

**TOWN OF FRANKLIN, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2008**

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INDEPENDENT AUDITORS' REPORT

To the Town Council  
Town of Franklin, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, 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 Franklin'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Massachusetts as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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.

*Additional Offices:*

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

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 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
March 9, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Franklin we offer readers this narrative overview and analysis of the financial activities of the Town of Franklin for the fiscal year ended June 30, 2008. Unless otherwise noted, all amounts are expressed in thousands.

### **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 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).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer, water and sanitation activities.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer, water and sanitation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for unemployment insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water and sanitation operations, both of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to financial statements.** The notes provide additional information that 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 \$ 185,381 (i.e., net assets), a change of \$ 9,375 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 2,635, a change of \$ (8,889) in comparison with the prior year. The change is primarily from financing construction activity with bond anticipation notes.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 3,180, a change of \$ (736) in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 53,963, a change of \$ (5,092) 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. All amounts are presented in thousands.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 34,064	\$ 34,306	\$ 12,249	\$ 11,804	\$ 46,313	\$ 46,110
Capital assets	159,486	152,707	57,427	56,486	216,913	209,193
Total assets	193,550	187,013	69,676	68,290	263,226	255,303
Long-term liabilities outstanding	42,261	45,980	13,738	15,051	55,999	61,031
Other liabilities	21,067	17,762	779	504	21,846	18,266
Total liabilities	63,328	63,742	14,517	15,555	77,845	79,297
Net assets:						
Invested in capital assets, net	101,971	102,816	44,502	43,189	146,473	146,005
Restricted	7,973	6,934	-	-	7,973	6,934
Unrestricted	20,278	13,521	10,657	9,546	30,935	23,067
Total net assets	\$ 130,222	\$ 123,271	\$ 55,159	\$ 52,735	\$ 185,381	\$ 176,006

**CHANGES IN NET ASSETS**

	Governmental		Business-Type		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 6,591	\$ 6,196	\$ 13,069	\$ 11,535	\$ 19,660	\$ 17,731
Operating grants and contributions	4,975	5,650	-	-	4,975	5,650
Capital grants and contributions	594	2,426	-	-	594	2,426
General revenues:						
Property Taxes	48,097	44,288	-	-	48,097	44,288
Excises	4,197	3,967	-	-	4,197	3,967
Penalties, interest and other taxes	669	226	-	-	669	226
Grants and contributions not restricted to specific programs	43,142	35,442	-	-	43,142	35,442
Investment income	1,119	1,407	350	201	1,469	1,608
Miscellaneous	195	194	-	-	195	194
<b>Total revenues</b>	<u>109,579</u>	<u>99,796</u>	<u>13,419</u>	<u>11,736</u>	<u>122,998</u>	<u>111,532</u>
<b>Expenses:</b>						
General government	4,609	3,824	-	-	4,609	3,824
Public safety	9,294	9,215	-	-	9,294	9,215
Education	70,011	66,636	-	-	70,011	66,636
Public works	5,909	6,178	-	-	5,909	6,178
Human services	541	652	-	-	541	652
Culture and recreation	1,414	1,298	-	-	1,414	1,298
Employee benefits	6,584	5,549	-	-	6,584	5,549
Interest on long-term debt	2,285	2,012	-	-	2,285	2,012
Intergovernmental	3,617	4,683	-	-	3,617	4,683
Sewer	-	-	3,108	3,393	3,108	3,393
Water	-	-	4,323	4,378	4,323	4,378
Sanitation	-	-	1,928	1,965	1,928	1,965
<b>Total expenses</b>	<u>104,264</u>	<u>100,047</u>	<u>9,359</u>	<u>9,736</u>	<u>113,623</u>	<u>109,783</u>
Change in net assets before transfers and permanent fund contributions	5,315	(251)	4,060	2,000	9,375	1,749
Transfers, net	<u>1,636</u>	<u>1,449</u>	<u>(1,636)</u>	<u>(1,449)</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	6,951	1,198	2,424	551	9,375	1,749
Net assets - beginning of year	<u>123,271</u>	<u>122,073</u>	<u>52,735</u>	<u>52,184</u>	<u>176,006</u>	<u>174,257</u>
Net assets - end of year	<u>\$ 130,222</u>	<u>\$ 123,271</u>	<u>\$ 55,159</u>	<u>\$ 52,735</u>	<u>\$ 185,381</u>	<u>\$ 176,006</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 \$ 185,381, a change of \$ 9,375 from the prior year.

The largest portion of net assets \$ 146,473 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); 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 \$ 7,973 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 30,935 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 \$ 6,951. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ (2,075)
Non-major fund (other than capital projects) in excess of revenues over expenditures	942
Stabilization fund expenditures in excess of revenues	259
Capital assets additions from current year revenues	2,979
MSBA grants	5,592
Depreciation expense in excess of principal debt service expense	(1,908)
Other	<u>1,162</u>
Total	<u>\$ 6,951</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 2,424. Key elements of this change are as follows:

Sewer operations	\$ 1,309
Water operations	1,130
Sanitation fund	<u>(15)</u>
Total	<u>\$ 2,424</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 \$ 2,635, a change of \$ (8,889) in comparison with the prior year. Key elements of this change are as follows:

General fund revenues and transfers in excess of expenditures and transfers out	\$ 1,131
Trust fund revenues in excess of expenditures	149
Special revenue fund revenues and transfers in excess of expenditures and transfers out	792
Capital projects fund expenditures and transfers out in excess of revenues and transfers in	(9,790)
Stabilization fund expenditures and transfers out in excess of revenues and transfers in	<u>(1,171)</u>
Total	<u>\$ (8,889)</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 \$ 3,180, while total fund balance was \$ 6,501. 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 3.3 percent of total general fund expenditures, while total fund balance represents 6.7 percent of that same amount.

The fund balance of the general fund changed by \$ 1,131 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash and other available funds as a funding source	\$ (2,243)
Revenues in excess of budget	529
Expenditures less than budget	1,662
Excess of current year encumbrances over prior year encumbrances	483
Raising of prior year School deficit	591
Other	<u>109</u>
Total	<u>\$ 1,131</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 10,656, a change of \$ (1,111) in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 5,782. Major reasons for these amendments include:

- \$ 2,140 appropriated for school expenditures, funded by taxes.
- \$ 272 appropriated for library salaries and expenditures, funded by taxes.
- \$ 288 appropriated for employee benefits, funded by taxes.
- \$ 210 appropriated for the costs of Union Street construction and Beaver Street Culvert repairs, funded by the Stabilization fund.
- \$ 300 appropriated for the costs of Library and Museum renovations, funded by taxes.
- \$ 285 appropriated for the purpose of settling eminent domain taking case, funded by Stabilization fund.
- \$ 260 appropriated for the cost of purchasing a new ambulance, funded by Ambulance Receipts Reserved.
- \$ 469 appropriated for the capital budget, funded by free cash.
- \$ 590 transferred to the Stabilization fund, funded by free cash.
- \$ 130 appropriated for school capital improvements, funded by free cash
- \$ 8 appropriated for DPW capital improvements, funded by Agency fund.
- \$ 170 appropriated for the paydown on ladder truck purchase, funded by free cash.
- \$ 125 appropriated for the capital budget, funded by Overlay Reserve.
- \$ 535 appropriated for DPW for snow and ice and Wadsworth Farm Estates, funded by free cash and the Agency fund.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 216,913 (net of accumulated depreciation), a change of \$ 7,720 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included ongoing construction design and costs for the Central Fire Station, Senior Center and the new Public Works building, various field improvements, and the acquisition of vehicles for police, fire and public works.

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

**Change in credit rating.** During the fiscal year, the Moody's credit rating of Aa3 did not change.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 53,963, all of which was backed by the full faith and credit of the government.

Additional information on 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 Franklin'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:

Comptroller's Office  
355 East Central Street  
Franklin, Massachusetts 02038

TOWN OF FRANKLIN, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 20,127,451	\$ 9,230,510	\$ 29,357,961
Investments	2,876,188	-	2,876,188
Receivables, net of allowance for uncollectibles:			
Property taxes	549,314	-	549,314
Excises	306,747	-	306,747
User fees	-	3,017,878	3,017,878
Departmental and other	1,018,444	-	1,018,444
Intergovernmental	1,758,063	-	1,758,063
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	808,533	-	808,533
Intergovernmental	6,400,537	-	6,400,537
Deferred assets	218,400	-	218,400
Capital assets not being depreciated	16,981,481	4,348,360	21,329,841
Capital assets being depreciated, net of accumulated depreciation	<u>142,504,750</u>	<u>53,078,851</u>	<u>195,583,601</u>
<b>TOTAL ASSETS</b>	<b>193,549,908</b>	<b>69,675,599</b>	<b>263,225,507</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,332,696	692,447	2,025,143
Accrued and Other liabilities	1,639,012	86,993	1,726,005
Notes payable	18,095,000	-	18,095,000
Current portion of long-term liabilities:			
Bonds payable	3,686,254	1,020,402	4,706,656
Other liabilities	94,845	6,935	101,780
Noncurrent:			
Bonds payable, net of current portion	36,677,590	12,578,581	49,256,171
Other liabilities, net of current portion	<u>1,802,059</u>	<u>131,766</u>	<u>1,933,825</u>
<b>TOTAL LIABILITIES</b>	<b>63,327,456</b>	<b>14,517,124</b>	<b>77,844,580</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	101,970,669	44,502,045	146,472,714
Restricted for:			
Grants and other statutory restrictions	4,045,856	-	4,045,856
Permanent funds:			
Nonexpendable	503,929	-	503,929
Expendable	3,423,571	-	3,423,571
Unrestricted	<u>20,278,427</u>	<u>10,656,430</u>	<u>30,934,857</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>130,222,452</u></b>	<b>\$ <u>55,158,475</u></b>	<b>\$ <u>185,380,927</u></b>

See notes to financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 4,609,173	\$ 467,541	\$ 813,834	\$ -	\$ (3,327,798)	\$ -	\$ (3,327,798)
Public safety	9,293,923	1,969,158	335,244	-	(6,989,521)	-	(6,989,521)
Education	70,011,591	3,601,650	3,550,351	-	(62,859,590)	-	(62,859,590)
Public works	5,908,714	82,388	17,695	594,266	(5,214,365)	-	(5,214,365)
Health and human services	541,622	67,641	62,156	-	(411,825)	-	(411,825)
Culture and recreation	1,414,083	402,243	196,194	-	(815,646)	-	(815,646)
Employee benefits	6,583,688	-	-	-	(6,583,688)	-	(6,583,688)
Interest	2,284,808	-	-	-	(2,284,808)	-	(2,284,808)
Intergovernmental	3,616,733	-	-	-	(3,616,733)	-	(3,616,733)
Total Governmental Activities	<u>104,264,335</u>	<u>6,590,621</u>	<u>4,975,474</u>	<u>594,266</u>	<u>(92,103,974)</u>	<u>-</u>	<u>(92,103,974)</u>
<b>Business-Type Activities:</b>							
Sewer services	3,108,068	4,832,203	-	-	-	1,724,135	1,724,135
Water services	4,323,320	6,267,719	-	-	-	1,944,399	1,944,399
Sanitation services	1,928,230	1,968,633	-	-	-	40,403	40,403
Total Business-Type Activities	<u>9,359,618</u>	<u>13,068,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,708,937</u>	<u>3,708,937</u>
Total	<u>\$ 113,623,953</u>	<u>\$ 19,659,176</u>	<u>\$ 4,975,474</u>	<u>\$ 594,266</u>	<u>(92,103,974)</u>	<u>3,708,937</u>	<u>(88,395,037)</u>
<b>General Revenues and transfers:</b>							
Property taxes					48,097,039	-	48,097,039
Excises					4,196,964	-	4,196,964
Penalties, interest and other taxes					668,899	-	668,899
Grants and contributions not restricted to specific programs					43,142,460	-	43,142,460
Investment income					1,119,018	350,578	1,469,596
Miscellaneous					194,944	-	194,944
Transfers, net					1,635,800	(1,635,800)	-
Total general revenues					<u>99,055,124</u>	<u>(1,285,222)</u>	<u>97,769,902</u>
Change in Net Assets					6,951,150	2,423,715	9,374,865
<b>Net Assets:</b>							
Beginning of year, as restated					<u>123,271,302</u>	<u>52,734,760</u>	<u>176,006,062</u>
End of year					<u>\$ 130,222,452</u>	<u>\$ 55,158,475</u>	<u>\$ 185,380,927</u>

See notes to financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

<b>ASSETS</b>	<u>General</u>	<u>Central Fire Station</u>	<u>Senior Center</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 8,467,572	\$ 104,656	\$ 198,852	\$ 2,662,543	\$ 8,624,857	\$ 20,058,480
Investments	-	-	-	2,876,188	-	2,876,188
Receivables:						
Property taxes	1,604,018	-	-	-	-	1,604,018
Excises	538,710	-	-	-	-	538,710
Intergovernmental	-	-	-	-	313,430	313,430
Departmental and other	<u>974,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>974,843</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,585,143</u></b>	<b><u>\$ 104,656</u></b>	<b><u>\$ 198,852</u></b>	<b><u>\$ 5,538,731</u></b>	<b><u>\$ 8,938,287</u></b>	<b><u>\$ 26,365,669</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Warrants payable	\$ 875,605	\$ -	\$ -	\$ -	\$ 457,091	\$ 1,332,696
Retainage payable	-	94,600	-	-	-	94,600
Accrued liabilities	912,186	-	-	-	-	912,186
Other liabilities	179,393	-	-	-	-	179,393
Deferred revenues	3,116,741	-	-	-	-	3,116,741
Notes payable	<u>-</u>	<u>9,220,000</u>	<u>6,175,000</u>	<u>-</u>	<u>2,700,000</u>	<u>18,095,000</u>
<b>TOTAL LIABILITIES</b>	<b>5,083,925</b>	<b>9,314,600</b>	<b>6,175,000</b>	<b>-</b>	<b>3,157,091</b>	<b>23,730,616</b>
Fund Balances:						
Reserved for:						
Encumbrances and continuing appropriations	2,636,780	-	-	-	-	2,636,780
Debt Service	684,259	-	-	-	-	684,259
Perpetual permanent funds	-	-	-	-	503,929	503,929
Unreserved:						
Undesignated, reported in:						
General fund	3,180,179	-	-	-	-	3,180,179
Special revenue funds	-	-	-	5,538,731	3,819,323	9,358,054
Capital project funds	-	(9,209,944)	(5,976,148)	-	(1,965,627)	(17,151,719)
Permanent funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,423,571</u>	<u>3,423,571</u>
<b>TOTAL FUND BALANCES</b>	<b><u>6,501,218</u></b>	<b><u>(9,209,944)</u></b>	<b><u>(5,976,148)</u></b>	<b><u>5,538,731</u></b>	<b><u>5,781,196</u></b>	<b><u>2,635,053</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 11,585,143</u></b>	<b><u>\$ 104,656</u></b>	<b><u>\$ 198,852</u></b>	<b><u>\$ 5,538,731</u></b>	<b><u>\$ 8,938,287</u></b>	<b><u>\$ 26,365,669</u></b>

See notes to financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS

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

JUNE 30, 2008

<b>Total governmental fund balances</b>	\$ 2,635,053
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	159,486,231
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not reported at the fund level</li></ul>	2,900,607
<ul style="list-style-type: none"><li>• MSBA reimbursements for contracted assistance projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	7,845,170
<ul style="list-style-type: none"><li>• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.</li></ul>	68,971
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(452,832)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(42,260,748)</u>
<b>Net assets of governmental activities</b>	<b>\$ <u><u>130,222,452</u></u></b>

See notes to financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Central Fire Station</u>	<u>Senior Center</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Property taxes	\$ 48,189,365	\$ -	\$ -	\$ -	\$ -	\$ 48,189,365
Excise taxes	4,354,235	-	-	-	-	4,354,235
Penalties, interest and other taxes	684,022	-	-	-	-	684,022
Charges for services	1,529,317	-	-	-	3,804,514	5,333,831
Intergovernmental	37,550,793	-	-	-	3,438,611	40,989,404
Licenses and permits	1,077,085	-	-	-	-	1,077,085
Contributions	-	-	-	-	2,131,128	2,131,128
Fines and forfeitures	132,732	-	-	-	35,886	168,618
Investment income	716,672	-	-	259,286	142,094	1,118,052
Miscellaneous	106,223	-	-	-	88,721	194,944
Total Revenues	<u>94,340,444</u>	<u>-</u>	<u>-</u>	<u>259,286</u>	<u>9,640,954</u>	<u>104,240,684</u>
<b>Expenditures:</b>						
Current:						
General government	3,499,940	-	-	-	927,106	4,427,046
Public safety	8,761,353	5,664,075	-	-	1,216,935	15,642,363
Education	61,071,430	-	-	-	7,539,764	68,611,194
Public works	3,915,996	-	-	-	1,293,247	5,209,243
Health and human services	424,445	-	1,559,025	-	66,914	2,050,384
Culture and recreation	1,329,671	-	-	-	72,875	1,402,546
Employee benefits	6,573,791	-	-	-	9,897	6,583,688
Debt service	6,061,780	-	-	-	-	6,061,780
Intergovernmental	3,616,733	-	-	-	-	3,616,733
Capital outlay	1,160,524	-	-	-	-	1,160,524
Total Expenditures	<u>96,415,663</u>	<u>5,664,075</u>	<u>1,559,025</u>	<u>-</u>	<u>11,126,738</u>	<u>114,765,501</u>
Excess (deficiency) of revenues over expenditures	(2,075,219)	(5,664,075)	(1,559,025)	259,286	(1,485,784)	(10,524,817)
<b>Other Financing Sources (Uses):</b>						
Transfers in	4,047,624	-	-	655,537	185,535	4,888,696
Transfers out	<u>(841,072)</u>	<u>-</u>	<u>-</u>	<u>(2,085,938)</u>	<u>(325,886)</u>	<u>(3,252,896)</u>
Total Other Financing Sources (Uses)	<u>3,206,552</u>	<u>-</u>	<u>-</u>	<u>(1,430,401)</u>	<u>(140,351)</u>	<u>1,635,800</u>
Change in fund balance	1,131,333	(5,664,075)	(1,559,025)	(1,171,115)	(1,626,135)	(8,889,017)
Fund Balance, at Beginning of Year	<u>5,369,885</u>	<u>(3,545,869)</u>	<u>(4,417,123)</u>	<u>6,709,846</u>	<u>7,407,331</u>	<u>11,524,070</u>
Fund Balance, at End of Year	<u>\$ 6,501,218</u>	<u>\$ (9,209,944)</u>	<u>\$ (5,976,148)</u>	<u>\$ 5,538,731</u>	<u>\$ 5,781,196</u>	<u>\$ 2,635,053</u>

See notes to financial statements.

TOWN OF FRANKLIN, 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, 2008

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (8,889,017)</b>				
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">12,462,713</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(5,683,269)</td> </tr> </table> </li> </ul>		Capital outlay purchases, net of disposals	12,462,713	Depreciation	(5,683,269)
Capital outlay purchases, net of disposals	12,462,713				
Depreciation	(5,683,269)				
<ul style="list-style-type: none"> <li>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.</li> </ul>	(253,633)				
<ul style="list-style-type: none"> <li>Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.</li> </ul>	5,591,667				
<ul style="list-style-type: none"> <li>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: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">3,774,901</td> </tr> </table> </li> </ul>	Repayments of debt	3,774,901			
Repayments of debt	3,774,901				
<ul style="list-style-type: none"> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	45,672				
<ul style="list-style-type: none"> <li>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.</li> </ul>	(98,850)				
<ul style="list-style-type: none"> <li>Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities.</li> </ul>	<u>966</u>				
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>6,951,150</u></b>				

See notes to financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 45,412,006	\$ 48,112,006	\$ 48,112,006	\$ -
Motor vehicle excise	4,240,000	4,240,000	4,354,235	114,235
Penalties, interest and other taxes	195,600	195,600	315,316	119,716
Intergovernmental	32,126,152	32,126,152	31,827,061	(299,091)
Licenses and permits	870,000	870,000	1,041,009	171,009
Charges for services	1,498,787	1,498,787	1,573,021	74,234
Fines and forfeits	140,000	140,000	132,902	(7,098)
Investment income	925,000	925,000	643,319	(281,681)
Miscellaneous	9,000	309,000	946,980	637,980
Transfers in	1,914,500	2,713,586	2,713,586	-
Other sources	<u>260,000</u>	<u>2,243,105</u>	<u>2,243,105</u>	<u>-</u>
Total Revenues and Other Sources	87,591,045	93,373,236	93,902,540	529,304
<b>Expenditures and Other Uses:</b>				
General government	3,380,974	3,703,763	3,527,877	175,886
Public safety	9,168,930	9,429,631	9,064,034	365,597
Education	53,835,359	56,105,359	55,942,481	162,878
Public works	3,495,225	4,203,992	4,004,687	199,305
Health and human services	402,117	431,465	424,445	7,020
Culture and recreation	1,062,940	1,643,260	1,580,116	63,144
Debt service	5,340,402	5,340,402	5,333,781	6,621
Intergovernmental	3,947,597	3,947,597	3,616,733	330,864
Employee benefits	6,921,890	7,133,732	6,783,525	350,207
Capital outlay	-	594,000	594,000	-
Transfers out	<u>35,611</u>	<u>840,035</u>	<u>840,035</u>	<u>-</u>
Total Expenditures and Other Uses	<u>87,591,045</u>	<u>93,373,236</u>	<u>91,711,714</u>	<u>1,661,522</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,190,826</u>	\$ <u>2,190,826</u>

TOWN OF FRANKLIN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Fund	Total	Internal Service Funds
<b><u>ASSETS</u></b>					
Current:					
Cash and short-term investments	\$ 4,646,533	\$ 4,304,635	\$ 279,342	\$ 9,230,510	\$ 68,971
User fees, net of allowance for uncollectibles	<u>1,376,480</u>	<u>1,444,043</u>	<u>197,355</u>	<u>3,017,878</u>	<u>-</u>
Total current assets	6,023,013	5,748,678	476,697	12,248,388	68,971
Noncurrent:					
Capital assets not being depreciated	679,558	3,621,871	46,931	4,348,360	-
Capital assets being depreciated, net of accumulated depreciation	<u>11,278,262</u>	<u>41,800,589</u>	<u>-</u>	<u>53,078,851</u>	<u>-</u>
Total noncurrent assets	<u>11,957,820</u>	<u>45,422,460</u>	<u>46,931</u>	<u>57,427,211</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>17,980,833</b>	<b>51,171,138</b>	<b>523,628</b>	<b>69,675,599</b>	<b>68,971</b>
<b><u>LIABILITIES</u></b>					
Current:					
Warrants payable	136,043	399,401	157,003	692,447	-
Accrued liabilities	19,019	67,974	-	86,993	-
Current portion of long-term liabilities:					
Bonds payable	216,715	803,687	-	1,020,402	-
Other liabilities	<u>2,033</u>	<u>4,428</u>	<u>474</u>	<u>6,935</u>	<u>-</u>
Total current liabilities	373,810	1,275,490	157,477	1,806,777	-
Noncurrent:					
Bonds payable, net of current portion	1,883,830	10,694,751	-	12,578,581	-
Other liabilities, net of current portion	<u>38,628</u>	<u>84,124</u>	<u>9,014</u>	<u>131,766</u>	<u>-</u>
Total noncurrent liabilities	<u>1,922,458</u>	<u>10,778,875</u>	<u>9,014</u>	<u>12,710,347</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>2,296,268</b>	<b>12,054,365</b>	<b>166,491</b>	<b>14,517,124</b>	<b>-</b>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	9,879,276	34,575,838	46,931	44,502,045	-
Unrestricted	<u>5,805,289</u>	<u>4,540,935</u>	<u>310,206</u>	<u>10,656,430</u>	<u>68,971</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 15,684,565</b>	<b>\$ 39,116,773</b>	<b>\$ 357,137</b>	<b>\$ 55,158,475</b>	<b>\$ 68,971</b>

See notes to financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Fund	Total	Internal Service Funds
<b>Operating Revenues:</b>					
Charges for services	\$ 4,832,203	\$ 6,267,719	\$ 1,968,633	\$ 13,068,555	\$ -
Total Operating Revenues	4,832,203	6,267,719	1,968,633	13,068,555	-
<b>Operating Expenses:</b>					
Personnel	446,504	961,446	18,382	1,426,332	-
Non-personnel	412,316	1,533,969	1,909,848	3,856,133	-
Depreciation	372,729	1,398,000	-	1,770,729	-
Intergovernmental	1,782,190	-	-	1,782,190	-
Total Operating Expenses	3,013,739	3,893,415	1,928,230	8,835,384	-
Operating Income (Loss)	1,818,464	2,374,304	40,403	4,233,171	-
<b>Nonoperating Revenues (Expenses):</b>					
Interest income	113,895	103,908	3,875	221,678	966
Intergovernmental	128,900	-	-	128,900	-
Interest expense	(94,329)	(429,905)	-	(524,234)	-
Total Nonoperating Revenues (Expenses)	148,466	(325,997)	3,875	(173,656)	966
Income Before Transfers	1,966,930	2,048,307	44,278	4,059,515	966
<b>Transfers:</b>					
Transfers out	(658,206)	(918,094)	(59,500)	(1,635,800)	-
Change in Net Assets	1,308,724	1,130,213	(15,222)	2,423,715	966
Net Assets at Beginning of Year	14,375,841	37,986,560	372,359	52,734,760	68,005
Net Assets at End of Year	\$ 15,684,565	\$ 39,116,773	\$ 357,137	\$ 55,158,475	\$ 68,971

See notes to financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Nonmajor Fund	Total	Internal Service Funds
<b><u>Cash Flows From Operating Activities:</u></b>					
Receipts from customers and users	\$ 4,481,267	\$ 5,021,155	\$ 2,044,318	\$ 11,546,740	\$ -
Payments to vendors	(2,112,560)	(1,306,434)	(1,936,625)	(5,355,619)	-
Payments to employees	(445,320)	(958,867)	(18,106)	(1,422,293)	-
Net Cash Provided By (Used For) Operating Activities	1,923,387	2,755,854	89,587	4,768,828	-
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>					
Intergovernmental	128,900	-	-	128,900	-
Transfer out	(658,206)	(918,094)	(59,500)	(1,635,800)	-
Net Cash Provided by (Used For) Noncapital Financing Activities	(529,306)	(918,094)	(59,500)	(1,506,900)	-
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>					
Acquisition and construction of capital assets, net disposals	(800,251)	(1,911,823)	-	(2,712,074)	-
Principal payments on bonds and notes	(216,715)	(872,378)	-	(1,089,093)	-
Interest expense	(95,888)	(435,874)	-	(531,762)	-
Net Cash (Used For) Capital and Related Financing Activities	(1,112,854)	(3,220,075)	-	(4,332,929)	-
<b><u>Cash Flows From Investing Activities:</u></b>					
Investment income	113,895	103,908	3,875	221,678	966
Net Change in Cash and Short-Term Investments	395,122	(1,278,407)	33,962	(849,323)	966
Cash and Short-Term Investments, Beginning of Year	4,251,411	5,583,042	245,380	10,079,833	68,005
Cash and Short-Term Investments, End of Year	\$ 4,646,533	\$ 4,304,635	\$ 279,342	\$ 9,230,510	\$ 68,971
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>					
Operating income (loss)	\$ 1,818,464	\$ 2,374,304	\$ 40,403	\$ 4,233,171	\$ -
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	372,729	1,398,000	-	1,770,729	-
Changes in assets and liabilities:					
User fees	(350,936)	(1,017,944)	75,685	(1,293,195)	-
Warrants payable	81,947	227,535	(26,777)	282,705	-
Accrued liabilities	-	(228,620)	-	(228,620)	-
Other liabilities	1,183	2,579	276	4,038	-
Net Cash Provided By (Used For) Operating Activities	\$ 1,923,387	\$ 2,755,854	\$ 89,587	\$ 4,768,828	\$ -

See notes to financial statements.

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

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 83,239	\$ 980,060
Other assets	<u>-</u>	<u>2,382,530</u>
Total Assets	83,239	3,362,590
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Warrants payable	-	13,327
Other liabilities	<u>-</u>	<u>3,349,263</u>
Total Liabilities	<u>-</u>	<u>3,362,590</u>
 <b><u>NET ASSETS</u></b>		
Total net assets held in trust for other purposes	\$ <u><u>83,239</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 23,000
Investment income	<u>2,493</u>
Total additions	25,493
 <b>Deductions:</b>	
Other	<u>14,550</u>
Total deductions	<u>14,550</u>
Net (decrease)	10,943
 <b>Transfers:</b>	
Transfers in	(70,199)
Transfer out	<u>70,199</u>
Change in net assets	10,943
 <b>Net assets:</b>	
Beginning of year	<u>72,296</u>
End of year	<u><u>\$ 83,239</u></u>

See notes to financial statements.

# TOWN OF FRANKLIN, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Franklin (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 Town Council. 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 changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded

from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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 *Central Fire Station fund* accounts for constructing the new fire station complex.
- The *Senior Center fund* accounts for constructing the new Town Senior Center.
- The *Stabilization fund* accounts for financial resources held in reserve for various purposes, including public works and debt service.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- Sewer Fund
- Water Fund

The *unemployment fund* is reported as an internal service fund in the accompanying financial statements.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or 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, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### *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 Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

#### *F. Property Tax Limitations*

Legislation known as "Proposition 2 ½" has limited 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 is voted. The actual fiscal year 2008 tax levy reflected an excess capacity of \$ 42,598.

#### *G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 15,000 and an estimated useful life in excess of two years. Such assets are recorded at

historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 50
Vehicles	5
Office equipment	5
Computer equipment	5

#### *H. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund 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, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

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 Council, 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 Town Council 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 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.

General Fund	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 94,340,444	\$ 96,415,663
Other financing sources/uses (GAAP basis)	<u>4,047,624</u>	<u>841,072</u>
Subtotal (GAAP Basis)	98,388,068	97,256,735
Adjust tax revenue to accrual basis	(81,382)	-
Reverse beginning of year appro- priation carryforwards from expenditures	-	(1,403,087)
Add end of year appropriation carryforwards to expenditures	-	1,886,157
To reclass non-budgeted items	(772,300)	(772,300)
To reverse the effect of non- budgeted State contributions for teachers retirement	(5,284,013)	(5,284,013)
To reverse the effect of activity budgeted for in the prior year	(590,938)	-
Record use of free cash	1,858,105	-
Recognize use of other sources	385,000	-
To reverse current year change in accrued interest	<u>-</u>	<u>28,222</u>
Budgetary basis	<u>\$ 93,902,540</u>	<u>\$ 91,711,714</u>

*D. Deficit Fund Equity*

The following funds had deficits as of June 30, 2008:

Major funds:	
Central Fire Station	\$ (9,209,944)
Senior Center	\$ (5,976,148)
Non-major funds:	
Immigration Custom Enforce	\$ (176)
PWED Project	\$ (697)
CDF Populatic	\$ (8,807)
Governor's Highway Safety	\$ (5,928)
Metro Lec Grant	\$ (3,890)
SETB Training	\$ (6,524)
Chapter 90	\$ (226,534)
FY08 SPED Fed Entitlement	\$ (39,257)
Aerial Ladder Truck 07	\$ (700,000)
School Remodel	\$ (1,933,134)

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

### **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 does not have a deposit policy for custodial credit risk.

As of June 30, 2008, \$ 19,706,248 of the Town's bank balance of \$ 35,417,970 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

### **4. Investments**

#### **A. Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General 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 (in thousands) is the actual rating as of year end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>
Federal agency securities	\$ 2,328	Aaa
Corporate bonds	308	A3
Certificates of deposits	197	N/A
Equities	<u>43</u>	N/A
Total investments	<u>\$ 2,876</u>	

**B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

Of the investment in Corporate bonds of \$ 308,394, the government has a custodial credit risk exposure of \$ 308,394 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities.

**C. Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in any one issuer. Town investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Federal Home Loan Bank	\$ 758,916
Federal National Mortgage Association	\$ 603,469
Federal Home Loan Mortgage	\$ 504,674
Federal Farm Credit	\$ 460,611
Verizon Corp Bond	\$ 176,232

*D. Interest Rate Risk*

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (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>
Federal agency securities	\$ 2,328	\$ -	\$ 1,846	\$ 482
Corporate bonds	308	-	308	-
Certificates of deposit	197	-	197	-
Total Investments	<u>\$ 2,833</u>	<u>\$ -</u>	<u>\$ 2,351</u>	<u>\$ 482</u>

*E. Foreign Currency Risk*

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

**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 Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

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

Taxes receivable at June 30, 2008 consist of the following (in thousands):

Real Estate		
2008	\$ 500	
2007	29	
2006	20	
2005	4	
2004	2	
2003	12	
Prior	<u>9</u>	
		576
Personal Property		
2008	14	
2007	6	
2006	4	
2005	4	
2004	10	
2003	7	
Prior	<u>36</u>	
		81
Tax Liens		898
Deferred Taxes		<u>49</u>
Total		<u>\$ 1,604</u>

## 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 246	
Excises	232	
Water		\$ 50
Sewer		40
Trash		30

## 7. Intergovernmental Receivables

This balance represents Massachusetts School Building Authority grants as well as other various fiscal year 2008 grant funds. Future receipt of MSBA payments are as follows:

2009	\$ 1,444,633
2010	1,444,633
2011	825,934
2012	825,934
2013	825,934
2014-2016	<u>2,477,801</u>
	<u>\$ 7,844,869</u>

## 8. 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>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 118,242	\$ 22,566	\$ -	\$ 140,808
Machinery, equipment, and furnishings	8,182	1,559	(510)	9,231
Infrastructure	<u>65,936</u>	<u>2,120</u>	<u>-</u>	<u>68,056</u>
Total capital assets, being depreciated	192,360	26,245	(510)	218,095
Less accumulated depreciation for:				
Buildings and improvements	(32,846)	(3,420)	-	(36,266)
Machinery, equipment, and furnishings	(4,883)	(678)	503	(5,058)
Infrastructure	<u>(32,681)</u>	<u>(1,585)</u>	<u>-</u>	<u>(34,266)</u>
Total accumulated depreciation	<u>(70,410)</u>	<u>(5,683)</u>	<u>503</u>	<u>(75,590)</u>
Total capital assets, being depreciated, net	121,950	20,562	(7)	142,505
Capital assets, not being depreciated:				
Land	15,385	-	-	15,385
Construction in progress	<u>15,372</u>	<u>345</u>	<u>(14,121)</u>	<u>1,596</u>
Total capital assets, not being depreciated	<u>30,757</u>	<u>345</u>	<u>(14,121)</u>	<u>16,981</u>
Governmental activities capital assets, net	<u>\$ 152,707</u>	<u>\$ 20,907</u>	<u>\$ (14,128)</u>	<u>\$ 159,486</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 281	\$ -	\$ -	\$ 281
Machinery, equipment, and furnishings	1,272	15	(51)	1,236
Infrastructure	<u>83,631</u>	<u>2,709</u>	<u>-</u>	<u>86,340</u>
Total capital assets, being depreciated	85,184	2,724	(51)	87,857
Less accumulated depreciation for:				
Buildings and improvements	(59)	(8)	-	(67)
Machinery, equipment, and furnishings	(610)	(98)	38	(670)
Infrastructure	<u>(32,377)</u>	<u>(1,664)</u>	<u>-</u>	<u>(34,041)</u>
Total accumulated depreciation	<u>(33,046)</u>	<u>(1,770)</u>	<u>38</u>	<u>(34,778)</u>
Total capital assets, being depreciated, net	52,138	954	(13)	53,079
Capital assets, not being depreciated:				
Land	<u>4,348</u>	<u>-</u>	<u>-</u>	<u>4,348</u>
Total capital assets, not being depreciated	<u>4,348</u>	<u>-</u>	<u>-</u>	<u>4,348</u>
Business-type activities capital assets, net	<u>\$ 56,486</u>	<u>\$ 954</u>	<u>\$ (13)</u>	<u>\$ 57,427</u>

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

Governmental Activities:	
General government	\$ 199
Public safety	535
Education	2,679
Public works	1,935
Health and human services	104
Culture and recreation	<u>231</u>
Total depreciation expense - governmental activities	<u>\$ 5,683</u>
Business-Type Activities:	
Sewer	\$ 372
Water	<u>1,398</u>
Total depreciation expense - business-type activities	<u>\$ 1,770</u>

## 9. Warrants and Accounts Payable

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

**10. Deferred Revenue**

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.

**11. Anticipation Notes Payable**

The Town had the following notes outstanding at June 30, 2008:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2008</u>
Bond anticipation	2.25%	03/27/08	03/25/09	\$ <u>18,095,000</u>
Total				\$ <u><u>18,095,000</u></u>

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

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Ladder truck	\$ -	\$ 700,000	\$ -	\$ 700,000
Fire station	7,150,000	9,220,000	(7,150,000)	9,220,000
Senior center	4,900,000	6,175,000	(4,900,000)	6,175,000
School remodeling	<u>1,000,000</u>	<u>2,000,000</u>	<u>(1,000,000)</u>	<u>2,000,000</u>
Total	\$ <u><u>13,050,000</u></u>	\$ <u><u>18,095,000</u></u>	\$ <u><u>(13,050,000)</u></u>	\$ <u><u>18,095,000</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 have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Original Issue	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2008
<u>Governmental Activities:</u>				
Building construction - police	12/15/88	12/15/08	7.30	\$ 90,000
School project	01/15/89	12/15/09	7.30	280,000
Land acquisition	06/01/00	06/01/10	5.26	440,000
Building remodeling	05/01/02	05/01/22	4.59	560,000
General obligation	04/01/03	04/01/23	4.13	7,025,000
Building remodeling - school	04/01/04	11/15/23	3.72	2,160,000
School project - refunding	04/01/04	11/15/15	2.00 - 5.00	6,963,831
Outdoor recreational facility	03/15/05	03/15/19	3.25 - 5.50	2,750,000
Outdoor recreational facility	03/15/05	03/15/19	3.25 - 5.50	550,000
School project	03/15/05	03/15/25	3.25 - 5.50	6,205,000
DPW garage	03/15/05	03/15/25	3.25 - 5.50	1,352,842
School project	03/15/06	03/15/26	3.75 - 5.00	4,860,000
School project	03/15/06	03/15/26	3.75 - 5.00	540,000
DPW garage	03/15/06	03/15/26	3.75 - 5.00	3,150,000
DPW garage	03/15/06	03/15/24	3.75 - 5.00	620,000
DPW garage	04/01/07	04/07/27	3.45 - 4.125	2,817,171
Total Governmental Activities:				<u>\$ 40,363,844</u>

	Original Issue	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2008
<u>Business-Type Activities:</u>				
Well	12/15/88	12/15/08	7.25	\$ 25,000
Sewer	06/01/00	06/01/10	5.27	130,000
Sewer	06/01/00	06/01/10	5.27	30,000
Water	06/01/00	06/01/10	5.27	80,000
Sewer pump station	06/01/00	06/01/08	5.26	20,000
MWPAT Title V	09/28/01	08/01/19	4.50 - 5.75	20,545
Sewer	05/01/02	05/01/22	4.60	350,000
Sewer	05/01/02	05/01/22	4.55	300,000
Water	05/01/02	05/01/22	4.59	910,000
Water mains	05/01/02	05/01/22	4.60	350,000
Sewer	04/01/04	11/15/23	3.72	800,000
Water	04/01/04	11/15/23	3.72	1,200,000
Water treatment facility - refunding	04/01/04	11/15/15	2.00 - 5.00	1,496,169
Water treatment facility DW-02-12	11/15/04	08/01/24	2.50 - 5.25	5,007,283
Water mains	03/15/05	03/15/25	4.26	1,197,158
Sewer	03/15/06	03/15/26	3.75 - 5.00	450,000
Water treatment plant	04/01/07	04/01/27	3.45 - 4.125	290,000
Water improvements	04/01/07	04/01/27	3.45 - 4.125	942,828
Total Business-Type Activities:				<u>\$ 13,598,983</u>

**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	\$ 3,686,254	\$ 1,630,061	\$ 5,316,315
2010	3,299,515	1,501,046	4,800,561
2011	3,053,620	1,381,545	4,435,165
2012	3,036,585	1,272,534	4,309,119
2013	3,023,236	1,149,941	4,173,177
2014-2018	12,408,756	3,939,063	16,347,819
2019-2023	8,863,487	1,727,182	10,590,669
2024-2028	<u>2,992,391</u>	<u>236,307</u>	<u>3,228,698</u>
Total	<u>\$ 40,363,844</u>	<u>\$ 12,837,679</u>	<u>\$ 53,201,523</u>

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

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,020,402	\$ 573,913	\$ 1,594,315
2010	993,252	535,208	1,528,460
2011	865,501	497,241	1,362,742
2012	858,987	465,334	1,324,321
2013	864,028	431,119	1,295,147
2014-2018	4,055,588	1,576,298	5,631,886
2019-2023	3,611,740	693,596	4,305,336
2024-2028	<u>1,329,485</u>	<u>126,360</u>	<u>1,455,845</u>
Total	<u>\$ 13,598,983</u>	<u>\$ 4,899,069</u>	<u>\$ 18,498,052</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 7/1/07	Additions	Reductions	Total Balance 6/30/08	Current Portion	Equals Long-Term Portion 6/30/08
<u>Governmental Activities</u>						
Bonds payable	\$ 44,138	\$ -	\$ (3,774)	\$ 40,364	\$ (3,686)	\$ 36,678
Other:						
Accrued employee benefits	<u>1,842</u>	<u>55</u>	<u>-</u>	<u>1,897</u>	<u>(95)</u>	<u>1,802</u>
Totals	<u>\$ 45,980</u>	<u>\$ 55</u>	<u>\$ (3,774)</u>	<u>\$ 42,261</u>	<u>\$ (3,781)</u>	<u>\$ 38,480</u>

	Total Balance 7/1/07	Additions	Reductions	Total Balance 6/30/08	Current Portion	Equals Long-Term Portion 6/30/08
<u>Business-Type Activities</u>						
Bonds payable	\$ 14,917	\$ -	\$ (1,318)	\$ 13,599	\$ (1,020)	\$ 12,579
Other:						
Accrued employee benefits	<u>135</u>	<u>4</u>	<u>-</u>	<u>139</u>	<u>(7)</u>	<u>132</u>
Totals	<u>\$ 15,052</u>	<u>\$ 4</u>	<u>\$ (1,318)</u>	<u>\$ 13,738</u>	<u>\$ (1,027)</u>	<u>\$ 12,711</u>

#### D. Advance and Current Refundings

##### Prior Year

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2016. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2008, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$ 8,845,000 and \$ 1,865,000, respectively.

### **13. 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.

#### 14. **Reserves of Fund Equity**

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

The following types of reserves are reported at June 30, 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 Debt Service - An account used to segregate premiums received for future debt service expenditures.

Reserved for Permanent 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.

#### 15. **Subsequent Events**

##### Investments

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

#### 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.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel, the probable outcome of these cases at the present time is indeterminable, 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 for State and Local Government Employees*, with respect to the employees' retirement funds.

### A. Plan Description

The Town contributes to the Norfolk Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Norfolk Retirement System at 480 Neponset Street, Canton, Massachusetts 02021.

### 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 \$ 2,661,890, \$ 2,603,776 and \$ 2,309,699, respectively, which were equal to its annual required contributions for each of these years.

### C. Teachers

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

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

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

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

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

The Town's current year covered payroll for teachers and administrators was unknown.

In fiscal year 2008, the Commonwealth of Massachusetts contributed \$ 5,284,013 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 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. 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*. The number of participants currently eligible to receive benefits and cost of benefits for retirees, their dependents, or their survivors for year ended June 30, 2008, was not available.

*GASB Statement No. 45, Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* is effective June 30, 2009.

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

## **19. Self Insurance**

The Town self insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget. Outstanding year-end claims are considered immaterial.

**20. Risk Management**

The Town 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 Net Assets Restatement**

The beginning (July 1, 2007) Net Assets of the Government Activities have been restated as follows:

	Governmental <u>Activities</u>
As previously reported	\$ 121,707,616
Additional capital assets	<u>1,563,686</u>
As restated	<u><u>\$ 123,271,302</u></u>