

TOWN OF BOXFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2008

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

10 New England Business Center Drive • Suite 112
Andover, MA 01810-1096
(978) 749-0005 • Fax (978) 749-0006
www.melansonheath.com

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, 2008, 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, 2008, 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

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

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 19, 2008

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, 2008.

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 \$ 47,993,894 (i.e., net assets), a change of \$ 1,151,281 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,664,699, a change of \$ (57,195) in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,720,364, a change of \$ (289,491) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 16,009,601, a change of \$ 2,286,429 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.

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 8,005,615	\$ 8,444,067
Capital assets	<u>58,968,195</u>	<u>55,363,660</u>
Total assets	66,973,810	63,807,727
Long-term liabilities outstanding	17,606,633	15,173,817
Other liabilities	<u>1,373,283</u>	<u>1,791,297</u>
Total liabilities	18,979,916	16,965,114
Net assets:		
Invested in capital assets, net	44,048,029	40,453,301
Restricted	3,347,170	4,474,441
Unrestricted	<u>598,695</u>	<u>1,914,871</u>
Total net assets	\$ <u>47,993,894</u>	\$ <u>46,842,613</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,454,522	\$ 1,537,726
Operating grants and contributions	2,688,598	2,511,703
Capital grants and contributions	1,169,739	1,077,882
General revenues:		
Property taxes	21,085,511	19,974,016
Excises	1,416,582	1,398,847
Penalties and interest on taxes	64,376	58,354
Grants and contributions not restricted to specific programs	1,265,574	1,328,027
Investment income	408,405	477,216
Other	<u>12,236</u>	<u>11,341</u>
Total revenues	29,565,543	28,375,112

(continued)

(continued)

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Expenses:		
General government	1,597,111	1,817,945
Public safety	2,277,940	2,183,803
Education	17,923,681	16,567,490
Public works	2,586,317	1,967,231
Health and human services	324,168	186,226
Culture and recreation	523,075	508,567
Insurance and benefits	2,395,768	2,215,280
Interest on long-term debt	631,480	670,174
Intergovernmental	<u>154,722</u>	<u>135,617</u>
Total expenses	<u>28,414,262</u>	<u>26,252,333</u>
Change in net assets	1,151,281	2,122,779
Net assets - beginning of year, as restated	<u>46,842,613</u>	<u>44,719,834</u>
Net assets - end of year	\$ <u>47,993,894</u>	\$ <u>46,842,613</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 \$ 47,993,894, a change of \$ 1,151,281 from the prior year.

The largest portion of net assets \$ 44,048,029 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.

An additional portion of net assets \$ 3,347,170 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 598,695 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 1,151,281. Key elements of this change are as follows:

General fund change in fund balance (explained in more detail in Section D, below)	\$ (299,641)
Use of Community Preservation funds to purchase Haynes land	1,400,000
Excess principal maturities, a budgeted expense, under depreciation, which is not budgeted	(443,039)
Other	<u>493,961</u>
Total	\$ <u>1,151,281</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 \$ 6,664,699, a change of \$ (57,195) 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)	\$ (299,641)
Community Preservation Fund change in fund balance	(1,134,028)
Nonmajor funds change in fund balance	1,347,724
Other	<u>28,750</u>
Total	\$ (<u>57,195</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 \$ 1,720,364, while total fund balance was \$ 2,887,589. 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 6.5 percent of total general fund expenditures, while total fund balance represents 10.8 percent of that same amount.

The fund balance of the general fund changed by \$ (299,641) during the current fiscal year. Key factors in this change are as follows:

Net revenue surplus	\$ 275,194
Net appropriation surplus	136,467
Use of free cash and overlay surplus to fund various current year appropriations	(730,771)
Excess of prior year encumbered appropriations over current year encumbrances	(41,571)
Fund prior year snow/ice deficit	119,398
Other	(58,358)
Total	\$ (299,641)

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$ 85,021. This increase was made up of the following appropriations:

- \$ 85,021 from free cash to supplement the public works department 2008 capital budget for roads.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year end amounted to \$ 58,968,195 (net of accumulated depreciation), a change of \$ 3,604,535 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:

- \$ 4,056,340 for the purchase of 2 parcels of land known as the Cargill and Haynes properties.
- \$ 639,625 for various projects, including the Community Center Rehabilitation project, the Tennis courts/Ball fields projects, the Lincoln Hall preservation project, the Holyoke French Barn preservation project, and the Historic Documents preservation project.
- \$ 263,948 for various police, fire, and public works vehicles, machinery and equipment.
- \$ 226,232 for various road improvement projects.
- Current year depreciation expense of \$ (1,581,610).

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 16,009,601, 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, 2008

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 4,544,258
Investments	3,116,360
Receivables, net of allowance for uncollectibles:	
Taxes	186,798
Excises	44,421
Other	5,940
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Taxes	42,068
Betterments	65,770
Land and construction in progress	20,008,388
Capital assets, net of accumulated depreciation	<u>38,959,807</u>
TOTAL ASSETS	66,973,810
LIABILITIES	
Current:	
Warrants payable	569,594
Accrued liabilities	399,081
Deferred revenues	71,710
Other	332,898
Current portion of long-term liabilities:	
Bonds payable	1,343,572
Other liabilities	65,514
Noncurrent:	
Bonds payable, net of current portion	14,666,029
Other liabilities, net of current portion	<u>1,531,518</u>
TOTAL LIABILITIES	18,979,916
NET ASSETS	
Invested in capital assets, net of related debt	44,048,029
Restricted for:	
Community preservation funds	1,781,605
Grants and other statutory restrictions	1,550,167
Permanent funds:	
Nonexpendable	5,000
Expendable	10,398
Unrestricted	<u>598,695</u>
TOTAL NET ASSETS	<u>\$ 47,993,894</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 1,597,111	\$ 141,420	\$ 17,604	\$ 418,500	\$ (1,019,587)
Public safety	2,277,940	272,466	37,913	-	(1,967,561)
Education	17,923,681	710,096	2,546,037	387,757	(14,279,791)
Public works	2,586,317	256,906	888	363,482	(1,965,041)
Health and human services	324,168	68,568	62,986	-	(192,614)
Culture and recreation	523,075	5,066	22,247	-	(495,762)
Insurance and benefits	2,395,768	-	923	-	(2,394,845)
Interest expense	631,480	-	-	-	(631,480)
Intergovernmental	154,722	-	-	-	(154,722)
Total	<u>\$ 28,414,262</u>	<u>\$ 1,454,522</u>	<u>\$ 2,688,598</u>	<u>\$ 1,169,739</u>	<u>(23,101,403)</u>
General Revenues:					
Taxes					21,085,511
Excises					1,416,582
Penalties, interest and other taxes					64,376
Grants and contributions not restricted to specific programs					1,265,574
Investment income					408,405
Miscellaneous					12,236
Total general revenues					<u>24,252,684</u>
Change in Net Assets					1,151,281
Net Assets:					
Beginning of year					<u>46,842,613</u>
End of year					<u>\$ 47,993,894</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

ASSETS

	General	Community Preservation Fund	Haynes Land	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 2,590,147	\$ 746,611	\$ 28,750	\$ 1,178,750	\$ 4,544,258
Investments	1,293,148	1,035,207	-	788,005	3,116,360
Receivables:					
Taxes	226,424	2,669	-	-	229,093
Excises	61,027	-	-	-	61,027
TOTAL ASSETS	\$ 4,170,746	\$ 1,784,487	\$ 28,750	\$ 1,966,755	\$ 7,950,738

LIABILITIES AND FUND BALANCES

Liabilities:					
Warrants payable	569,594	-	-	-	569,594
Accrued liabilities	149,776	-	-	-	149,776
Deferred revenues	231,852	1,919	-	-	233,771
Other liabilities	331,935	963	-	-	332,898
TOTAL LIABILITIES	1,283,157	2,882	-	-	1,286,039
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	654,951	-	-	-	654,951
Expenditures	496,400	658,242	-	-	1,154,642
Perpetual (nonexpendable) permanent funds	-	-	-	5,000	5,000
Unreserved:					
Designated for other purposes	15,874	-	-	-	15,874
Undesignated, reported in:					
General fund	1,720,364	-	-	-	1,720,364
Special revenue funds	-	1,123,363	-	1,550,168	2,673,531
Capital project funds	-	-	28,750	401,189	429,939
Permanent funds	-	-	-	10,398	10,398
TOTAL FUND BALANCES	2,887,589	1,781,605	28,750	1,966,755	6,664,699
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,170,746	\$ 1,784,487	\$ 28,750	\$ 1,966,755	\$ 7,950,738

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, 2008

Total governmental fund balances	\$ 6,664,699
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	58,968,195
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	216,938
<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.	(249,305)
<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>(17,606,633)</u>
Net assets of governmental activities	\$ <u><u>47,993,894</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, 2008

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Haynes Land</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 20,549,638	\$ 507,235	\$ -	\$ -	\$ 21,056,873
Excises	1,420,591	-	-	-	1,420,591
Penalties, interest and other taxes	63,638	737	-	-	64,375
Licenses and permits	254,886	-	-	-	254,886
Intergovernmental	3,437,816	901,756	-	681,025	5,020,597
Charges for services	308,221	-	-	779,783	1,088,004
Interest earnings	258,335	106,694	-	50,465	415,494
Fines and forfeits	79,259	-	-	-	79,259
Other	25,591	720	-	114,524	140,835
Total Revenues	<u>26,397,975</u>	<u>1,517,142</u>	<u>-</u>	<u>1,625,797</u>	<u>29,540,914</u>
Expenditures:					
Current:					
General government	1,339,351	865,712	3,271,250	568,911	6,045,224
Public safety	2,103,877	-	-	47,767	2,151,644
Education	16,403,501	-	-	1,058,153	17,461,654
Public works	2,059,895	-	-	60,431	2,120,326
Health and human services	255,295	-	-	95,390	350,685
Culture and recreation	414,686	105,902	-	40,319	560,907
Insurance and benefits	2,374,237	-	-	21,531	2,395,768
Debt service	1,525,623	256,556	-	-	1,782,179
Intergovernmental	154,722	-	-	-	154,722
Total Expenditures	<u>26,631,187</u>	<u>1,228,170</u>	<u>3,271,250</u>	<u>1,892,502</u>	<u>33,023,109</u>
Excess (deficiency) of revenues over expenditures	(233,212)	288,972	(3,271,250)	(266,705)	(3,482,195)
Other Financing Sources (Uses):					
Bond proceeds	-	-	1,900,000	1,525,000	3,425,000
Transfers in	13,571	-	1,400,000	103,000	1,516,571
Transfers out	(80,000)	(1,423,000)	-	(13,571)	(1,516,571)
Total Other Financing Sources (Uses)	<u>(66,429)</u>	<u>(1,423,000)</u>	<u>3,300,000</u>	<u>1,614,429</u>	<u>3,425,000</u>
Change in fund balance	(299,641)	(1,134,028)	28,750	1,347,724	(57,195)
Fund Equity, at Beginning of Year, as restated	3,187,230	2,915,633	-	619,031	6,721,894
Fund Equity, at End of Year	<u>\$ 2,887,589</u>	<u>\$ 1,781,605</u>	<u>\$ 28,750</u>	<u>\$ 1,966,755</u>	<u>\$ 6,664,699</u>

See notes to financial statements.

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (57,195)
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- (146,387)

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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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>
				<u>(Negative)</u>
Revenues and Other Sources:				
Taxes	\$ 20,489,567	\$ 20,489,567	\$ 20,609,709	\$ 120,142
Excise	1,352,952	1,352,952	1,420,591	67,639
Penalties, interest and other taxes	57,000	57,000	63,638	6,638
Licenses and permits	296,813	296,813	254,886	(41,927)
Intergovernmental	2,716,943	2,716,943	2,763,239	46,296
Charges for services	275,000	275,000	308,221	33,221
Interest earnings	270,000	270,000	258,335	(11,665)
Fines and forfeits	50,000	50,000	79,259	29,259
Miscellaneous	-	-	25,591	25,591
Transfers in	13,571	13,571	13,571	-
Other sources	645,750	730,771	730,771	-
Total Revenues and Other Sources	26,167,596	26,252,617	26,527,811	275,194
Expenditures and Other Uses:				
General government	1,583,635	1,478,623	1,347,975	130,648
Public safety	2,127,898	2,147,501	2,118,772	28,729
Education	15,760,325	15,760,325	15,647,738	112,587
Public works	1,698,852	1,861,957	2,087,192	(225,235)
Health and human services	239,794	243,794	239,075	4,719
Culture and recreation	423,511	423,511	421,418	2,093
Insurance and benefits	2,469,259	2,471,768	2,374,237	97,531
Debt service	1,574,807	1,575,623	1,575,623	-
Intergovernmental	140,117	140,117	154,722	(14,605)
Snow/ice deficit	119,398	119,398	119,398	-
Transfers out	30,000	30,000	30,000	-
Total Expenditures and Other Uses	26,167,596	26,252,617	26,116,150	136,467
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 411,661	\$ 411,661

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 141,011
Investments	<u>41,436</u>	<u>92,469</u>
Total Assets	41,436	233,480
<u>LIABILITIES AND NET ASSETS</u>		
Performance bond deposits	-	193,453
Other liabilities	<u>-</u>	<u>40,027</u>
Total Liabilities	<u>-</u>	<u>233,480</u>
<u>NET ASSETS</u>		
Restricted for:		
Endowment	12,500	-
Unrestricted	<u>28,936</u>	<u>-</u>
Total net assets held in trust	<u>\$ 41,436</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, 2008

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest earnings	2,113
Contributions	<u>20,374</u>
Total contributions	22,487
 Deductions:	
Education	24,000
Health and human services	<u>1,050</u>
Total deductions	<u>25,050</u>
 Net increase (decrease)	 (2,563)
 Net assets:	
Beginning of year	<u>43,999</u>
End of year	<u>\$ 41,436</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 2008, 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 *Haynes Land Fund* is used to account for revenues and expenditures associated with the purchase of property known as the Haynes 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 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 2008 tax levy reflected an excess capacity of \$ 365,268.

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, sick pay, and retirement benefits. All vested sick, vacation, and retirement 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)	\$ 26,397,975	\$ 26,631,187
Other financing sources/uses (GAAP basis)	<u>13,571</u>	<u>80,000</u>
Subtotal (GAAP Basis)	26,411,546	26,711,187
Adjust tax revenue to accrual basis	60,072	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(696,522)
Add end of year appropriation carryforwards to expenditures	-	654,951
To reverse the effect of non-budgeted State contributions for teachers retirement	(674,578)	(674,578)
To record raising of prior year's snow and ice deficit	-	119,398
Recognize use of free cash and overlay surplus as a funding source	730,771	-
Other	<u>-</u>	<u>1,714</u>
Budgetary basis	\$ <u>26,527,811</u>	\$ <u>26,116,150</u>

D. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Public works (snow/ice deficit)	\$ (225,235)
Intergovernmental assessments	\$ (14,605)

E. Deficit Fund Equity

The following fund had a deficit balance as of June 30, 2008:

Hwy Chapter 90	\$ (47,457)
----------------	--------------

The deficit in this fund will be eliminated through future intergovernmental revenues.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law, Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's policy is to minimize custodial credit risk by limiting unsecured bank deposits to no more than 5% of an institution's assets and no more than 10% of the Town's total cash.

As of June 30, 2008, \$ 18,311 of the Town's bank balance of \$ 4,902,738, was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the Town name.

4. Investments (Also See Note 16)

A. 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 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, 2008 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	\$ 1,564	N/A	\$ -	\$ -	\$ 1,564
Corporate bonds	201	N/A	-	201	-
Federal agency securities	1,258	N/A	1,258	-	-
Corporate equities	<u>227</u>	N/A	<u>-</u>	<u>-</u>	<u>227</u>
Total	\$ <u>3,250</u>		\$ <u>1,258</u>	\$ <u>201</u>	\$ <u>1,791</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of a bank failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy is to minimize custodial credit risk by the diversification and prudent selection of investment instruments and choice of depository. In addition, the Town limits unsecured bank deposits of any kind to no more than 5% of an institution's assets and no more than 10% of the Town's total investments.

C. Concentration of Credit Risk

The Town's investment policy includes a diversification concept that prohibits the over-concentration of investments in a specific instrument-type and issuer, with the exception of U.S. Treasury and U.S. Agency obligations or investments fully collateralized by U.S. Treasuries or U.S. Agencies.

As of June 30, 2008, the Town did not have investments in any one issuer (other than U.S. Treasury and U.S. Agency obligations) that represent more than 10% of the Town's total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy includes a diversification concept that prohibits the over-concentration of investment maturities, with the exception of U.S. Treasury obligations, Agency bonds, or investments fully collateralized by U.S. Treasuries or Agencies.

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>6 to 10</u>
Debt-related securities:				
Certificates of deposit	\$ 1,564	\$ 1,388	\$ 176	\$ -
Corporate bonds	201	-	201	-
Federal agency securities	<u>1,258</u>	<u>-</u>	<u>1,105</u>	<u>153</u>
Subtotal	3,023	\$ <u>1,388</u>	\$ <u>1,482</u>	\$ <u>153</u>
Corporate equities	<u>227</u>			
Total investments	\$ <u>3,250</u>			

5. 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, 2008 consist of the following:

Real Estate	\$ 158,082
Community Preservation	2,669
Personal Property	284
Tax Title	<u>68,058</u>
Total	\$ <u>229,093</u>

6. Allowance for Doubtful Accounts

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

Governmental

Personal Property
Excises

\$ 227
\$ 16,606

7. Capital Assets

Capital asset activity for the year ended June 30, 2008 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	\$ 19,451	\$ 185	\$ -	\$ 19,636
Machinery, equipment, and furnishings	3,371	251	-	3,622
Infrastructure	<u>30,112</u>	<u>492</u>	<u>-</u>	<u>30,604</u>
Total capital assets, being depreciated	52,934	928	-	53,862
Less accumulated depreciation for:				
Buildings and improvements	(4,906)	(492)	-	(5,398)
Machinery, equipment, and furnishings	(1,682)	(303)	-	(1,985)
Infrastructure	<u>(6,732)</u>	<u>(787)</u>	<u>-</u>	<u>(7,519)</u>
Total accumulated depreciation	<u>(13,320)</u>	<u>(1,582)</u>	<u>-</u>	<u>(14,902)</u>
Total capital assets being depreciated, net	39,614	(654)	-	38,960
Capital assets, not being depreciated:				
Land	15,174	4,056	-	19,230
Construction in progress	<u>576</u>	<u>593</u>	<u>(391)</u>	<u>778</u>
Total capital assets, not being depreciated	<u>15,750</u>	<u>4,649</u>	<u>(391)</u>	<u>20,008</u>
Governmental activities capital assets, net	\$ <u>55,364</u>	\$ <u>3,995</u>	\$ <u>(391)</u>	\$ <u>58,968</u>

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

Governmental Activities:	
General government	\$ 157
Public safety	192
Education	295
Public works	874
Health and human services	9
Culture and recreation	<u>55</u>
Total depreciation expense - governmental activities	\$ <u>1,582</u>

8. Warrants Payable

Warrants payable represent 2008 expenditures paid by July 15, 2008 as permitted by law.

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, 2008 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2008:

Balance Beginning of Year	New Issues	Maturities	Payoffs	Balance End of Year
\$ <u>900,000</u>	\$ <u>2,550,000</u>	\$ <u>(3,400,000)</u>	\$ <u>(50,000)</u>	\$ <u>-</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, 2008</u>
Bonds payable - Inside the Debt Limit			
Spofford Pond school	06/15/09	*	\$ 100,000
Land acquisition	06/15/17	*	1,050,000
Fire truck	08/15/17	*	175,000
Police station	04/15/21	*	2,080,000
Town hall	08/15/22	*	3,345,000
Sawyer/Richardson land	08/15/22	*	2,360,000
Spofford Pond road drainage	08/15/22	*	205,000
Anvil Farm land	06/15/26	*	850,000
Lincoln Hall	06/15/27	*	675,000
Haynes land	06/15/27	*	1,900,000
Bonds payable - Outside the Debt Limit			
School bonds	06/15/16	*	2,605,000
Landfill closure	06/15/17	*	510,000
Title V (MWPAT)	08/01/18	-	119,572
Title V (MWPAT)	02/01/21	-	<u>35,029</u>
Total			<u>\$ 16,009,601</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, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,343,572	\$ 696,336	\$ 2,039,908
2010	1,253,572	642,447	1,896,019
2011	1,268,512	589,890	1,858,402
2012	1,278,565	535,830	1,814,395
2013	1,293,566	479,017	1,772,583
2014 - 2018	5,607,811	1,511,416	7,119,227
2019 - 2023	3,289,003	500,237	3,789,240
2024 - 2028	<u>675,000</u>	<u>66,826</u>	<u>741,826</u>
Total	<u>\$ 16,009,601</u>	<u>\$ 5,021,999</u>	<u>\$ 21,031,600</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2008:

General fund	\$ 11,074,601
Community preservation fund	<u>4,935,000</u>
Total	<u>\$ 16,009,601</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2008, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/07</u>	Additions	Reductions	Total Balance <u>6/30/08</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/08</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 13,723	\$ 3,425	\$ (1,138)	\$ 16,010	\$ (1,344)	\$ 14,666
Other:						
Landfill closure	1,330	-	(34)	1,296	(35)	1,261
Accrued employee benefits	<u>121</u>	<u>180</u>	<u>-</u>	<u>301</u>	<u>(30)</u>	<u>271</u>
Totals	\$ <u>15,174</u>	\$ <u>3,605</u>	\$ <u>(1,172)</u>	\$ <u>17,607</u>	\$ <u>(1,409)</u>	\$ <u>16,198</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 and Designations 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. Fund "designations", which are not legally required segregations, have also been established to indicate tentative plans for future financial utilization.

The following types of reserves are reported at June 30, 2008:

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.

Designated for Other Purposes - Represents amounts set aside to pay future debt service expenditures.

16. Subsequent Events

Investments

During September and October, 2008, the stock market suffered significant losses. As a result, there may be a substantial depreciation in the value of the organization's investments.

17. 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.

18. Pension Plan

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions by State and Local Governmental Employers*, with respect to the employees' retirement funds.

A. Plan Description

The Town contributes to the Essex Regional Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by the Essex Regional Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Essex Regional Retirement Board at 491 Maple Street, Building 200, Suite 202, Danvers, Massachusetts 01923-4025.

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, 2008, 2007, and 2006 were \$ 622,973, \$ 566,833, and \$ 526,540, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2008 was \$ 4,533,607.

C. Massachusetts Teacher Retirement System (MTRS) - Plan Description

As required by State Statutes, teachers of the Town are covered by the Massachusetts Teachers' Retirement System (MTRS), a contributory retirement system governed by Chapter 32 of the Massachusetts General Laws. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

D. 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 was \$ 5,387,348.

In fiscal year 2008, the Commonwealth of Massachusetts contributed \$ 674,578 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

19. **Post-Employment Health Care and Life Insurance Benefits**

In addition to the pension benefits described in a previous note, the Town provides post-employment health care and life insurance benefits, in accordance with state statute, to participating retirees. Approximately 66 retirees meet the eligibility requirements as set forth in Chapter 32B of Massachusetts General Laws. Presently the Town finances these benefits on the pay-as-you-go basis and does not contribute to a qualified plan (trust) as defined by *GASB Statement No. 43 Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*.

GASB Statement No. 45, Financial Reporting by Employers for Post-employment Benefits Other Than Pensions is effective June 30, 2009. The Town estimates its unaudited OPEB actuarially determined unfunded liability as of June 30, 2008 to be approximately \$ 16,187,619. Based on these estimates, the Town's unaudited actuarially determined annual required contribution (ARC) is estimated to be \$ 1,382,868.

The Town plans to fully implement GASB 45 in fiscal 2009.

20. 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.

21. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2008, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity June 30, 2007 (as previously reported)	<u>Reclassification</u>	Fund Equity June 30, 2007 (as restated)
Nonmajor funds	\$ 1,501,000	\$ (881,969)	\$ 619,031
Anvil Farm	(881,969)	<u>881,969</u>	<u>-</u>
Total	\$ <u>619,031</u>	\$ <u>-</u>	\$ <u>619,031</u>