WORKS	468,206	524,143	513,909	10,234
HUMAN SERVICES	370,109	374,509	391,747	(17,238)
CULTURE & RECREATION	193,359	198,359	188,504	9,855
EMPLOYEE BENEFITS	2,919,861	2,884,861	2,864,234	20,627
STATE & COUNTY ASSESSMENTS	337,785	337,785	339,165	(1,380)
DEBT SERVICE:				
PRINCIPAL	1,211,000	1,211,000	1,296,000	(85,000)
INTEREST	583,932	576,932	487,685	89,247
 TOTAL EXPENDITURES	 22,987,584	 22,996,107	 22,641,724	 354,383
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (497,441)	 (505,964)	 (19,401)	 486,563
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	-	-	203,802	203,802
OPERATING TRANSFERS OUT	(158,569)	(158,569)	(32,429)	126,140
 TOTAL OTHER FINANCING SOURCES (USES)	 (158,569)	 (158,569)	 171,373	 329,942
 NET CHANGE IN FUND BALANCE	 (656,010)	 (664,533)	 151,972	 816,505
 BUDGETARY FUND BALANCE, BEGINNING OF YEAR	 1,658,839	 1,658,839	 1,658,839	 -
 BUDGETARY FUND BALANCE, END OF YEAR	 \$ 1,002,829	 \$ 994,306	 \$ 1,810,811	 \$ 816,505

See accompanying notes to the basic financial statements

**TOWN OF PLAINVILLE, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					
ASSETS	WATER	SEWER	SANITATION	TOTAL	
CURRENT:					
CASH AND SHORT-TERM INVESTMENTS	\$ 1,693,188	\$ -	\$ 425,699	\$ 2,118,887	
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	486,061	283,310	-	769,371	
TOTAL CURRENT ASSETS	2,179,249	283,310	425,699	2,888,258	
NONCURRENT:					
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	9,382,152	5,257,452	-	14,639,604	
TOTAL ASSETS	11,561,401	5,540,762	425,699	17,527,862	
LIABILITIES					
CURRENT:					
ACCOUNTS PAYABLE	212,271	338,815	31,776	582,862	
DUE TO OTHER FUNDS	-	25,026	-	25,026	
OTHER LIABILITIES	-	-	174,083	174,083	
ACCRUED INTEREST	9,963	-	-	9,963	
BONDS AND NOTES PAYABLE	235,654	2,088,517	-	2,324,171	
TOTAL CURRENT LIABILITIES	457,888	2,452,358	205,859	3,116,105	
NONCURRENT:					
BONDS AND NOTES PAYABLE	2,559,582	-	-	2,559,582	
POST EMPLOYMENT BENEFITS	95,103	67,253	18,473	180,829	
TOTAL NONCURRENT LIABILITIES	2,654,685	67,253	18,473	2,740,411	
TOTAL LIABILITIES	3,112,573	2,519,611	224,332	5,856,516	
NET ASSETS					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	6,626,740	3,186,172	-	9,812,912	
UNRESTRICTED	1,822,088	(165,021)	201,367	1,858,434	
TOTAL NET ASSETS	<u>\$ 8,448,828</u>	<u>\$ 3,021,151</u>	<u>\$ 201,367</u>	<u>\$ 11,671,346</u>	

See accompanying notes to the basic financial statements

TOWN OF PLAINVILLE, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2012

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	SANITATION	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 1,490,854	\$ 929,088	\$ 395,924	\$ 2,815,866
DEPARTMENTAL AND OTHER	38,920	-	-	38,920
TOTAL OPERATING REVENUES	1,529,774	929,088	395,924	2,854,786
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	836,980	639,971	398,516	1,875,467
DEPRECIATION	247,260	80,206	-	327,466
TOTAL OPERATING EXPENSES	1,084,240	720,177	398,516	2,202,933
OPERATING INCOME (LOSS)	445,534	208,911	(2,592)	651,853
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INVESTMENT INCOME	4,937	-	-	4,937
INTEREST EXPENSE	(106,929)	(2,499)	-	(109,428)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	(101,992)	(2,499)	-	(104,491)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	343,542	206,412	(2,592)	547,362
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	22,086	-	10,343	32,429
OPERATING TRANSFERS OUT	-	(191,348)	-	(191,348)
TOTAL OPERATING TRANSFERS	22,086	(191,348)	10,343	(158,919)
CHANGE IN NET ASSETS	365,628	15,064	7,751	388,443
NET ASSETS AT BEGINNING OF YEAR	8,083,200	3,006,087	193,616	11,282,903
NET ASSETS AT END OF YEAR	\$ 8,448,828	\$ 3,021,151	\$ 201,367	\$ 11,671,346

See accompanying notes to the basic financial statements

TOWN OF PLAINVILLE, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2012

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	SANITATION	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 1,481,820	\$ 810,507	\$ 397,157	\$ 2,689,484
PAYMENTS TO SUPPLIERS	(391,273)	(63,711)	(354,094)	(809,078)
PAYMENTS TO EMPLOYEES	(291,508)	(68,983)	(40,103)	(400,594)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>799,039</u>	<u>677,813</u>	<u>2,960</u>	<u>1,479,812</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN (OUT)	22,086	(191,348)	10,343	(158,919)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>22,086</u>	<u>(191,348)</u>	<u>10,343</u>	<u>(158,919)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	-	1,850,517	-	1,850,517
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(254,090)	-	-	(254,090)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(237,701)	(2,545,635)	-	(2,783,336)
INTEREST EXPENSE	(108,373)	(2,499)	-	(110,872)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(600,164)</u>	<u>(697,617)</u>	<u>-</u>	<u>(1,297,781)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
INTEREST RECEIVED	4,937	-	-	4,937
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>4,937</u>	<u>-</u>	<u>-</u>	<u>4,937</u>
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	225,898	(211,152)	13,303	28,049
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	1,467,290	211,152	412,396	2,090,838
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	<u>\$ 1,693,188</u>	<u>-</u>	<u>\$ 425,699</u>	<u>\$ 2,118,887</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	\$ 445,534	\$ 208,911	\$ (2,592)	\$ 651,853
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	247,260	80,206	-	327,466
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(47,954)	(118,581)	-	(166,535)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	129,132	487,135	(1,358)	614,909
INCREASE (DECREASE) IN OTHER LIABILITIES	-	-	1,233	1,233
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	25,067	20,142	5,677	50,886
TOTAL ADJUSTMENTS	<u>353,505</u>	<u>468,902</u>	<u>5,552</u>	<u>827,959</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 799,039</u>	<u>\$ 677,813</u>	<u>\$ 2,960</u>	<u>\$ 1,479,812</u>

See accompanying notes to the basic financial statements

TOWN OF PLAINVILLE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 6,973	\$ 442,381
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE	-	27,888
OTHER LIABILITIES	-	414,493
TOTAL LIABILITIES	-	442,381
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	<u>\$ 6,973</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

TOWN OF PLAINVILLE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2012

**PRIVATE
PURPOSE
TRUST FUNDS**

ADDITIONS:

NET INVESTMENT INCOME (LOSS):
 INVESTMENT INCOME

\$ 4

DEDUCTIONS:

CHANGE IN NET ASSETS 4

NET ASSETS AT BEGINNING OF YEAR

6,969

NET ASSETS AT END OF YEAR

\$ 6,973

See accompanying notes to the basic financial statements

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Plainville, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by a three member Board of Selectmen (the Board). The Board is responsible for appointing a Town Administrator whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government's financial reporting entity.

Joint Ventures

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint ventures:

Name	Purpose	Address	Annual Assessment
King Philip Regional School District	To provide secondary education	P.O. Box 49 201 Franklin St. Wrentham, Ma 02093	\$ 4,368,282
Tri-County Regional Vocational-Technical High School	To provide vocational education	147 Pond Street Franklin, MA 02038	\$ 763,333

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The King Philip Regional School District (the District) is governed by a nine (9) member school committee consisting of one (1) elected representative and one (1) representative appointed by the local school committee from the Town of Plainville. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 25.03% equity interest in the joint venture.

The Tri-County Regional Vocational-Technical School District (the District) is governed by a fourteen (14) member school committee consisting of one (1) elected representative from the Town of Plainville. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 10.47% in the joint venture.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- b. If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- a. *Charges to customers* or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- b. *Grants and contributions* that are restricted to meeting the operational requirements of a particular function or segment.
- c. *Grants and contributions* that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the various enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non-current portion of the other post-employment benefits (**OPEB**), and capital leases which are recognized when the obligation is expected to be liquidated with current expendable available resources.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Nonmajor Governmental funds* consist of other special revenue and capital projects funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).

Proprietary Fund Financial Statements

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

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 the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

- The *Water Enterprise fund* is used to account for water activities.
- The *Sewer Enterprise fund* is used to account for sewer activities.
- The *Sanitation Enterprise fund* is used to account for the operations of the trash collection activities.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Fiduciary Fund Financial Statements

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held by the Town in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

- The *Private-Purpose Trust fund* is used to account for trust arrangements, other than those properly reported in the nonmajor governmental funds, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide, proprietary fund, and fiduciary funds 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 Town has elected not to follow subsequent private-sector guidance.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and short term investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and proprietary and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

TOWN OF PLAINVILLE, MASSACHUSETTS
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A statewide property tax limitation statute known as “Proposition 2 ½” limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year’s levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer

User fees are levied (monthly and quarterly) based on residential and commercial meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed annually and included as a lien on the property owner's tax bill. Water and sewer charges and related liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of ambulance receivables and are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

F. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds and the water, sewer and sanitation enterprise funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, vehicles, buildings and improvements, machinery and equipment, software, construction in progress, and infrastructure (e.g., water mains, sewer mains, roadways and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

All purchases and construction costs in excess of \$10,000 (\$25,000 land) are capitalized at the date of acquisition or construction, respectively, with expected useful lives of three years or greater.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings and Improvements	40
Machinery and Equipment	3-20
Vehicles	3-15
Software	5-10
Infrastructure	50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the fiscal year of purchase for the various funds.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
- *Other specific purposes* represent restrictions placed on assets from outside parties.

- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government's highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town uses the following criteria for fund balance policies and procedures:

- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the least restricted amount will be considered to have been spent.

K. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

L. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (**MGL**).

M. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The total amount of sick and vacation costs in future years is not material to the basic financial statements and has not been recorded on the basic financial statements.

N. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% and 76.1% share of insurance premiums, depending on the plan involved, in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims.

O. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could vary from estimates that were used.

P. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not comparable to the consolidated financial information.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund. The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Town Administrator. The School Department budget is prepared under the direction of the School Committee. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; (3) capital outlays; and (4) out-of-state travel.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2012 approved budget authorized \$22,753,897 in current year appropriations and other amounts to be raised and \$233,687 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$8,523 were approved at one Special Town Meeting during fiscal year 2012.

The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

Net change in fund balance - budgetary basis	\$ 151,972
 Basis of accounting differences:	
Net Stabilization fund activity	666,220
Increase in revenue for on-behalf payments - MTRS	1,107,029
Increase in expenditures for on-behalf payments - MTRS	<u>(1,107,029)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 818,192</u></u>

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, actual expenditures exceeded appropriations for debt expenses and veterans' services expenses. These over-expenditures will be funded by available funds during fiscal year 2013.

D. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds, capital projects, and the sewer capital projects fund. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants, or proceeds of long-term debt during fiscal year 2013.

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

Deposits

▪ *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits "in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a formal deposit policy for custodial credit risk. The Town carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) and/or the Depositor's Insurance Fund (DIF), or collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The following table illustrates how much of the Town's bank deposits are insured and how much of the Town's bank deposits are uninsured and uncollateralized as of June 30, 2012:

Total bank balances	<u>\$ 6,628,167</u>
Bank balances covered by deposit insurance	
Federal Deposit Insurance Corporation (FDIC)	2,238,743
Depositors Insurance Fund (DIF)	<u>2,117,222</u>
Total deposits covered by deposit insurance	4,355,965
Balances subject to custodial credit risk	
Bank balances uninsured & uncollateralized	<u>2,272,202</u>
Total bank balances subject to custodial credit risk	<u>2,272,202</u>
Total bank balances	<u>\$ 6,628,167</u>

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013.

Investments

Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

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 is the actual rating as of year end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End			
			AAA	A	BBA	Unrated
U S Treasury & Agency Securities	\$ 733,276	N/A	\$ 733,276	\$ -	\$ -	\$ -
Corporate Bonds	85,951	N/A	-	65,465	\$ 20,486	-
Fixed Income Mutual Fund	261,686	N/A	-	-	-	261,686
Common stocks	206,854	N/A	-	-	-	206,854
Total Investments	<u><u>\$ 1,287,767</u></u>		<u><u>\$ 733,276</u></u>	<u><u>\$ 65,465</u></u>	<u><u>\$ 20,486</u></u>	<u><u>\$ 468,540</u></u>

b) Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The investments in U.S. Treasury and Agency securities, corporate bonds, and common stocks are not exposed to custodial credit risk because the related securities are registered in the name of Town. The fixed income mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The Town does not have an investment policy for custodial credit risk.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

c) Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the 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 type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
<i>Debt Related Securities:</i>				
U.S. Treasury & Agency Securities	\$ 733,276	\$ 167,707	\$ 369,865	\$ 195,704
Corporate Bonds	85,951	-	52,261	33,690
Fixed Income Mutual Fund	261,686	261,686	-	-
Total Debt Related Securities	<u>\$ 1,080,913</u>	<u>\$ 429,393</u>	<u>\$ 422,126</u>	<u>\$ 229,394</u>
<i>Other Investments:</i>				
Common Stocks	<u>206,854</u>	<u>206,854</u>	-	-
Total Other Investments	<u>206,854</u>	<u>206,854</u>	-	-
Total Investments	<u><u>\$ 1,287,767</u></u>	<u><u>\$ 636,247</u></u>	<u><u>\$ 422,126</u></u>	<u><u>\$ 229,394</u></u>

d) Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investments are in the following securities:

Issuer	Percentage of Total Investments
Federated Government Ultra Short Duration Fund - Fixed Income Mutual Fund	15.53%

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – RECEIVABLES

The receivables at June 30, 2012 for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 395,015	\$ (71,300)	\$ 323,715
Tax liens	469,739	-	469,739
Motor vehicle excise taxes	115,237	(48,900)	66,337
Departmental and other	936,381	(837,669)	98,712
Intergovernmental	<u>6,209,123</u>	<u>-</u>	<u>6,209,123</u>
 Total	 <u>\$ 8,125,495</u>	 <u>\$ (957,869)</u>	 <u>\$ 7,167,626</u>

The receivables at June 30, 2012, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 486,061	\$ -	\$ 486,061
<i>Sewer</i>			
User fees	<u>283,310</u>	<u>-</u>	<u>283,310</u>
 Total	 <u>\$ 769,371</u>	<u>\$ -</u>	<u>\$ 769,371</u>

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred Revenue Analysis

<u>Receivable Type:</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 267,793	\$ -	\$ 267,793
Tax Liens	469,739	-	469,739
Motor vehicle excise taxes	66,337	-	66,337
Departmental and other	98,712	-	98,712
Intergovernmental	<u>5,688,653</u>	<u>506,881</u>	<u>6,195,534</u>
 Total	 <u>\$ 6,591,234</u>	 <u>\$ 506,881</u>	 <u>\$ 7,098,115</u>

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,292,155	\$ -	\$ -	\$ 2,292,155
Construction in progress	- <hr/>	74,730 <hr/>	- <hr/>	74,730 <hr/>
Total capital assets not being depreciated	<u>2,292,155</u>	<u>74,730</u>	<u>-</u>	<u>2,366,885</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	24,667,182	95,061	-	24,762,243
Machinery and equipment	2,711,626	-	-	2,711,626
Vehicles	2,103,480	532,313	-	2,635,793
Software	153,214	-	-	153,214
Infrastructure	<u>10,797,281</u>	<u>-</u>	<u>-</u>	<u>10,797,281</u>
Total capital assets being depreciated	<u>40,432,783</u>	<u>627,374</u>	<u>-</u>	<u>41,060,157</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(6,423,167)	(627,319)	-	(7,050,486)
Machinery and equipment	(2,049,334)	(209,177)	-	(2,258,511)
Vehicles	(1,435,213)	(180,511)	-	(1,615,724)
Software	(138,435)	(9,462)	-	(147,897)
Infrastructure	<u>(2,821,232)</u>	<u>(303,638)</u>	<u>-</u>	<u>(3,124,870)</u>
Total accumulated depreciation	<u>(12,867,381)</u>	<u>(1,330,107)</u>	<u>-</u>	<u>(14,197,488)</u>
Total capital assets being depreciated, net	<u>27,565,402</u>	<u>(702,733)</u>	<u>-</u>	<u>26,862,669</u>
Total governmental activities capital assets, net	<u>\$ 29,857,557</u>	<u>\$ (628,003)</u>	<u>\$ -</u>	<u>\$ 29,229,554</u>

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 965,000	\$ -	\$ -	\$ 965,000
Construction in progress	<u>142,084</u>	<u>2,577,109</u>	<u>-</u>	<u>2,719,193</u>
Total capital assets not being depreciated	<u>1,107,084</u>	<u>2,577,109</u>	<u>-</u>	<u>3,684,193</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	4,124,343	-	-	4,124,343
Software	264,000	-	-	264,000
Vehicles	92,169	-	-	92,169
Infrastructure	<u>10,403,976</u>	<u>-</u>	<u>-</u>	<u>10,403,976</u>
Total capital assets being depreciated	<u>14,884,488</u>	<u>-</u>	<u>-</u>	<u>14,884,488</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(1,162,962)	(86,720)	-	(1,249,682)
Software	(66,000)	(26,400)	-	(92,400)
Vehicles	(77,168)	(7,673)	-	(84,841)
Infrastructure	<u>(2,295,481)</u>	<u>(206,673)</u>	<u>-</u>	<u>(2,502,154)</u>
Total accumulated depreciation	<u>(3,601,611)</u>	<u>(327,466)</u>	<u>-</u>	<u>(3,929,077)</u>
Total capital assets being depreciated, net	<u>11,282,877</u>	<u>(327,466)</u>	<u>-</u>	<u>10,955,411</u>
Total business-type activities capital assets, net	<u>\$ 12,389,961</u>	<u>\$ 2,249,643</u>	<u>\$ -</u>	<u>\$ 14,639,604</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 31,378
Public safety	213,462
Education	681,891
Public works	333,083
Human services	9,743
Culture and recreation	<u>60,550</u>
Total depreciation expense - governmental activities	<u>\$ 1,330,107</u>
Business-Type Activities:	
Water	\$ 247,260
Sewer	80,206
Sanitation	<u>-</u>
Total depreciation expense - business-type activities	<u>\$ 327,466</u>

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 – CAPITAL LEASE

The Town has entered into a lease agreement as lessee for financing the acquisition of the fire chief vehicle. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>
Assets:	
Vehicle	\$ 26,619
Less: Accumulated depreciation	<u>(4,436)</u>
	<u>\$ 22,183</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2012, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2013	\$ 7,305
2014	7,306
2015	<u>7,306</u>
Total : Minimum lease payments	21,917
Less : Amounts representing interest	<u>(2,604)</u>
Present Value of minimum lease payments	<u>\$ 19,313</u>

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – INTERFUND TRANSFERS

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

Operating Transfers Out:	Operating Transfers In:				
	General Fund		Water Enterprise Fund	Sanitation Enterprise Fund	
	General Fund	Water Enterprise Fund	Sanitation Enterprise Fund	Total	
Nonmajor Governmental Funds	\$ 638,346	\$ -	\$ -	\$ 638,346	(1)
Sewer Enterprise Fund	191,348	-	-	191,348	(1)
General Fund	-	-	10,343	10,343	(2)
General Fund	-	22,086	-	22,086	(2)
Total	<u>\$ 829,694</u>	<u>\$ 22,086</u>	<u>\$ 10,343</u>	<u>\$ 862,123</u>	

(1) Represents other transfers to the general fund.

(2) Represents budgeted transfer from the general fund to the Water and Sanitation enterprise funds.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth, through the issuance of State Aid anticipation notes (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures/expenses for short-term borrowings are accounted for in the general fund and sewer enterprise fund respectively.

The following is a summary of changes in short-term debt for the year ended June 30, 2012:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
<i><u>Governmental Funds</u></i>							
BAN	Various	0.95%	6/28/2013	\$ -	\$ 341,600	\$ -	\$ 341,600
<i><u>Enterprise Fund</u></i>							
BAN	Sewer Project	0.95%	6/28/2013	\$ 238,000	\$ 238,000	\$ (238,000)	\$ 238,000
MWPAT	Sewer Project	0.00%	N/A	\$ -	1,850,517	\$ -	1,850,517
Total Sewer Enterprise Fund				\$238,000	\$2,088,517	(\$238,000)	\$2,088,517

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

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

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest		Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
	Rate	%				
Jackson School	4.66		\$ 5,500,000	\$ -	\$ 5,500,000	\$ -
Wood School	3.81		6,420,000	-	5,885,000	535,000
Wood School	4.90		225,000	-	75,000	150,000
Fire Equipment	4.22		459,000	-	51,000	408,000
Wood School	1.60		-	483,800	29,000	454,800
Wood School	1.78		-	240,000	25,000	215,000
Wood School	1.91		-	5,311,200	31,000	5,280,200
Total			\$ 12,604,000	\$ 6,035,000	\$ 11,596,000	\$ 7,043,000

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 826,000	\$ 207,395	\$ 1,033,395
2014	816,000	182,814	998,814
2015	711,000	165,136	876,136
2016	681,000	143,169	824,169
2017	656,000	122,101	778,101
2018-2022	2,858,000	304,176	3,162,176
2023	495,000	10,519	505,519
Total	\$ 7,043,000	\$ 1,135,310	\$ 8,178,310

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Bonds and Notes Payable Schedule -Water Enterprise Fund

Project	Interest Rate %	Outstanding at June 30, 2011			Outstanding at June 30, 2012	
		Issued	Redeemed			
Water Treatment Plant	3.61	\$ 900,000	\$ -	\$ 825,000	\$ 75,000	
Water Storage Tank	3.61	720,000	-	660,000	60,000	
Water Land Acquisition	3.58	565,000	-	515,000	50,000	
Water Pumping Station	2.00	859,887	-	49,651	810,236	
Water Treatment Plant	1.92	-	750,000	5,000	745,000	
Water Storage Tank	1.92	-	600,000	5,000	595,000	
Water Land Acquisition	1.91	-	465,000	5,000	460,000	
Total		<u>\$ 3,044,887</u>	<u>\$ 1,815,000</u>	<u>\$ 2,064,651</u>	<u>\$ 2,795,236</u>	

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 235,654	\$ 71,929	\$ 307,583
2014	236,677	66,281	302,958
2015	237,721	61,537	299,258
2016	238,786	54,922	293,708
2017	234,873	48,286	283,159
2018-2022	1,191,448	137,945	1,329,393
2023-2026	<u>420,077</u>	<u>13,837</u>	<u>433,914</u>
Total	<u>\$ 2,795,236</u>	<u>\$ 454,737</u>	<u>\$ 3,249,973</u>

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Loans Authorized and Unissued

As of June 30, 2012, the Town has loans authorized and unissued as follows:

Description	Date Authorized	Amount
Sewer Expansion	6/7/2010	\$ 4,800,000
Ambulance	6/6/2011	250,000
Roof Replacement	6/13/2011	<u>120,000</u>
 Total		 <u>\$ 5,170,000</u>

Massachusetts School Building Authority Reimbursements

Chapter 645 of the Act of 1948 as amended (“Chapter 645”) created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth’s Fiscal 2001 budget repealed 645 and created a new school building assistance program codified as Chapter 70B of the Massachusetts General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain “grandfathered” projects will be based on the statutory percentages provided for in Chapter 645.

The Town has been approved for 67% percent state school construction grants through the Massachusetts School Building authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$1,072,924 in FY 2012 from the MSBA for completed school construction projects. As noted below, the Town also received \$4,301,148 in advance reimbursements as part of an advance refunding of school debt. The future reimbursements have been adjusted to reflect the reduction in future debt service.

Advance and Current Year Refunding

On April 26, 2012, the Town issued general obligation refunding bonds in the amount of \$7,850,000 with an interest rates ranging from 2.125% to 3.00% to partially advance refund \$12,115,000 of general obligation bonds with an interest rates ranging from 3.00% to 5.25%. The advance refunded bonds mature on June 15, 2023 and are callable on June 15, 2012. The general obligation refunding bonds were issued at a net interest cost of 1.53% and, after receiving a \$4,301,148 contribution from MSBA, a bond premium of \$591,416, and paying issuance costs of \$117,477, the net proceeds were \$7,578,781. The net proceeds from the issuance of the general obligation refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the advance refunded bonds are called on June 15, 2012. The refunding resulted in a net present value benefit of \$1,327,365 in future debt service costs. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town’s financial statements.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 12,604,000	\$ 6,035,000	\$ (11,596,000)	\$ 7,043,000	\$ 826,000
Capital lease payable	4,102	26,619	(11,408)	19,313	6,031
OPEB (Note 11)	<u>2,920,054</u>	<u>786,680</u>	<u>-</u>	<u>3,706,734</u>	<u>-</u>
 Total governmental activities long-term liabilities	 <u>\$ 15,528,156</u>	 <u>\$ 6,848,299</u>	 <u>\$ (11,607,408)</u>	 <u>\$ 10,769,047</u>	 <u>\$ 832,031</u>
Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 3,044,887	\$ 1,815,000	\$ (2,064,651)	\$ 2,795,236	\$ 235,654
Capital lease payable	4,438	-	(4,438)	-	-
OPEB (Note 11)	<u>129,943</u>	<u>50,886</u>	<u>-</u>	<u>180,829</u>	<u>-</u>
 Total business-type activities long-term liabilities	 <u>\$ 3,179,268</u>	 <u>\$ 1,865,886</u>	 <u>\$ (2,069,089)</u>	 <u>\$ 2,976,065</u>	 <u>\$ 235,654</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2012:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
King Philip Regional School District Bonds	\$ 22,550,000	25.03%	\$ 5,644,265
Norfolk County Bonds	<u>5,302,239</u>	<u>0.99%</u>	<u>52,492</u>
	<u><u>\$ 27,852,239</u></u>		<u><u>\$ 5,696,757</u></u>

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

The Town purchases accident insurance policies for all uniformed police and fire personnel, which has a limit of \$20,000 per injury. Accident claims paid to uniformed police and fire personnel was not material in fiscal year 2012.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2012.

NOTE 11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the following disclosures with regard to the retiree medical and life insurance benefits:

Plan Description. Town of Plainville Other Post Employment Benefits Plan ("the plan") is a single-employer defined benefit healthcare plan administered by the Town of Plainville. The plan provides medical and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General laws Chapter 32B to provide $\frac{1}{2}$ of the premium cost of retirees' health and life insurance costs.

An employee becomes eligible to retire under this plan upon meeting one of the following conditions:

1. Completion of 20 years of service.
2. For an employee hired prior to January 1, 1978 – attainment of age 55 as an active member.
3. For an employee hired after January 1, 1978 – attainment of age 55 as an active member and completion of 10 years of service.

Credited service is the elapsed time from date of hire to termination of service date. Participant contributions varies based on coverage elected from 25% to 50%. The benefits offered include various Medical & Life Insurance offerings via Blue Cross Blue Shield of Massachusetts. The Normal retirement date is the first day of the month following a participant's 65th birthday. Early retirement is available for any participant who has attained benefit eligibility.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2012, total Town premiums plus implicit costs for the retiree medical program are \$447,556.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	\$ 1,697,036
Interest on Net OPEB Obligation	122,000
Adjustment to Annual Required Contribution	(263,769)
Amortization of Actual (Gains)/Losses	<u>(270,145)</u>
Annual OPEB Cost	1,285,122
Contributions made	<u>(447,556)</u>
Increase in net OPEB obligation	837,566
Net OPEB obligation - beginning of year	<u>3,049,997</u>
Net OPEB obligation - end of year	<u><u>\$ 3,887,563</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Increase in Net OPEB Obligation	Net OPEB Obligation
6/30/2009	\$ 1,737,746	34.6%	\$ 1,137,075	\$ 1,137,075
6/30/2010	\$ 1,757,905	37.5%	\$ 1,098,648	\$ 2,235,723
6/30/2011	\$ 1,220,000	33.3%	\$ 814,274	\$ 3,049,997
6/30/2012	\$ 1,285,122	34.8%	\$ 837,566	\$ 3,887,563

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$13.443 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$13.443 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.989 million, and the ratio of the UAAL to the covered payroll was 149.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of 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 actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8% percent initially, reduced by increments of 1% to an ultimate rate of 5 % after three years. Both rates included a 2.5% inflation assumption. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2012, was 26 years.

NOTE 12 – PENSION PLANS

A. Plan Descriptions

The Town contributes to the Norfolk County Contributory Retirement System (the “System”), a cost sharing, multiple-employer, defined benefit pension plan administered by the Norfolk County Retirement Board. Substantially all employees are members of the “System” except for public school teachers and certain school administrators who are members of the Massachusetts Teachers’ Retirement System (MTRS) to which the Town does not contribute.

The “System” and the MTRS are contributory defined benefit plans and membership in both the “System” and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees. The “System” and the MTRS provide retirement, disability and death benefits to plan members and beneficiaries.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The “System” issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), One Ashburton Place, Boston, Massachusetts 02108.

B. Funding Policies

Norfolk County Contributory Retirement System

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 Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2012, 2011, and 2010 were \$881,951, \$926,890, and \$893,247 respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$1,107,029 for fiscal year 2012. In accordance with GASB Statement No. 24, these “on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

Various other legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

TOWN OF PLAINVILLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #64**, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53. This pronouncement required no additional disclosure and did not impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is reviewing the impact of these pronouncements will have on the basic financial statements.

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Schedules of Funding Progress and Employer Contributions

The following schedules are presented in accordance with GASB Statement No. 45:

Projected Schedule of Funding Progress:

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 Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 17,862,809	\$ 17,862,809	0.0%	\$ 8,397,673	212.7%
7/1/2010	\$ -	\$ 13,442,914	\$ 13,442,914	0.0%	\$ 8,989,428	149.5%

Schedule of Employer Contributions:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$1,737,746	34.6%	\$ 1,137,075	\$ 1,137,075
2010	\$1,757,905	37.5%	\$ 1,098,648	\$ 2,235,723
2011	\$1,220,000	33.3%	\$ 814,274	\$ 3,049,997
2012	\$1,285,122	34.8%	\$ 837,566	\$ 3,887,563

* Based on expected premium payments.

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2010
Discount Rate	4.00%
Medical Trend	7.0% for 2012, and grading down 1% to 5% in Year 2014 and thereafter
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	26
Mortality	RP-2000 Table for males
	RP-2000 Table for females

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Participation 80% of future retirees are assumed to participate in the retiree medical plan.
 80% of future retirees are expected to elect life insurance.

Plan Participants:

Current retirees, beneficiaries, and dependants	82
Current active members/participants	<u>186</u>
Total	<u>268</u>