

TOWN OF BOXFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Boxford, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Boxford, Massachusetts, as of and for the year ended June 30, 2007, 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 Boxford's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Boxford, as of June 30, 2007, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. 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.

Melanson, Heath + Company P.C.

Andover, Massachusetts
November 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Boxford, we offer readers this narrative overview and analysis of the financial activities of the Town of Boxford for the fiscal year ended June 30, 2007.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, insurance and benefits, interest, and intergovernmental expense.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available

at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 46,842,613 (i.e., net assets), a change of \$ 2,122,779 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,721,894, a change of \$ (2,637,319) in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 2,009,855, a change of \$ 43,545 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 13,723,172, a change of \$ (1,143,571) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 8,444,067	\$ 10,871,530
Capital assets	<u>55,363,660</u>	<u>51,749,924</u>
Total assets	63,807,727	62,621,454
Long-term liabilities outstanding	15,173,817	16,326,193
Other liabilities	<u>1,791,297</u>	<u>1,575,427</u>
Total liabilities	16,965,114	17,901,620
Net assets:		
Invested in capital assets, net	40,453,301	39,541,461
Restricted	4,474,441	4,480,593
Unrestricted	<u>1,914,871</u>	<u>697,780</u>
Total net assets	\$ <u>46,842,613</u>	\$ <u>44,719,834</u>

CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,537,726	\$ 1,540,033
Operating grants and contributions	2,511,703	2,489,543
Capital grants and contributions	1,077,882	892,501
General revenues:		
Property taxes	19,974,016	19,351,115
Excises	1,398,847	1,456,769
Penalties and interest on taxes	58,354	61,603
Grants and contributions not restricted to specific programs	1,328,027	1,045,995
Donations - Anvil Farm	-	1,600,000
Investment income	477,216	304,370
Other	<u>11,341</u>	<u>6,451</u>
Total revenues	28,375,112	28,748,380

(continued)

(continued)

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Expenses:		
General government	2,329,520	1,716,554
Public safety	2,183,803	2,226,265
Education	16,567,490	16,472,166
Public works	1,455,656	1,339,297
Health and human services	186,226	221,269
Culture and recreation	508,567	449,346
Insurance and benefits	2,215,280	1,974,487
Interest on long-term debt	670,174	675,319
Intergovernmental	135,617	82,368
Miscellaneous	-	12,079
Total expenses	<u>26,252,333</u>	<u>25,169,150</u>
Change in net assets	2,122,779	3,579,230
Net assets - beginning of year, as restated	<u>44,719,834</u>	<u>41,140,604</u>
Net assets - end of year	<u>\$ 46,842,613</u>	<u>\$ 44,719,834</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 46,842,613, a change of \$ 2,122,779 from the prior year.

The largest portion of net assets \$ 40,453,301 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In fiscal year 2007, as required by the provisions of GASB Statement 34, the Town retroactively reported all major general government infrastructure fixed assets (i.e. roads) that were acquired or significantly improved in the fiscal years ending after June 30, 1980. The Town's beginning net assets have been restated to reflect the effects of this change. See Note 7 for additional detail.

An additional portion of net assets \$ 4,474,441 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 1,914,871 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 2,122,779. Key elements of this change are as follows:

General fund change in fund balance (explained in more detail in Section D, below)	\$ 128,782
Current year purchase of Anvil Farm land	3,001,499
Excess principal maturities, a budgeted expense, over depreciation, which is not budgeted	(359,578)
Other	(647,924)
Total	\$ <u>2,122,779</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,721,894, a change of \$ (2,637,319) in comparison with the prior year. Key elements of this change are as follows:

General fund change in fund balance (explained in more detail below)	\$ 128,782
Anvil Farm change in fund balance	(2,466,499)
Other	(299,602)
Total	\$ <u>(2,637,319)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 2,009,855, while total fund balance was \$ 3,187,230. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8.0 percent of total general fund expenditures, while total fund balance represents 12.7 percent of that same amount.

The fund balance of the general fund increased by \$ 128,782 during the current fiscal year. Key factors in this change are as follows:

Net revenue surplus	\$ 334,755
Net appropriation surplus	140,157
Use of free cash and overlay surplus to fund various current year appropriations	(749,178)
Excess of current year encumbered appropriations over prior year encumbrances	113,728
Fund prior year snow/ice deficit	63,677
Other	<u>225,643</u>
Total	\$ <u>128,782</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$ 168,606. This increase was made up of the following appropriations:

- \$ 168,606 from free cash and overlay surplus to supplement various fiscal year 2007 departmental budgets.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year end amounted to \$ 55,363,660 (net of accumulated depreciation), a change of \$ 24,429,809 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

- \$ 20,816,073 for retroactive reporting of major general government infrastructure fixed assets from fiscal year 1981 to 2003 (as required by GASB Statement 34).
- \$ 1,006,427 for various road improvement and drainage projects.
- \$ 3,001,499 for the purchase of approximately 28 acres of property known as the Anvil Farm land.
- \$ 114,818 for various buildings improvements.
- \$ 425,410 for various vehicles, machinery and equipment.
- \$ 568,731 for various ongoing projects, including the Community Center Rehabilitation project, the Tennis courts/Ball fields project, and the Lincoln Hall preservation project.
- Current year depreciation expense of \$ (1,503,149).

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 13,723,172, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

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

Office of the Town Accountant/Finance Director
Town of Boxford, Massachusetts
7A Spofford Road
Boxford, Massachusetts 01921

TOWN OF BOXFORD, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 4,256,755
Investments	3,527,027
Receivables, net of allowance for uncollectibles:	
Taxes	189,680
Excises	48,430
Intergovernmental	330,549
Other	5,940
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Taxes	13,976
Betterments	71,710
Land and construction in progress	15,749,948
Capital assets, net of accumulated depreciation	<u>39,613,712</u>
TOTAL ASSETS	63,807,727
LIABILITIES	
Current:	
Accounts payable	339,961
Accrued liabilities	352,286
Deferred revenues	77,650
Notes payable	900,000
Other	121,400
Current portion of long-term liabilities:	
Bonds payable	1,138,571
Other liabilities	46,112
Noncurrent:	
Bonds payable, net of current portion	12,584,601
Other liabilities, net of current portion	<u>1,404,533</u>
TOTAL LIABILITIES	16,965,114
NET ASSETS	
Invested in capital assets, net of related debt	40,453,301
Restricted for:	
Community preservation funds	2,830,051
Grants and other statutory restrictions	1,629,682
Permanent funds:	
Expendable	9,708
Nonexpendable	5,000
Unrestricted	<u>1,914,871</u>
TOTAL NET ASSETS	<u>\$ 46,842,613</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
General government	\$ 2,329,520	\$ 137,250	\$ -	\$ (2,158,728)
Public safety	2,183,803	273,163	-	(1,884,720)
Education	16,567,490	769,943	381,503	(13,031,261)
Public works	1,455,656	282,032	696,379	(474,186)
Health and human services	186,226	71,373	-	(79,289)
Culture and recreation	508,567	3,965	-	(476,113)
Insurance and benefits	2,215,280	-	-	(2,214,934)
Interest expense	670,174	-	-	(670,174)
Intergovernmental	135,617	-	-	(135,617)
Total	\$ 26,252,333	\$ 1,537,726	\$ 1,077,882	(21,125,022)
General Revenues:				
Taxes				19,974,016
Excises				1,398,847
Penalties, interest and other taxes				58,354
Grants and contributions not restricted to specific programs				1,328,027
Investment income				477,216
Miscellaneous				11,341
Total general revenues				23,247,801
Change in Net Assets				2,122,779
Net Assets:				
Beginning of year, as restated				44,719,834
End of year				<u>\$ 46,842,613</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

ASSETS

	General	Community Preservation Fund	Anvil Farm	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 2,997,126	\$ 504,209	\$ 18,031	\$ 737,389	\$ 4,256,755
Investments	337,327	2,410,736	-	778,964	3,527,027
Receivables:					
Taxes	200,424	3,232	-	-	203,656
Excises	66,524	-	-	-	66,524
Intergovernmental	-	-	-	330,549	330,549
Due from other funds	5,941	-	-	-	5,941
TOTAL ASSETS	\$ 3,607,342	\$ 2,918,177	\$ 18,031	\$ 1,846,902	\$ 8,390,452

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	-	-	-	339,961	339,961
Accrued liabilities	90,853	-	-	-	90,853
Deferred revenues	208,607	1,796	-	-	210,403
Anticipation notes payable	-	-	900,000	-	900,000
Due to other funds	-	-	-	5,941	5,941
Other liabilities	120,652	748	-	-	121,400
TOTAL LIABILITIES	420,112	2,544	900,000	345,902	1,668,558
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	696,352	-	-	-	696,352
Expenditures	481,023	600,310	-	-	1,081,333
Perpetual (nonexpendable) permanent funds	-	-	-	5,000	5,000
Undesignated, reported in:					
General fund	2,009,855	-	-	-	2,009,855
Special revenue funds	-	2,315,323	-	1,629,682	3,945,005
Capital project funds	-	-	(881,969)	(143,390)	(1,025,359)
Permanent funds	-	-	-	9,708	9,708
TOTAL FUND BALANCES	3,187,230	2,915,633	(881,969)	1,501,000	6,721,894
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,607,342	\$ 2,918,177	\$ 18,031	\$ 1,846,902	\$ 8,390,452

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

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

JUNE 30, 2007

Total governmental fund balances	\$ 6,721,894
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	55,363,660
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	192,309
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(261,433)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(15,173,817)</u>
Net assets of governmental activities	\$ <u><u>46,842,613</u></u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	General	Community Preservation Fund	Anvil Farm	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 19,514,553	\$ 482,424	\$ -	\$ -	\$ 19,996,977
Excises	1,399,843	-	-	-	1,399,843
Interest and penalties	57,735	619	-	-	58,354
Licenses and permits	257,703	-	-	-	257,703
Intergovernmental	3,362,975	464,894	-	995,911	4,823,780
Charges for services	350,567	-	-	868,336	1,218,903
Interest earnings	309,175	140,090	-	31,964	481,229
Fines and forfeits	55,091	-	-	-	55,091
Other	90	-	-	107,099	107,189
Total Revenues	<u>25,307,732</u>	<u>1,088,027</u>	<u>-</u>	<u>2,003,310</u>	<u>28,399,069</u>
Expenditures:					
Current:					
General government	1,589,705	257,289	3,001,499	93,207	4,941,700
Public safety	2,050,801	-	-	42,730	2,093,531
Education	15,312,839	-	-	1,098,100	16,410,939
Public works	1,618,772	-	-	1,060,108	2,678,880
Health and human services	196,849	-	-	73,053	269,902
Culture and recreation	433,925	-	-	24,926	458,851
Insurance and benefits	2,192,481	-	-	22,799	2,215,280
Debt service	1,571,532	260,156	-	-	1,831,688
Intergovernmental	135,617	-	-	-	135,617
Total Expenditures	<u>25,102,521</u>	<u>517,445</u>	<u>3,001,499</u>	<u>2,414,923</u>	<u>31,036,388</u>
Excess (deficiency) of revenues over expenditures	205,211	570,582	(3,001,499)	(411,613)	(2,637,319)
Other Financing Sources (Uses):					
Transfers in	13,571	-	535,000	40,000	588,571
Transfers out	(90,000)	(485,000)	-	(13,571)	(588,571)
Total Other Financing Sources (Uses)	<u>(76,429)</u>	<u>(485,000)</u>	<u>535,000</u>	<u>26,429</u>	<u>-</u>
Change in fund balance	128,782	85,582	(2,466,499)	(385,184)	(2,637,319)
Fund Equity, at Beginning of Year, as restated	3,058,448	2,830,051	1,584,530	1,886,184	9,359,213
Fund Equity, at End of Year	<u>\$ 3,187,230</u>	<u>\$ 2,915,633</u>	<u>\$ (881,969)</u>	<u>\$ 1,501,000</u>	<u>\$ 6,721,894</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (2,637,319)

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay purchases 5,116,885

Depreciation (1,503,149)

- 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. (23,957)

- The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayments of debt 1,143,571

- In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 17,943
- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 8,805

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,122,779

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 19,288,910	\$ 19,288,910	\$ 19,288,910	\$ -
Excise	1,476,000	1,476,000	1,399,843	(76,157)
Penalties, interest and other taxes	50,000	50,000	57,735	7,735
Charges for services	295,000	295,000	350,567	55,567
Intergovernmental	2,644,335	2,644,335	2,793,886	149,551
Licenses and permits	238,000	238,000	257,703	19,703
Fines and forfeits	75,000	75,000	55,091	(19,909)
Interest earnings	111,000	111,000	309,175	198,175
Miscellaneous	-	-	90	90
Transfers in	13,571	13,571	13,571	-
Other sources	580,572	749,178	749,178	-
Total Revenues and Other Sources	24,772,388	24,940,994	25,275,749	334,755
Expenditures and Other Uses:				
General government	1,614,563	1,663,148	1,605,881	57,267
Public safety	2,012,153	2,052,852	2,008,548	44,304
Education	15,092,762	15,092,762	15,043,928	48,834
Public works	1,306,602	1,324,712	1,439,558	(114,846)
Health and human services	200,588	214,180	210,478	3,702
Culture and recreation	428,384	449,843	439,137	10,706
Debt service	1,621,532	1,621,532	1,621,532	-
Intergovernmental	135,633	135,633	135,617	16
Insurance and benefits	2,256,494	2,282,655	2,192,481	90,174
Snow/ice deficit	63,677	63,677	63,677	-
Transfers out	40,000	40,000	40,000	-
Total Expenditures and Other Uses	24,772,388	24,940,994	24,800,837	140,157
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 474,912	\$ 474,912

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 126,292
Investments	<u>43,999</u>	<u>93,731</u>
Total Assets	43,999	220,023
<u>LIABILITIES AND NET ASSETS</u>		
Performance bond deposits	-	171,883
Other liabilities	<u>-</u>	<u>48,140</u>
Total Liabilities	<u>-</u>	<u>220,023</u>
<u>NET ASSETS</u>		
Restricted for:		
Endowment	13,975	-
Unrestricted	<u>30,024</u>	<u>-</u>
Total net assets held in trust	\$ <u><u>43,999</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest earnings	1,296
Contributions	<u>18,931</u>
Total contributions	20,227
 Deductions:	
Education	14,400
Health and human services	<u>930</u>
Total deductions	<u>15,330</u>
 Net increase (decrease)	4,897
 Net assets:	
Beginning of year	<u>39,102</u>
 End of year	<u>\$ 43,999</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2007, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Community Preservation Fund* is used to account for revenues and expenditures related to the levy of a three percent property tax surcharge that is authorized by the Community Preservation Act. This fund was established by the Town for the

purpose of acquiring open land for conservation, developing affordable housing, and preserving historical property.

- The *Anvil Farm Fund* is used to account for revenues and expenditures associated with the purchase of approximately 28 acres of property known as the Anvil Farm land.

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

D. Cash and Short-Term Investments

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

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

E. Investments

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

Investments for the General Fund, the Community Preservation Fund and the Trust Funds consist of bank certificates of deposit, corporate bonds, marketable securities, and U.S. Treasury/Agency securities. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding

new growth), unless an override or debt exemption is voted. The actual fiscal year 2007 tax levy reflected an excess capacity of \$ 606,067.

G. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost that exceeds \$ 5,000 to \$ 100,000, depending on the asset's category, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50
Vehicles	6
Office equipment	5
Computer equipment	5

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 25,307,732	\$ 25,102,521
Other financing sources/uses (GAAP basis)	<u>13,571</u>	<u>90,000</u>
Subtotal (GAAP Basis)	25,321,303	25,192,521
Adjust tax revenue to accrual basis	(225,643)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(582,624)
Add end of year appropriation carryforwards to expenditures	-	696,352
To reverse the effect of non-budgeted State contributions for teachers retirement	(569,089)	(569,089)
To record raising of prior year's snow and ice deficit	-	63,677
Recognize use of free cash and overlay surplus as a funding source	<u>749,178</u>	<u>-</u>
Budgetary basis	\$ <u>25,275,749</u>	\$ <u>24,800,837</u>

D. Excess of Expenditures Over Appropriations

The expenditure exceeding appropriations during the current fiscal year is as follows:

Public works (snow/ice deficit)	\$ (114,846)
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E. Deficit Fund Equity

The following funds had deficits as of June 30, 2007:

Anvil Farm	\$ (881,969)
Hwy Chapter 90	\$ (362,620)

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

3. Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and short-term investments	\$ 4,234,299
Investments	3,549,483
Fiduciary funds:	
Cash and short-term investments	126,292
Investments	<u>137,730</u>
Total cash and investments	\$ <u>8,047,804</u>

Cash and investments at June 30, 2007 consist of the following:

Cash on hand	\$ 2,375
Deposits with financial institutions	4,380,672
Investments	<u>3,664,757</u>
Total cash and investments	\$ <u>8,047,804</u>

A) Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-

dealer) to a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Massachusetts General Laws, Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent 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 policy for custodial credit risk.

As of June 30, 2007, \$ 3,447,991 of the Town's bank balance of \$ 4,975,845 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

B) Credit Risk

Generally, credit risk is the risk that the 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 Moody's rating as of June 30, 2007 for each of the Town's investment types (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>Aaa</u>	<u>A3</u>	<u>Not Rated</u>
Certificates of deposit	\$ 93	N/A	\$ -	\$ -	\$ 93
Corporate bonds	200	N/A	-	200	-
Federal agency securities	3,158	N/A	3,158	-	-
Corporate equities	<u>214</u>	N/A	<u>-</u>	<u>-</u>	<u>214</u>
Total	\$ <u>3,665</u>		\$ <u>3,158</u>	\$ <u>200</u>	\$ <u>307</u>

C) Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>			
	<u>Fair Value</u>	<u>Less than One Year</u>	<u>1 to 5</u>	<u>5 to 10</u>
Debt-related securities:				
Certificates of deposit	\$ 93	\$ 93	\$ -	\$ -
Corporate bonds	200	-	200	-
Federal agency securities	<u>3,158</u>	<u>868</u>	<u>2,020</u>	<u>270</u>
Subtotal	3,451	\$ <u>961</u>	\$ <u>2,220</u>	\$ <u>270</u>
Corporate equities	<u>214</u>			
Total investments	\$ <u>3,665</u>			

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Town's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

<u>Highly Sensitive Investments</u>	<u>Fair Value at Year End</u>
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affect the fair value of these securities and makes the fair value of these securities highly sensitive to changes in interest rates.	\$ <u>3,158</u>

D) Concentration of Credit Risk

The Town does not have a formal investment policy limiting the amount that can be invested in any one issuer beyond that stipulated by Massachusetts General Laws. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent more than 5% or more of the Town's total investments are as follows (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$ 1,665
Federal National Mtg. Assn.	Federal agency securities	1,151
Federal Home Loan Mtg Corp.	Federal agency securities	327
Verizon Penn	Corporate bonds	<u>200</u>
Total		\$ <u>3,343</u>

E) Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have a formal policy for foreign currency risk.

4. Taxes Receivable

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

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

Taxes receivable at June 30, 2007 consist of the following:

Real Estate, Levy Year 2007	\$ 161,506
Community Preservation, Levy Year 2007	3,232
Personal Property, Levy Year 2007	96
Tax Title, all years	<u>38,822</u>
Total	\$ <u>203,656</u>

5. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Excises	\$ <u>18,094</u>

6. Intergovernmental Receivables

This balance represents reimbursements requested from State agencies for expenditures incurred in fiscal 2007.

7. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,284	\$ 167	\$ -	\$ 19,451
Machinery, equipment, and furnishings	2,946	425	-	3,371
Infrastructure*	<u>29,106</u>	<u>1,006</u>	<u>-</u>	<u>30,112</u>
Total capital assets, being depreciated	51,336	1,598	-	52,934
Less accumulated depreciation for:				
Buildings and improvements	(4,422)	(484)	-	(4,906)
Machinery, equipment, and furnishings	(1,409)	(273)	-	(1,682)
Infrastructure*	<u>(5,986)</u>	<u>(746)</u>	<u>-</u>	<u>(6,732)</u>
Total accumulated depreciation	<u>(11,817)</u>	<u>(1,503)</u>	<u>-</u>	<u>(13,320)</u>
Total capital assets being depreciated, net	39,519	95	-	39,614
Capital assets, not being depreciated:				
Land	12,157	3,017	-	15,174
Construction in progress	<u>74</u>	<u>569</u>	<u>(67)</u>	<u>576</u>
Total capital assets, not being depreciated	<u>12,231</u>	<u>3,586</u>	<u>(67)</u>	<u>15,750</u>
Governmental activities capital assets, net, as restated*	<u>\$ 51,750</u>	<u>\$ 3,681</u>	<u>\$ (67)</u>	<u>\$ 55,364</u>

*The beginning balances have been restated to reflect the Town's retroactive capitalization of major general government infrastructure fixed assets for governmental activities, as required by GASB Statement 34.

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

Governmental Activities:	
General government	\$ 854
Public safety	188
Education	279
Public works	128
Health and human services	4
Culture and recreation	<u>50</u>
Total depreciation expense - governmental activities	<u>\$ 1,503</u>

8. Accounts Payable

Accounts payable represent additional 2007 expenditures paid after July 15, 2007.

9. Accrued Liabilities

Governmental activities: This balance represents the amount accrued in the current period for interest on the Town's outstanding general obligation bonds, as well as accrued employee payroll.

Governmental funds: This balance represents accrued employee payroll.

10. Deferred Revenue

Government-wide financial statements report *deferred revenues* in connection with the Town's unapportioned betterment receivables.

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

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2007 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Anticipation Notes Payable

The Town had the following note outstanding at June 30, 2007:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2007</u>
Bond anticipation	3.89%	06/28/07	06/26/08	\$ <u>900,000</u>

The following summarizes activity in notes payable during fiscal year 2007:

<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Payoffs</u>	<u>Balance End of Year</u>
\$ <u>950,000</u>	\$ <u>900,000</u>	\$ <u>(900,000)</u>	\$ <u>(50,000)</u>	\$ <u>900,000</u>

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Government Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)% *</u>	<u>Amount Outstanding as of June 30, 2007</u>
Bonds payable - Inside the Debt Limit			
School bonds	06/15/16	*	\$ 2,860,000
Title V (MWPAT)	08/01/18	-	130,444
Land acquisition	06/15/17	*	1,170,000
Title V (MWPAT)	02/01/21	-	37,728
Police station	04/15/21	*	2,240,000
Town hall	08/15/22	*	3,575,000
Sawyer/Richardson land	08/15/22	*	2,520,000
Fire truck	08/15/17	*	195,000
Spofford Pond road drainage	08/15/22	*	225,000
Bonds payable - Outside the Debt Limit			
Landfill closure	06/15/17	*	570,000
Spofford Pond school	06/15/09	*	<u>200,000</u>
Total			<u>\$ 13,723,172</u>

* Certain debt reflects variable interest rates ranging from 2.0% to 6.375%.

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,138,571	\$ 608,792	\$ 1,747,363
2009	1,153,572	563,705	1,717,277
2010	1,063,572	515,991	1,579,563
2011	1,083,512	471,034	1,554,546
2012	1,093,565	422,986	1,516,551
2013 - 2017	5,222,816	1,322,494	6,545,310
2018 - 2022	2,637,564	366,563	3,004,127
2023 - 2027	<u>330,000</u>	<u>7,343</u>	<u>337,343</u>
Total	<u>\$ 13,723,172</u>	<u>\$ 4,278,908</u>	<u>\$ 18,002,080</u>

The General Fund and the Community Preservation Fund have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2007.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/06	Additions	Reductions	Total Balance 6/30/07	Less Current Portion	Equals Long-Term Portion 6/30/07
<u>Governmental Activities</u>						
Bonds payable	\$ 14,867	\$ -	\$ (1,144)	\$ 13,723	\$ (1,138)	\$ 12,585
Other:						
Landfill closure	1,363	-	(33)	1,330	(34)	1,296
Accrued employee benefits	<u>97</u>	<u>24</u>	<u>-</u>	<u>121</u>	<u>(12)</u>	<u>109</u>
Totals	\$ <u>16,327</u>	\$ <u>24</u>	\$ <u>(1,177)</u>	\$ <u>15,174</u>	\$ <u>(1,184)</u>	\$ <u>13,990</u>

13. Landfill Closure and Postclosure Care Costs

The Town's landfill was closed and capped in the Spring of 2001. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site of its capped landfill for thirty years after closure. These *postclosure care* costs are reported as a long-term liability in the government-wide financial statements, and a portion of the liability is expensed each year. The amount of the postclosure care liability and the portion of costs expensed each year are based on estimates provided by management. In 1999, the Town issued \$ 1,050,000 in general obligation bonds to fund estimated closure and monitoring costs.

14. Restricted Net Assets

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

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

15. Reserves of Fund Equity

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2007:

Reserved for Encumbrances and Continuing Appropriations - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

16. Commitments and Contingencies

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government.

Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

17. Post-Employment Health Care and Life Insurance Benefits

The Town has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits is included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2007 was not available.

18. Pension Plan

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

A. Plan Description

The Town contributes to the Essex County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be

obtained through the Essex Regional Retirement Board, 491 Maple Street, Building 200, Suite 202, Danvers, Massachusetts 01923.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$ 566,833, \$ 526,540, and \$ 513,053, respectively, which were equal to its annual required contributions for each of these years.

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

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

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

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

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

The Town's current year covered payroll for teachers and administrators for the year ended June 30, 2007 was not available.

In fiscal year 2007, the Commonwealth of Massachusetts contributed \$ 569,089 to the MTRS on behalf of the Town. This is included in the

education expenditures and intergovernmental revenues in the general fund.

19. Risk Management

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

20. Beginning Fund Equity/Net Assets Restatement

The beginning (July 1, 2006) fund equity/net assets of the Town have been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
Net assets, as previously reported	\$ 23,936,317
Retroactive reporting of infrastructure fixed assets	20,816,073
Reclassify deposits to agency funds	(32,556)
Net assets, as restated	\$ <u>44,719,834</u>

Fund Basis Financial Statements:

	<u>Nonmajor Governmental Funds</u>
Fund equity, as previously reported	\$ 1,918,740
Reclassify deposits to agency funds	(32,556)
Fund equity, as restated	\$ <u>1,886,184</u>