

TOWN OF BOXFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2009

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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, 2009, 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, 2009, 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, and the supplementary information on page 37, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries

of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Melanson, Heath + Company P.C.

Andover, Massachusetts
January 25, 2010

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, 2009.

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 accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 49,864,973 (i.e., net assets), a change of \$ 1,871,079 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,787,896, a change of \$ 123,197 in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,642,592, a change of \$ (77,772) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 12,661,030, a change of \$ (3,348,571) 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.

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 8,077,435	\$ 8,005,615
Capital assets	<u>58,194,433</u>	<u>58,968,195</u>
Total assets	66,271,868	66,973,810
Long-term liabilities outstanding	14,150,660	16,197,547
Other liabilities	<u>2,256,235</u>	<u>2,782,369</u>
Total liabilities	16,406,895	18,979,916
Net assets:		
Invested in capital assets, net	46,402,357	44,048,029
Restricted	3,987,461	3,347,170
Unrestricted	<u>(524,845)</u>	<u>598,695</u>
Total net assets	\$ <u>49,864,973</u>	\$ <u>47,993,894</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,407,536	\$ 1,454,522
Operating grants and contributions	2,989,180	2,688,598
Capital grants and contributions	677,128	1,169,739
General revenues:		
Property taxes	21,539,691	21,085,511
Excises	1,308,148	1,416,582
Penalties and interest on taxes	67,380	64,376
Grants and contributions not restricted to specific programs	3,194,447	1,265,574
Investment income	165,918	408,405
Other	<u>50,036</u>	<u>12,236</u>
Total revenues	31,399,464	29,565,543
Expenses:		
General government	1,824,836	1,597,111
Public safety	2,350,216	2,277,940
Education	19,449,883	17,923,681

(continued)

(continued)

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Public works	2,540,484	2,586,317
Health and human services	254,209	324,168
Culture and recreation	511,341	523,075
Insurance and benefits	1,865,926	2,395,768
Interest on long-term debt	577,637	631,480
Intergovernmental	<u>153,853</u>	<u>154,722</u>
Total expenses	<u>29,528,385</u>	<u>28,414,262</u>
Change in net assets	1,871,079	1,151,281
Net assets - beginning of year	<u>47,993,894</u>	<u>46,842,613</u>
Net assets - end of year	<u>\$ 49,864,973</u>	<u>\$ 47,993,894</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 \$ 49,864,973, a change of \$ 1,871,079 from the prior year.

The largest portion of net assets \$ 46,402,357 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 \$ 3,987,461 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$ (524,845).

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 1,871,079. Key elements of this change are as follows:

General fund change in fund balance (explained in more detail in Section D, below)	\$ (361,684)
Use of Massachusetts School Building Authority (MSBA) revenues to pay down school construction bonds	2,026,023
Excess principal maturities, a budgeted expense, under depreciation, which is not budgeted	(265,614)
Other	<u>472,354</u>
Total	<u>\$ 1,871,079</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 \$ 6,787,896, a change of \$ 123,197 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)	\$ (361,684)
Community Preservation Fund change in fund balance	392,383
Nonmajor funds change in fund balance	<u>92,498</u>
Total	\$ <u>123,197</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 \$ 1,642,592, while total fund balance was \$ 2,525,905. 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 6.1 percent of total general fund expenditures, while total fund balance represents 9.4 percent of that same amount.

The fund balance of the general fund changed by \$ (361,684) during the current fiscal year. Key factors in this change are as follows:

Revenues less than budget	\$ (243,747)
Net appropriation surplus	444,890
Use of free cash and overlay surplus to fund various current year appropriations	(542,588)
Excess of prior year encumbered appropriations over current year encumbrances	(142,957)
Fund prior year snow/ice deficit	242,977
Other	<u>(120,259)</u>
Total	\$ <u>(361,684)</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall decrease in appropriations of \$ (34,312).

The budget and actual statement on page 15 reflects an under collection of Intergovernmental revenue primarily resulting from State Aid (Chapter 70) reductions implemented by the Commonwealth in fiscal year 2009. The Chapter 70 reductions were partially offset by an American Recovery and Reinvestment Act (ARRA): State Fiscal Stabilization Fund (SFSF) grant, which is reported in a separate major fund in accordance with the transparency requirements of the Act. The general fund Intergovernmental revenue shortfall is offset by budgetary turn backs in Education expenditures, resulting from the Town transferring costs to the SFSF Grant Fund, as required by the Commonwealth.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year end amounted to \$ 58,194,433 (net of accumulated depreciation), a change of \$ (773,762) 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:

- \$ 404,890 for various road improvement and culvert work.
- \$ 232,421 for various projects, including Lincoln Hall, Holyoke French Barn, and the recycling center.
- \$ 198,113 for various police, fire, and public works vehicles, machinery and equipment.
- Current year depreciation expense of \$ (1,609,186).

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 12,661,030, 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, 2009

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 3,879,545
Investments	3,787,572
Receivables, net of allowance for uncollectibles:	
Taxes	228,760
Excises	39,441
Other	5,940
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Taxes	76,348
Betterments	59,829
Land and construction in progress	20,217,090
Capital assets, net of accumulated depreciation	<u>37,977,343</u>
TOTAL ASSETS	66,271,868
LIABILITIES	
Current:	
Warrants payable	229,444
Accrued liabilities	267,556
Deferred revenues	65,769
Tax refunds payable	224,113
Other	375,154
Current portion of long-term liabilities:	
Bonds payable	1,028,572
Other liabilities	65,627
Noncurrent:	
Bonds payable, net of current portion	11,632,458
Other liabilities, net of current portion	<u>2,518,202</u>
TOTAL LIABILITIES	16,406,895
NET ASSETS	
Invested in capital assets, net of related debt	46,402,357
Restricted for:	
Community preservation funds	2,173,988
Grants and other statutory restrictions	1,797,681
Permanent funds:	
Nonexpendable	5,000
Expendable	10,792
Unrestricted	<u>(524,845)</u>
TOTAL NET ASSETS	<u><u>\$ 49,864,973</u></u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u> <u>Revenues and Changes</u> <u>in Net Assets</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:					
General government	\$ 1,824,836	\$ 103,521	\$ 62,200	\$ -	\$ (1,659,115)
Public safety	2,350,216	261,376	30,421	-	(2,058,419)
Education	19,449,883	743,961	2,840,278	348,065	(15,517,579)
Public works	2,540,484	239,061	1,320	329,063	(1,971,040)
Health and human services	254,209	55,323	20,249	-	(178,637)
Culture and recreation	511,341	4,294	34,483	-	(472,564)
Insurance and benefits	1,865,926	-	229	-	(1,865,697)
Interest expense	577,637	-	-	-	(577,637)
Intergovernmental	153,853	-	-	-	(153,853)
Total	<u>\$ 29,528,385</u>	<u>\$ 1,407,536</u>	<u>\$ 2,989,180</u>	<u>\$ 677,128</u>	(24,454,541)
General Revenues:					
					21,539,691
					1,308,148
					67,380
					3,194,447
					165,918
					50,036
Total general revenues					<u>26,325,620</u>
Change in Net Assets					1,871,079
Net Assets:					
Beginning of year					<u>47,993,894</u>
End of year					<u>\$ 49,864,973</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 2,554,535	\$ -	\$ 1,325,011	\$ 3,879,546
Investments	850,000	2,174,579	762,992	3,787,571
Receivables:				
Taxes	302,156	3,063	-	305,219
Excises	<u>52,922</u>	<u>-</u>	<u>-</u>	<u>52,922</u>
TOTAL ASSETS	<u>\$ 3,759,613</u>	<u>\$ 2,177,642</u>	<u>\$ 2,088,003</u>	<u>\$ 8,025,258</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 229,444	\$ -	\$ -	\$ 229,444
Accrued liabilities	150,750	-	-	150,750
Deferred revenues	255,993	1,909	-	257,902
Tax refunds payable	224,113	-	-	224,113
Other liabilities	<u>373,408</u>	<u>1,745</u>	<u>-</u>	<u>375,153</u>
TOTAL LIABILITIES	1,233,708	3,654	-	1,237,362
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	362,392	219,751	-	582,143
Expenditures	505,000	399,293	-	904,293
Perpetual (nonexpendable) permanent funds	-	-	5,000	5,000
Unreserved:				
Designated for other purposes	15,921	-	-	15,921
Undesignated, reported in:				
General fund	1,642,592	-	-	1,642,592
Special revenue funds	-	1,554,944	1,797,682	3,352,626
Capital project funds	-	-	274,529	274,529
Permanent funds	<u>-</u>	<u>-</u>	<u>10,792</u>	<u>10,792</u>
TOTAL FUND BALANCES	<u>2,525,905</u>	<u>2,173,988</u>	<u>2,088,003</u>	<u>6,787,896</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,759,613</u>	<u>\$ 2,177,642</u>	<u>\$ 2,088,003</u>	<u>\$ 8,025,258</u>

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, 2009

Total governmental fund balances	\$ 6,787,896
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	58,194,433
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	244,309
<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.	(116,806)
<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>(15,244,859)</u>
Net assets of governmental activities	<u><u>\$ 49,864,973</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, 2009

	<u>General</u>	<u>Community Preservation Fund</u>	<u>SFSF Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 20,989,379	\$ 517,960	\$ -	\$ -	\$ 21,507,339
Excises	1,313,128	-	-	-	1,313,128
Penalties, interest and other taxes	66,764	616	-	-	67,380
Licenses and permits	236,530	-	-	-	236,530
Intergovernmental	5,471,521	414,728	173,929	696,951	6,757,129
Charges for services	298,738	-	-	807,165	1,105,903
Interest earnings	98,215	55,379	-	15,761	169,355
Fines and forfeits	58,832	-	-	-	58,832
Other	32,309	-	-	124,188	156,497
Total Revenues	<u>28,565,416</u>	<u>988,683</u>	<u>173,929</u>	<u>1,644,065</u>	<u>31,372,093</u>
Expenditures:					
Current:					
General government	1,637,485	98,559	-	265,584	2,001,628
Public safety	2,172,717	-	-	68,228	2,240,945
Education	17,540,763	-	173,929	828,777	18,543,469
Public works	1,734,193	-	-	284,004	2,018,197
Health and human services	251,297	-	-	46,361	297,658
Culture and recreation	406,983	5,660	-	40,877	453,520
Insurance and benefits	1,456,754	-	-	24,165	1,480,919
Debt service	1,445,864	492,081	-	-	1,937,945
Intergovernmental	153,853	-	-	-	153,853
Total Expenditures	<u>26,799,909</u>	<u>596,300</u>	<u>173,929</u>	<u>1,557,996</u>	<u>29,128,134</u>
Excess (deficiency) of revenues over expenditures	1,765,507	392,383	-	86,069	2,243,959
Other Financing Sources (Uses):					
Proceeds of refunding debt	1,710,000	-	-	-	1,710,000
Payment to escrow agent	(3,830,762)	-	-	-	(3,830,762)
Transfers in	13,571	-	-	20,000	33,571
Transfers out	(20,000)	-	-	(13,571)	(33,571)
Total Other Financing Sources (Uses)	<u>(2,127,191)</u>	<u>-</u>	<u>-</u>	<u>6,429</u>	<u>(2,120,762)</u>
Change in fund balance	(361,684)	392,383	-	92,498	123,197
Fund Equity, at Beginning of Year, as restated	<u>2,887,589</u>	<u>1,781,605</u>	<u>-</u>	<u>1,995,505</u>	<u>6,664,699</u>
Fund Equity, at End of Year	<u>\$ 2,525,905</u>	<u>\$ 2,173,988</u>	<u>\$ -</u>	<u>\$ 2,088,003</u>	<u>\$ 6,787,896</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, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 123,197
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases	835,424
Depreciation	(1,609,186)
<ul style="list-style-type: none"> 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. 	
	27,370
<ul style="list-style-type: none"> 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	1,343,572
Issuance of refunding bonds	(1,710,000)
Payoff of refunded bonds	3,715,000
<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. 	
	132,499
<ul style="list-style-type: none"> 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. 	
	<u>(986,797)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>1,871,079</u>

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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 21,109,638	\$ 21,109,638	\$ 21,109,638	\$ -
Excise	1,244,000	1,244,000	1,313,128	69,128
Penalties, interest and other taxes	63,000	63,000	66,764	3,764
Licenses and permits	261,000	261,000	236,530	(24,470)
Intergovernmental	2,774,520	2,774,520	2,596,797	(177,723)
Charges for services	290,600	290,600	298,738	8,138
Interest earnings	202,000	202,000	98,215	(103,785)
Fines and forfeits	80,000	80,000	58,832	(21,168)
Miscellaneous	-	-	2,369	2,369
Transfers in	13,571	13,571	13,571	-
Use of fund balance	377,472	343,160	343,160	-
Other sources	<u>199,428</u>	<u>199,428</u>	<u>199,428</u>	<u>-</u>
Total Revenues and Other Sources	26,615,229	26,580,917	26,337,170	(243,747)
Expenditures and Other Uses:				
General government	1,757,580	1,625,135	1,534,097	91,038
Public safety	2,184,160	2,194,631	2,162,558	32,073
Education	17,038,697	17,038,698	16,677,777	360,921
Public works	1,470,232	1,546,691	1,727,555	(180,864)
Health and human services	244,477	244,477	230,704	13,773
Culture and recreation	400,846	399,548	388,913	10,635
Insurance and benefits	1,548,166	1,560,666	1,456,989	103,677
Debt service	1,553,368	1,553,368	1,540,604	12,764
Intergovernmental	154,726	154,726	153,853	873
Snow/ice deficit raised	242,977	242,977	242,977	-
Transfers out	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>26,615,229</u>	<u>26,580,917</u>	<u>26,136,027</u>	<u>444,890</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>201,143</u>	\$ <u>201,143</u>

See notes to financial statements.

TOWN OF BOXFORD, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 127,528
Investments	<u>42,258</u>	<u>90,088</u>
Total Assets	42,258	217,616
<u>LIABILITIES AND NET ASSETS</u>		
Performance bond deposits	-	175,810
Other liabilities	<u>-</u>	<u>41,806</u>
Total Liabilities	<u>-</u>	<u>217,616</u>
<u>NET ASSETS</u>		
Restricted for:		
Endowment	12,500	-
Unrestricted	<u>29,758</u>	<u>-</u>
Total net assets held in trust	\$ <u><u>42,258</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, 2009

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest earnings	\$ 1,180
Contributions	<u>17,992</u>
Total contributions	19,172
 Deductions:	
Education	<u>18,350</u>
Total deductions	<u>18,350</u>
 Net increase (decrease)	 822
 Net assets:	
Beginning of year	<u>41,436</u>
End of year	<u><u>\$ 42,258</u></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 2009, 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 *SFSF Grant Fund (State Fiscal Stabilization Fund - Education State Grant, Recovery Act)* is used to account for the receipt and expenditure of federal “stimulus” funds awarded the community to replace a portion of the fiscal year 2009 Chapter 70 State aid reductions.

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 2009 tax levy reflected an excess capacity of \$ 301,360.

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)	\$ 28,565,416	\$ 26,799,909
Other financing sources/uses (GAAP basis)	<u>1,723,571</u>	<u>3,850,762</u>
Subtotal (GAAP Basis)	30,288,987	30,650,671
Adjust tax revenue to accrual basis	120,259	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(505,349)
Add end of year appropriation carryforwards to expenditures	-	362,392
To reverse the effect of non-budgeted State contributions for teachers retirement	(848,701)	(848,701)
To record raising of prior year's snow and ice deficit	-	242,977
Recognize use of free cash and overlay surplus as a funding source	542,588	-
Reverse refunding activity	(<u>3,765,963</u>)	(<u>3,765,963</u>)
Budgetary basis	\$ <u>26,337,170</u>	\$ <u>26,136,027</u>

D. Excess of Expenditures Over Appropriations

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

Public works (snow/ice deficit)	\$ (180,864)
---------------------------------	--------------

E. Deficit Fund Equity

The following funds had deficit balances as of June 30, 2009:

Hwy Chapter 90	\$ (18,024)
Hwy Chapter 90	\$ (10)

The deficits in these funds 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, 2009, none of the Town's bank balance of \$ 8,033,054, 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

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. Investments are governed by Massachusetts General Laws, Chapter 44, Sections 54 and 55, and by the Town's investment policy, which is in full compliance with these laws. The Town's investment policy allows unlimited investment in United States Treasury and Agency obligations, as these investments carry an Aaa rating. All other investments must be in investment grade securities, a high concentration of which must be rated A or above. As of June 30, 2009, all of the Town's investments are in compliance with these policies.

Presented below is the actual Moody's rating as of June 30, 2009 for each investment type of the Town (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>				
				<u>Aaa</u>	<u>Aa2</u>	<u>A1</u>	<u>A2</u>	<u>Baa1</u>
Certificates of deposits	\$ 1,499	N/A	\$ 1,499	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	451	N/A	-	-	103	81	57	210
Corporate equities	191	N/A	191	-	-	-	-	-
Federal agency securities	1,708	N/A	-	1,708	-	-	-	-
Mutual funds	71	N/A	71	-	-	-	-	-
Total investments	<u>\$ 3,920</u>		<u>\$ 1,761</u>	<u>\$ 1,708</u>	<u>\$ 103</u>	<u>\$ 81</u>	<u>\$ 57</u>	<u>\$ 210</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investments. The Town reviews its investment firms' financial statements and the background of its sales representatives, which limits exposure to only those institutions with proven financial strength, capital adequacy, and an overall affirmative reputation in the municipal industry. The Town's investment policy also requires that all securities be held in the Town's name and federal tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. In addition, as of June 30, 2009, all of the Town's investments were held in financial institutions that are members of the Securities Investor Protection Corporation (SIPC).

As of June 30, 2009, none of the Town's investments were subject to custodial credit risk.

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, 2009, the Town did not have investments in any one issuer (other than U.S. Treasury / Agency securities) that represent more than 5% 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>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt Related Securities:					
Corporate bonds	\$ 451	\$ -	\$ 451	\$ -	\$ -
Federal agency securities	<u>1,708</u>	<u>-</u>	<u>1,555</u>	<u>153</u>	<u>-</u>
Total	<u>\$ 2,159</u>	<u>\$ -</u>	<u>\$ 2,006</u>	<u>\$ 153</u>	<u>\$ -</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, 2009 consist of the following:

Real Estate	\$ 174,770
Personal Property	139
Tax Title	127,247
Community Preservation	<u>3,063</u>
Total	<u>\$ 305,219</u>

6. Allowance for Doubtful Accounts

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

Personal Property	\$ 111
Excises	\$ 13,481

7. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,636	\$ 38	\$ -	\$ 19,674
Machinery, equipment, and furnishings	3,622	259	-	3,881
Infrastructure	<u>30,604</u>	<u>329</u>	<u>-</u>	<u>30,933</u>
Total capital assets, being depreciated	53,862	626	-	54,488
Less accumulated depreciation for:				
Buildings and improvements	(5,398)	(497)	-	(5,895)
Machinery, equipment, and furnishings	(1,985)	(305)	-	(2,290)
Infrastructure	<u>(7,519)</u>	<u>(807)</u>	<u>-</u>	<u>(8,326)</u>
Total accumulated depreciation	<u>(14,902)</u>	<u>(1,609)</u>	<u>-</u>	<u>(16,511)</u>
Total capital assets, being depreciated, net	38,960	(983)	-	37,977
Capital assets, not being depreciated:				
Land	19,231	-	-	19,231
Construction in progress	<u>777</u>	<u>356</u>	<u>(147)</u>	<u>986</u>
Total capital assets, being depreciated, net	<u>20,008</u>	<u>356</u>	<u>(147)</u>	<u>20,217</u>
Governmental activities capital assets, net	<u>\$ 58,968</u>	<u>\$ (627)</u>	<u>\$ (147)</u>	<u>\$ 58,194</u>

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

Governmental Activities:	
General government	\$ 158
Public safety	200
Education	275
Public works	908
Human services	9
Culture and recreation	<u>59</u>
Total depreciation expense - governmental activities	<u>\$ 1,609</u>

8. Warrants Payable

Warrants payable represent 2009 expenditures paid by July 15, 2009 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, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Tax Refunds Payable

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

12. 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:

	Amount of Original Issue	Serial Maturities Through	Net Interest Rate	Amount Outstanding as of 6/30/09
<u>Governmental Activities:</u>				
<u>Bonds payable - Inside the Debt Limit</u>				
Lockwood/Lord/Haynes land - refunding	\$ 943,000	06/15/17	2.21%	\$ 943,000
Fire truck	255,000	08/15/17	3.67%	155,000
Police station	3,230,000	04/15/21	4.55%	1,920,000
Town Hall construction	4,270,000	08/15/22	4.04%	3,115,000
Sawyer/Richardson land	3,000,000	08/15/22	4.05%	2,200,000
Spofford Pond Road drainage	300,000	08/15/22	4.04%	185,000
Haynes land	1,900,000	06/15/27	3.94%	1,800,000
Anvil Farm land	850,000	06/15/26	3.90%	800,000
Lincoln Hall building renovations	675,000	06/15/27	3.93%	635,000
<u>Bonds payable - Outside the Debt Limit</u>				
School construction - refunding	310,500	06/15/16	2.12%	310,500
Landfill closure - refunding	456,500	06/15/17	2.24%	456,500
Title V MWPAT - Loan 1	200,000	08/01/18	0.00%	108,700
Title V MWPAT - Loan 2	48,524	02/01/21	0.00%	32,329
Total Governmental Activities:	<u>\$ 16,438,524</u>			<u>\$ 12,661,029</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

Governmental Activities Future Debt Service	Principal	Interest	Total
2010	\$ 1,028,572	\$ 486,055	\$ 1,514,627
2011	1,023,512	445,602	1,469,114
2012	1,018,565	412,610	1,431,175
2013	1,013,566	377,904	1,391,470
2014	998,565	341,849	1,340,414
2015-2019	4,357,808	1,167,784	5,525,592
2020-2024	2,725,441	365,544	3,090,985
2025-2027	495,000	38,983	533,983
Total Governmental Activities	<u>\$ 12,661,029</u>	<u>\$ 3,636,331</u>	<u>\$ 16,297,360</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, 2009:

General fund	\$ 8,026,029
Community preservation fund	<u>4,635,000</u>
Total	<u>\$ 12,661,029</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/08	Additions	Reductions	Total Balance 6/30/09	Less Current Portion	Equals Long-Term Portion 6/30/09
<u>Governmental Activities</u>						
Bonds payable	\$ 16,010	\$ 1,710	\$ (5,059)	\$ 12,661	\$ (1,029)	\$ 11,632
Other:						
Compensated absence	301	-	(13)	288	(29)	259
Landfill postclosure	1,296	-	(35)	1,261	(37)	1,224
OPEB ⁽¹⁾	-	1,383	(348)	1,035	-	1,035
Subtotal - Other	1,597	1,383	(396)	2,584	(66)	2,518
Totals	\$ 17,607	\$ 3,093	\$ (5,455)	\$ 15,245	\$ (1,095)	\$ 14,150

⁽¹⁾ OPEB is discussed further in Footnote #18 and additional information is reported in required supplementary information.

D. Current Refunding

On April 15, 2009, the Town issued general obligation refunding bonds in the amount of \$ 1,710,000 with a net interest cost of 2.20% to current refund \$ 3,715,000 of term bonds with net interest costs ranging from 4.97% to 5.58%. The current refunded term bonds had an original maturity date of June 15, 2017 and were called on June 15, 2009. The general obligation refunding bonds were issued at a net interest cost of 2.20% and, after paying net issuance costs of \$ 7,223, the net proceeds were \$ 1,702,777. The net proceeds from the issuance of the general obligation refunding bonds, along with Massachusetts School Building Authority (MSBA) revenues totaling \$ 2,026,023 and transfers from prior issue debt service funds of \$ 101,962 were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the current refunded term bonds were called on June 15, 2009.

As a result of the current refunding, the Town reduced its total debt service cash flow requirements by \$ 2,526,274, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 399,481.

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, 2009:

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. 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. 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, 2009, 2008, and 2007 were \$ 570,057, \$ 622,973, and \$ 566,833, 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, 2009 was not available.

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 not available.

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 848,701 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

18. Post-Employment Health Care and Life Insurance Benefits

In fiscal year 2009, the Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially

required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described in Note 17, the Town provides post-employment medical and prescription drug benefits for eligible retirees. The benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2007, the actuarial valuation date, approximately 70 retirees and 143 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical and prescription drug benefits to all eligible retirees through a variety of plans from Blue Cross Blue Shield of Massachusetts. (Dental and life insurance coverage are also offered, but they are 100% retiree paid.) All active employees who retire from the Town and meet the eligibility criteria can receive these benefits.

C. Funding Policy

Non-Medicare retirees contribute 21% of the individual and 34% of the family cost of their chosen health plan. Retirees enrolled in the Medicare Supplement Plans contribute 50% for the *BCBS Medex 3* plan and 36% for the *BCBS Managed Blue for Seniors* plan. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2007.

Annual Required Contribution (ARC)	\$ 1,382,868
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	1,382,868
Expected employer contributions	(347,651)
Increase in net OPEB obligation	1,035,217
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 1,035,217

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2009 fiscal year and the two preceding years were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	\$ 1,382,868	25.14%	\$ 1,035,217

The Town's net OPEB obligation as of June 30, 2009 is recorded as a component of the "other liabilities, net of current portion" line item in the Statement of Net Assets.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2007, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 16,187,619
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 16,187,619
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the employer's annual required contributions are subject to continual revision as actual results are compared to past

expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the June 30, 2007 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial value of assets is equal to the market value of the plan's assets. The actuarial assumptions included a 5.0% investment rate of return (pay-as-you-go scenario) and an initial annual medical/drug cost trend rate of 10.0% graded down to 5.0% over five years. The UAAL is amortized over a period of thirty years with payments increasing at 4.5% per year.

19. Risk Management

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

20. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2009, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity June 30, 2008 (as previously reported)	<u>Reclassification</u>	Fund Equity June 30, 2008 (as restated)
Nonmajor funds	\$ 1,966,755	\$ 28,750	\$ 1,995,505
Haynes Land	<u>28,750</u>	<u>(28,750)</u>	<u>-</u>
Total	\$ <u>1,995,505</u>	\$ <u>-</u>	\$ <u>1,995,505</u>

TOWN OF BOXFORD, MA
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

(Unaudited)

(Amounts Expressed in thousands)

Other Post-Employment Benefits							
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]	
06/30/07 \$	- \$	16,188	\$ 16,188	0.00%	\$ N/A	N/A	

See Independent Auditors' Report.