

TOWN OF UXBRIDGE, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Uxbridge, 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 Uxbridge, Massachusetts, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Uxbridge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Uxbridge, as of June 30, 2007, 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.

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 June 13, 2008 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 conjunction with this report in considering the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
June 13, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Uxbridge, we offer readers this narrative overview and analysis of the financial activities of the Town of Uxbridge for the fiscal year ended June 30, 2007. Unless otherwise noted, **all amounts reported in this analysis 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 comprise 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).

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 water, sewer, and ambulance 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 water, sewer, and ambulance operations.

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 water and sewer 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 are 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 \$ 54,301 (i.e., net assets), a change of \$ (6,736) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 5,879, a change of \$ (1,785) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,461, a change of \$ (1,422) in comparison with the prior year.
- Bonds payable at the close of the current fiscal year was \$ 18,685, a change of \$ (1,815) 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 21,511	\$ 28,799	\$ 2,644	\$ 2,429	\$ 24,155	\$ 31,228
Capital assets	<u>36,525</u>	<u>36,168</u>	<u>17,298</u>	<u>17,439</u>	<u>53,823</u>	<u>53,607</u>
Total assets	58,036	64,967	19,942	19,868	77,978	84,835
Long-term liabilities outstanding	15,976	17,553	3,578	3,830	19,554	21,383
Other liabilities	<u>3,747</u>	<u>2,376</u>	<u>377</u>	<u>39</u>	<u>4,124</u>	<u>2,415</u>
Total liabilities	19,723	19,929	3,955	3,869	23,678	23,798
Net assets:						
Invested in capital assets, net	34,542	35,061	13,932	13,838	48,474	48,899
Restricted	3,601	3,025	-	-	3,601	3,025
Unrestricted	<u>170</u>	<u>6,952</u>	<u>2,056</u>	<u>2,161</u>	<u>2,226</u>	<u>9,113</u>
Total net assets	<u>\$ 38,313</u>	<u>\$ 45,038</u>	<u>\$ 15,988</u>	<u>\$ 15,999</u>	<u>\$ 54,301</u>	<u>\$ 61,037</u>

CHANGES IN NET ASSETS

	<u>Activities</u>		<u>Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,797	\$ 3,480	\$ 2,385	\$ 2,203	\$ 5,182	\$ 5,683
Operating grants and contributions	13,211	11,590	-	-	13,211	11,590
General revenues:						
Property Taxes	17,435	16,537	-	-	17,435	16,537
Excises	1,271	1,706	-	-	1,271	1,706
Penalties, interest and other taxes	114	110	-	-	114	110
Grants and contributions not restricted to specific programs	1,688	1,438	-	-	1,688	1,438
Investment income	488	262	33	25	521	287
Other	933	133	-	-	933	133
Total revenues	<u>37,937</u>	<u>35,256</u>	<u>2,418</u>	<u>2,228</u>	<u>40,355</u>	<u>37,484</u>
Expenses:						
General government	2,080	1,869	-	-	2,080	1,869
Public safety	2,455	2,226	-	-	2,455	2,226
Education	25,146	23,850	-	-	25,146	23,850
Public works	1,766	1,898	-	-	1,766	1,898
Human services	318	282	-	-	318	282
Culture and recreation	563	523	-	-	563	523
Employee benefits	4,626	3,610	-	-	4,626	3,610
Interest on long-term debt	841	923	-	-	841	923
Intergovernmental	1,412	1,316	-	-	1,412	1,316
Water services	-	-	919	889	919	889
Sewer services	-	-	1,184	1,042	1,184	1,042
Ambulance services	-	-	506	404	506	404
Total expenses	<u>39,207</u>	<u>36,497</u>	<u>2,609</u>	<u>2,335</u>	<u>41,816</u>	<u>38,832</u>
Increase in net assets	(1,270)	(1,241)	(191)	(107)	(1,461)	(1,348)
Special item - MSBA adjustment	(5,275)	-	-	-	(5,275)	-
Transfers, net	<u>(180)</u>	<u>(118)</u>	<u>180</u>	<u>118</u>	<u>-</u>	<u>-</u>
Change in net assets	(6,725)	(1,359)	(11)	11	(6,736)	(1,348)
Net assets - beginning of year	<u>45,038</u>	<u>46,397</u>	<u>15,999</u>	<u>15,988</u>	<u>61,037</u>	<u>62,385</u>
Net assets - end of year	<u>\$ 38,313</u>	<u>\$ 45,038</u>	<u>\$ 15,988</u>	<u>\$ 15,999</u>	<u>\$ 54,301</u>	<u>\$ 61,037</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 \$ 54,301, a change of \$ (6,736) from the prior year.

The largest portion of net assets \$ 48,474 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 \$ 3,601 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 2,226 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 \$ (6,725). Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (773)
Other nonmajor governmental funds revenues in excess of expenditures (exclusive of capital project funds)	374
Receipt of MSBA grant previously recognized at the government-wide level	(1,787)
Capital asset additions from current year revenue	963
Transfers to business-type funds	(180)
Receivable reduction resulting from variance in MSBA estimated project costs compared to actual project costs	(5,275)
Other	<u>(47)</u>
Total	<u>\$ (6,725)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (11). The detail to the change is as follows:

Water fund	\$ 318
Sewer fund	(249) (a)
Nonmajor fund	<u>(80)</u>
Total	<u>\$ (11)</u>

(a) Primarily results from depreciation expense exceeding debt service principal payments.

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 \$ 5,879, a change of \$ (1,785) in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (773)
Special revenue fund revenue in excess of expenditures	184
Trust fund revenues in excess of expenditures	124
Stabilization earnings on investments	66
Excess of current year capital expenditures over current year financing sources	(1,206)
Transfers to enterprise funds	<u>(180)</u>
Total	<u>\$ (1,785)</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 \$ 1,461, while total fund balance was \$ 3,181. 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 4.1 percent of total general fund expenditures, while total fund balance represents 8.9 percent of that same amount.

The fund balance of the general fund changed by \$ (1,083) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (2,410)
Revenues in excess of budget	39
Expenditures less than budget	1,034
Tax collections in excess of budget	352
Other	<u>(98)</u>
Total	<u>\$ (1,083)</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.

Net assets of the enterprise funds at the end of the year amounted to \$ 15,988, a change of \$ (11) 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

The original budget increased during the fiscal year by \$ 353 from various supplemental appropriations, which were funded by the use of free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 53,824 (net of accumulated depreciation), a change of \$ 217 from the prior year. This investment in capital assets includes buildings, equipment, improvements, infrastructure, land, and construction in progress.

There were no major capital asset events during the current fiscal year. Current year new additions exceeded depreciation, which resulted in a net increase in capital assets for both governmental and business-type activities.

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 18,685, 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 Uxbridge'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 Treasurer/Collector
Town of Uxbridge
21 South Main Street
Uxbridge, Massachusetts 01569

TOWN OF UXBRIDGE, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 6,275,670	\$ 2,277,305	\$ 8,552,975
Investments	2,634,800	-	2,634,800
Receivables, net of allowance for uncollectibles:			
Property taxes	39,927	-	39,927
Excises	120,645	-	120,645
User fees	-	366,720	366,720
Intergovernmental	1,274,817	-	1,274,817
Deferred asset	19,250	-	19,250
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	883,126	-	883,126
Intergovernmental	9,935,791	-	9,935,791
Deferred asset	327,250	-	327,250
Capital assets being depreciated, net	31,744,678	13,432,470	45,177,148
Capital assets not being depreciated	<u>4,780,669</u>	<u>3,865,841</u>	<u>8,646,510</u>
TOTAL ASSETS	58,036,623	19,942,336	77,978,959
LIABILITIES			
Current:			
Warrants payable	423,390	-	423,390
Accrued liabilities	1,759,280	56,849	1,816,129
Notes payable	1,495,050	320,000	1,815,050
Other current liabilities	69,412	-	69,412
Current portion of long-term liabilities:			
Bonds payable	1,610,000	250,000	1,860,000
Accrued employee benefits	16,521	4,138	20,659
Estimated landfill closure and postclosure care costs	24,550	-	24,550
Noncurrent:			
Bonds payable, net of current portion	13,580,000	3,245,000	16,825,000
Accrued employee benefits, net of current portion	313,896	78,608	392,504
Estimated landfill closure and postclosure care costs, net of current portion	<u>431,400</u>	<u>-</u>	<u>431,400</u>
TOTAL LIABILITIES	19,723,499	3,954,595	23,678,094
NET ASSETS			
Invested in capital assets, net of related debt	34,542,431	13,932,065	48,474,496
Restricted for:			
Grants and other statutory restrictions	2,712,444	-	2,712,444
Permanent funds:			
Nonexpendable	888,663	-	888,663
Unrestricted	<u>169,586</u>	<u>2,055,676</u>	<u>2,225,262</u>
TOTAL NET ASSETS	\$ <u>38,313,124</u>	\$ <u>15,987,741</u>	\$ <u>54,300,865</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:						
General government	\$ 2,080,282	\$ 442,339	\$ 313,377	\$ (1,324,566)	\$ -	\$ (1,324,566)
Public safety	2,454,858	99,449	173,848	(2,181,561)	-	(2,181,561)
Education	25,146,140	2,162,293	11,951,419	(11,032,428)	-	(11,032,428)
Public works	1,765,650	8,379	702,053	(1,055,218)	-	(1,055,218)
Health and human services	318,090	69,592	48,424	(200,074)	-	(200,074)
Culture and recreation	563,165	15,416	21,423	(526,326)	-	(526,326)
Employee benefits	4,625,831	-	-	(4,625,831)	-	(4,625,831)
Interest	841,466	-	-	(841,466)	-	(841,466)
Intergovernmental	1,411,865	-	-	(1,411,865)	-	(1,411,865)
Total Governmental Activities	39,207,347	2,797,468	13,210,544	(23,199,335)	-	(23,199,335)
Business-Type Activities:						
Water services	918,849	1,054,762	-	-	135,913	135,913
Sewer services	1,184,169	925,409	-	-	(258,760)	(258,760)
Other (nonmajor)	506,354	404,658	-	-	(101,696)	(101,696)
Total Business-Type Activities	2,609,372	2,384,829	-	-	(224,543)	(224,543)
Total	<u>\$ 41,816,719</u>	<u>\$ 5,182,297</u>	<u>\$ 13,210,544</u>	(23,199,335)	(224,543)	(23,423,878)
General Revenues and Transfers:						
Property taxes				17,435,597	-	17,435,597
Excises				1,271,013	-	1,271,013
Penalties, interest and other taxes				114,040	-	114,040
Grants and contributions not restricted to specific programs				1,687,994	-	1,687,994
Investment income				487,611	32,994	520,605
Other				933,242	-	933,242
Special item - MSBA adjustment				(5,275,043)	-	(5,275,043)
Transfers, net				(180,000)	180,000	-
Total general revenues and transfers				16,474,454	212,994	16,687,448
Change in Net Assets				(6,724,881)	(11,549)	(6,736,430)
Net Assets:						
Beginning of year				45,038,005	15,999,290	61,037,295
End of year				<u>\$ 38,313,124</u>	<u>\$ 15,987,741</u>	<u>\$ 54,300,865</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

ASSETS	<u>General</u>	<u>School Land Acquisition Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 4,797,622	\$ 520,751	\$ 957,297	\$ 6,275,670
Investments	459,141	-	2,175,659	2,634,800
Receivables:				
Property taxes	1,054,622	-	-	1,054,622
Excises	194,376	-	-	194,376
Intergovernmental	-	-	663,279	663,279
TOTAL ASSETS	<u>\$ 6,505,761</u>	<u>\$ 520,751</u>	<u>\$ 3,796,235</u>	<u>\$ 10,822,747</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 423,358	\$ -	\$ -	\$ 423,358
Accrued liabilities	1,582,873	-	123,745	1,706,618
Deferred revenue	1,248,998	-	-	1,248,998
Notes payable	-	1,249,140	245,910	1,495,050
Other liabilities	69,414	-	-	69,414
TOTAL LIABILITIES	3,324,643	1,249,140	369,655	4,943,438
Fund Balances:				
Reserved for:				
Encumbrances	646,442	-	-	646,442
Expenditures	1,073,860	-	-	1,073,860
Permanent perpetual funds	-	-	888,663	888,663
Unreserved:				
Undesignated, reported in:				
General fund	1,460,816	-	-	1,460,816
Special revenue funds	-	-	2,712,444	2,712,444
Capital project funds	-	(728,389)	(174,527)	(902,916)
TOTAL FUND BALANCES	<u>3,181,118</u>	<u>(728,389)</u>	<u>3,426,580</u>	<u>5,879,309</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,505,761</u>	<u>\$ 520,751</u>	<u>\$ 3,796,235</u>	<u>\$ 10,822,747</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

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

JUNE 30, 2007

Total governmental fund balances	\$ 5,879,309
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,525,347
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,043,700
<ul style="list-style-type: none">• MSBA receivables are not collectible in the current period and, therefore, are not reported in the governmental funds.	10,547,329
<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.	(52,694)
<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 (net of deferred asset.)	<u>(15,629,867)</u>
Net assets of governmental activities	<u>\$ 38,313,124</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>School Land Acquisition Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 17,030,563	\$ -	\$ -	\$ 17,030,563
Excise taxes	1,543,024	-	-	1,543,024
Interest, penalties, and other taxes	114,040	-	-	114,040
Fines and forfeitures	122,336	-	-	122,336
Departmental	252,733	-	2,216,134	2,468,867
Licenses and permits	205,407	-	-	205,407
Intergovernmental	14,551,410	-	1,962,829	16,514,239
Investment income	244,060	-	243,551	487,611
Contributions	-	-	195,688	195,688
Other	868,396	-	40,943	909,339
Total Revenues	<u>34,931,969</u>	<u>-</u>	<u>4,659,145</u>	<u>39,591,114</u>
Expenditures:				
Current:				
General government	1,563,307	-	444,913	2,008,220
Public safety	2,201,590	-	66,333	2,267,923
Education	21,408,307	-	2,903,702	24,312,009
Public works	1,285,618	-	1,900	1,287,518
Health and human services	232,079	-	79,638	311,717
Culture and leisure	520,066	-	36,666	556,732
Employee benefits	4,625,831	-	-	4,625,831
Other	-	-	56,202	56,202
Debt service	2,456,225	-	-	2,456,225
Capital outlay	-	728,389	1,172,997	1,901,386
Intergovernmental	<u>1,411,865</u>	<u>-</u>	<u>-</u>	<u>1,411,865</u>
Total Expenditures	<u>35,704,888</u>	<u>728,389</u>	<u>4,762,351</u>	<u>41,195,628</u>
Deficiency of revenues over expenditures	(772,919)	(728,389)	(103,206)	(1,604,514)
Other Financing Sources (Uses):				
Transfers in	657,922	-	787,527	1,445,449
Transfers out	(967,527)	-	(657,922)	(1,625,449)
Total Other Financing Sources (Uses)	<u>(309,605)</u>	<u>-</u>	<u>129,605</u>	<u>(180,000)</u>
Changes in fund balances	(1,082,524)	(728,389)	26,399	(1,784,514)
Fund Balances, at Beginning of Year	<u>4,263,642</u>	<u>-</u>	<u>3,400,181</u>	<u>7,663,823</u>
Fund Balances, at End of Year	<u>\$ 3,181,118</u>	<u>\$ (728,389)</u>	<u>\$ 3,426,580</u>	<u>\$ 5,879,309</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,784,514)

- 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 2,189,721

Depreciation (1,832,685)

- 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.

182,124

- 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 1,560,000

- Receipt of MSBA grant previously recognized at the government-wide level, combined with the special item adjustment.

(7,061,671)

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

74,008

- 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.

(51,864)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (6,724,881)

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers:				
Property taxes	\$ 16,678,865	\$ 16,678,865	\$ 16,678,865	\$ -
Excise taxes	1,525,900	1,525,900	1,543,024	17,124
Interest, penalties, and other taxes	100,000	100,000	114,040	14,040
Fines and forfeitures	95,000	95,000	122,336	27,336
Departmental	97,894	97,894	252,733	154,839
Licenses and permits	492,690	492,690	205,407	(287,283)
Intergovernmental	12,927,740	12,927,740	12,894,520	(33,220)
Investment income	125,000	125,000	244,060	119,060
Miscellaneous	987,478	987,478	868,396	(119,082)
Other sources	2,409,864	2,409,864	2,409,864	-
Transfers in	<u>158,284</u>	<u>511,313</u>	<u>657,922</u>	<u>146,609</u>
Total Revenues and Transfers	35,598,715	35,951,744	35,991,167	39,423
Expenditures:				
General government	1,724,711	1,767,861	1,649,241	118,620
Public safety	2,160,133	2,226,916	2,195,551	31,365
Education	19,595,757	19,845,873	19,348,889	496,984
Public works	1,352,801	1,391,576	1,398,470	(6,894)
Health and human services	225,985	247,192	228,698	18,494
Culture and leisure	503,628	521,162	517,311	3,851
Employee benefits	4,764,463	4,712,177	4,625,831	86,346
Intergovernmental	1,391,086	1,391,086	1,411,865	(20,779)
Debt service	2,672,208	2,639,958	2,456,225	183,733
Other uses	117,532	117,532	117,532	-
Transfers out	<u>1,090,411</u>	<u>1,090,411</u>	<u>967,527</u>	<u>122,884</u>
Total Expenditures	<u>35,598,715</u>	<u>35,951,744</u>	<u>34,917,140</u>	<u>1,034,604</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,074,027</u>	\$ <u>1,074,027</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Fund</u>	
<u>ASSETS</u>				
Current:				
Cash	\$ 1,401,666	\$ 542,669	\$ 332,970	\$ 2,277,305
User fees, net of allowance for uncollectibles	<u>70,538</u>	<u>98,156</u>	<u>198,026</u>	<u>366,720</u>
Total current assets	1,472,204	640,825	530,996	2,644,025
Noncurrent:				
Capital assets being depreciated, net	6,732,578	6,630,010	69,882	13,432,470
Capital assets not being depreciated	<u>3,699,033</u>	<u>166,808</u>	<u>-</u>	<u>3,865,841</u>
Total noncurrent assets	<u>10,431,611</u>	<u>6,796,818</u>	<u>69,882</u>	<u>17,298,311</u>
TOTAL ASSETS	11,903,815	7,437,643	600,878	19,942,336
<u>LIABILITIES</u>				
Current:				
Accrued liabilities	49,170	7,679	-	56,849
Notes payable	-	320,000	-	320,000
Current portion of long-term liabilities:				
Bonds payable	185,000	65,000	-	250,000
Accrued employee benefits	<u>1,465</u>	<u>1,872</u>	<u>801</u>	<u>4,138</u>
Total current liabilities	235,635	394,551	801	630,987
Noncurrent:				
Bonds payable, net of current portion	2,665,000	580,000	-	3,245,000
Accrued employee benefits, net of current portion	<u>27,826</u>	<u>35,569</u>	<u>15,213</u>	<u>78,608</u>
Total noncurrent liabilities	<u>2,692,826</u>	<u>615,569</u>	<u>15,213</u>	<u>3,323,608</u>
TOTAL LIABILITIES	2,928,461	1,010,120	16,014	3,954,595
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	7,751,866	6,110,317	69,882	13,932,065
Unrestricted	<u>1,223,488</u>	<u>317,206</u>	<u>514,982</u>	<u>2,055,676</u>
TOTAL NET ASSETS	<u>\$ 8,975,354</u>	<u>\$ 6,427,523</u>	<u>\$ 584,864</u>	<u>\$ 15,987,741</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Non-Major Fund	
Operating Revenues:				
Charges for services	\$ <u>1,054,762</u>	\$ <u>925,409</u>	\$ <u>404,658</u>	\$ <u>2,384,829</u>
Total Operating Revenues	1,054,762	925,409	404,658	2,384,829
Operating Expenses:				
Personnel services	421,302	345,966	400,274	1,167,542
Non-personnel services	216,125	424,017	88,645	728,787
Depreciation	<u>168,605</u>	<u>390,590</u>	<u>17,435</u>	<u>576,630</u>
Total Operating Expenses	<u>806,032</u>	<u>1,160,573</u>	<u>506,354</u>	<u>2,472,959</u>
Operating Income	248,730	(235,164)	(101,696)	(88,130)
Nonoperating Revenues (Expenses):				
Investment income	6,591	5,167	21,236	32,994
Interest expense	<u>(112,817)</u>	<u>(23,596)</u>	<u>-</u>	<u>(136,413)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(106,226)</u>	<u>(18,429)</u>	<u>21,236</u>	<u>(103,419)</u>
Income Before Transfers	142,504	(253,593)	(80,460)	(191,549)
Transfers:				
Transfers in	<u>175,000</u>	<u>5,000</u>	<u>-</u>	<u>180,000</u>
Change in Net Assets	317,504	(248,593)	(80,460)	(11,549)
Net Assets at Beginning of Year	<u>8,657,850</u>	<u>6,676,116</u>	<u>665,324</u>	<u>15,999,290</u>
Net Assets at End of Year	\$ <u><u>8,975,354</u></u>	\$ <u><u>6,427,523</u></u>	\$ <u><u>584,864</u></u>	\$ <u><u>15,987,741</u></u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Non-Major Fund	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 1,067,894	\$ 923,438	\$ 442,760	\$ 2,434,092
Payments to vendors and employees	<u>(617,987)</u>	<u>(769,474)</u>	<u>(488,453)</u>	<u>(1,875,914)</u>
Net Cash Provided By (Used) Operating Activities	449,907	153,964	(45,693)	558,178
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	<u>175,000</u>	<u>5,000</u>	<u>-</u>	<u>180,000</u>
Net Cash Provided by Noncapital Financing Activities	175,000	5,000	-	180,000
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(354,746)	(80,927)	-	(435,673)
Principal payments on bonds and notes	(185,000)	(70,000)	-	(255,000)
Proceeds from notes	-	320,000	-	320,000
Interest expense	<u>(112,817)</u>	<u>(23,596)</u>	<u>-</u>	<u>(136,413)</u>
Net Cash Provided by Capital and Related Financing Activities	(652,563)	145,477	-	(507,086)
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>6,591</u>	<u>5,167</u>	<u>21,236</u>	<u>32,994</u>
Net Cash Provided By Investing Activities	<u>6,591</u>	<u>5,167</u>	<u>21,236</u>	<u>32,994</u>
Net Change in Cash and Short-Term Investments	(21,065)	309,608	(24,457)	264,086
Cash and Short-Term Investments, Beginning of Year	<u>1,422,731</u>	<u>233,061</u>	<u>357,427</u>	<u>2,013,219</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,401,666</u>	<u>\$ 542,669</u>	<u>\$ 332,970</u>	<u>\$ 2,277,305</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating income	\$ 248,730	\$ (235,164)	\$ (101,696)	\$ (88,130)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	168,605	390,590	17,435	576,630
Changes in assets and liabilities:				
User fees receivables	13,132	(1,971)	38,102	49,263
Accrued liabilities	18,587	(582)	-	18,005
Other liabilities	<u>853</u>	<u>1,091</u>	<u>466</u>	<u>2,410</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 449,907</u>	<u>\$ 153,964</u>	<u>\$ (45,693)</u>	<u>\$ 558,178</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>1,498,532</u>
Total Assets	1,498,532
<u>LIABILITIES AND NET ASSETS</u>	
Other liabilities	<u>1,498,532</u>
Total Liabilities	<u><u>\$ 1,498,532</u></u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of 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 govern-

mental 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 are 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 *School Land Acquisition fund* was established by the Town for the purpose of acquiring land for a new school.

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 non-operating 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:

- The *Water fund* is used to report the Town's water operations.
- The *Sewer fund* is used to report the Town's sewer operations.

In addition, the Town operates an ambulance enterprise fund, which is reported as a nonmajor fund.

The Agency fund is custodial in nature and is used to account for funds held for others.

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 corporate bonds, bond mutual funds, and federal agency securities investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2007 tax levy reflected an excess capacity of \$ 6,975.

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 \$ 5,000 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7 - 40
Machinery, equipment, and furnishings	3 - 25
Infrastructure	30

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. 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 and Proprietary Funds. 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 and proprietary funds 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)	\$ 34,931,969	\$ 35,704,888
Other financing sources/uses (GAAP basis)	<u>657,922</u>	<u>967,527</u>
Subtotal (GAAP Basis)	35,589,891	36,672,415
Adjust tax revenue to accrual basis	(351,698)	-
Reverse beginning of year appro- priation carryforwards from expenditures	-	(862,359)
Add end of year appropriation carryforwards to expenditures	-	646,442
To record raising of prior year revenue deficits	-	107,532
To record use of free cash	2,409,864	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(1,656,890)	(1,656,890)
To record raising of prior year's overlay deficits	<u>-</u>	<u>10,000</u>
Budgetary basis	<u>\$ 35,991,167</u>	<u>\$ 34,917,140</u>

D. Excess of Expenditures Over Appropriations

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

Snow and Ice	\$ 61,490
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The above appropriation deficit was raised on the Town's FY 08 Tax Recap.

E. Deficit Fund Equity

The Town's special revenue, capital project, and agency funds reflect various individual deficit fund balance accounts, which will be funded by future receipts and bond issuance.

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 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, 2007, \$ 7,597,659 of the Town's bank balance of \$ 10,869,883 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 is the actual rating as of year end for each investment of the Town (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
			<u>Aaa</u>	<u>AA3</u>	<u>BB+</u>	<u>B-</u>
Corporate bonds	\$ 784,136	\$ -	\$ -	\$ 726,320	\$ 38,066	\$ 19,750
Corporate equities	1,044,101	1,044,101	-	-	-	-
US Treasury notes	238,722	-	238,722	-	-	-
Federal agency securities	567,841	-	567,841	-	-	-
Total investments	<u>\$ 2,634,800</u>	<u>\$ 1,044,101</u>	<u>\$ 806,563</u>	<u>\$ 726,320</u>	<u>\$ 38,066</u>	<u>\$ 19,750</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.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

The Town has investments in one issuer greater than 5% of total investments, as follows.

Federal National Mortgage Association	\$ 170,465	6%
Federal Home Loan Bank	397,376	15%
US Treasury Notes	147,258	6%
Merrill Lynch Corporate Bonds	685,000	26%

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:

<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>
Debt Related Securities:				
Corporate bonds	\$ 784,136	\$ -	\$ 746,070	\$ 38,066
Federal agency securities	567,841	170,465	397,376	-
US Treasury notes	<u>238,722</u>	<u>-</u>	<u>238,722</u>	<u>-</u>
Total	<u>\$ 1,590,699</u>	<u>\$ 170,465</u>	<u>\$ 1,382,168</u>	<u>\$ 38,066</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 policies 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, 2007 consist of the following (in thousands):

Real Estate		
2007	\$ 4	
2006	9	
2005	9	
2004	8	
2003	2	
Prior	<u>22</u>	54
Personal Property		
2007	5	
2006	4	
2005	5	
2004	4	
2003	3	
Prior	<u>2</u>	23
Tax liens		961
Deferred Taxes		<u>17</u>
Total		<u>\$ 1,055</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):

Property taxes	\$ 132
Excises	74

7. Intergovernmental Receivables

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

8. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 37,433	\$ 255	\$ -	\$ 37,688
Machinery, equipment and furnishings	7,576	285	-	7,861
Improvements	277	-	-	277
Infrastructure	<u>17,105</u>	<u>687</u>	-	<u>17,792</u>
Total capital assets, being depreciated	62,391	1,227	-	63,618
Less accumulated depreciation for:				
Buildings and improvements	(13,084)	(904)	-	(13,988)
Machinery, equipment and furnishings	(5,896)	(403)	-	(6,299)
Improvements	(221)	(7)	-	(228)
Infrastructure	<u>(10,839)</u>	<u>(519)</u>	-	<u>(11,358)</u>
Total accumulated depreciation	<u>(30,040)</u>	<u>(1,833)</u>	-	<u>(31,873)</u>
Total capital assets, being depreciated, net	32,351	(606)	-	31,745
Capital assets, not being depreciated:				
Land	3,817	718	-	4,535
Construction in progress	<u>-</u>	<u>245</u>	-	<u>245</u>
Total capital assets not being depreciated	<u>3,817</u>	<u>963</u>	-	<u>4,780</u>
Governmental activities capital assets, net	<u>\$ 36,168</u>	<u>\$ 357</u>	<u>\$ -</u>	<u>\$ 36,525</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,068	\$ -	\$ -	\$ 7,068
Machinery, equipment and furnishings	1,522	39	-	1,561
Improvements	1,005	-	-	1,005
Infrastructure	<u>15,586</u>	<u>-</u>	<u>-</u>	<u>15,586</u>
Total capital assets, being depreciated	25,181	39	-	25,220
Less accumulated depreciation for:				
Buildings and improvements	(4,417)	(179)	-	(4,596)
Machinery, equipment and furnishings	(621)	(120)	-	(741)
Improvements	(405)	(59)	-	(464)
Infrastructure	<u>(5,768)</u>	<u>(219)</u>	<u>-</u>	<u>(5,987)</u>
Total accumulated depreciation	<u>(11,211)</u>	<u>(577)</u>	<u>-</u>	<u>(11,788)</u>
Total capital assets, being depreciated, net	13,970	(538)	-	13,432
Capital assets, not being depreciated:				
Land	1,476	-	-	1,476
Construction in progress	<u>1,993</u>	<u>397</u>	<u>-</u>	<u>2,390</u>
Total capital assets not being depreciated	<u>3,469</u>	<u>397</u>	<u>-</u>	<u>3,866</u>
Business-type activities capital assets, net	<u>\$ 17,439</u>	<u>\$ (141)</u>	<u>\$ -</u>	<u>\$ 17,298</u>

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

Governmental Activities:	
General government	\$ 36
Public safety	257
Education	835
Public works	641
Health and human services	6
Culture and recreation	<u>58</u>
Total depreciation expense - governmental activities	<u>\$ 1,833</u>
Business-Type Activities:	
Water	\$ 169
Sewer	391
Other	<u>17</u>
Total depreciation expense - business-type activities	<u>\$ 577</u>

9. Warrants Payable

Warrants payable represent 2007 expenditures paid by July 15, 2007 as permitted by law.

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.

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

11. Anticipation Notes Payable

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

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/07
School land acquisition	3.80%	05/15/07	09/28/07	\$ 501,500
General government	4.25%	04/02/07	09/28/07	<u>993,500</u>
Total Governmental Activities:				<u>\$ 1,495,000</u>
	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/07
Sewer bond anticipation	4.25%	04/02/07	09/28/07	\$ <u>320,000</u>
Total Business-Type Activities:				<u>\$ 320,000</u>

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental Activities:				
Bond anticipation notes	\$ 286,992	\$ 1,495,050	\$ (286,992)	\$ 1,495,050
Business-type Activities:				
Bond anticipation notes	<u>-</u>	<u>320,000</u>	<u>-</u>	<u>320,000</u>
Total	<u>\$ 286,992</u>	<u>\$ 1,815,050</u>	<u>\$ (286,992)</u>	<u>\$ 1,815,050</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:

<u>Governmental Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s)%</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/07</u>
Refunded School Bonds	12/15/08	4.45 - 6.125%	\$ 470,000
School Bond	12/15/08	4.45 - 6.125%	485,000
School Bond	12/15/19	3.80 - 6.750%	7,035,000
Police Station	08/15/17	3.70 - 4.750%	750,000
Highway Garage	08/15/17	3.70 - 4.750%	250,000
2005 Refunded School Bonds	11/15/16	2.50 - 4.000%	6,120,000
Sludge - DES	08/15/15	3.70 - 4.750%	<u>80,000</u>
Total Governmental Activities:			\$ <u><u>15,190,000</u></u>

<u>Business-Type Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s)%</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/07</u>
Sludge Project	08/01/18	3.00 - 4.20%	\$ 625,000
Sewer Project	12/15/08	3.00%	20,000
Water Refunding	12/15/08	4.45 - 6.125%	70,000
Water Project	04/15/24	3.90 - 4.60%	1,560,000
Water Land Purchase	11/15/24	2.25 - 5.00%	<u>1,220,000</u>
Total Business-Type Activities:			\$ <u><u>3,495,000</u></u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,610,000	\$ 575,282	\$ 2,185,282
2009	1,185,000	514,296	1,699,296
2010	1,225,000	473,380	1,698,380
2011	1,265,000	429,176	1,694,176
2012	1,305,000	381,520	1,686,520
2013 - 2017	7,295,000	1,059,459	8,354,459
2018 - 2022	<u>1,305,000</u>	<u>59,288</u>	<u>1,364,288</u>
Total	<u>\$ 15,190,000</u>	<u>\$ 3,492,401</u>	<u>\$ 18,682,401</u>

The general fund has been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2007.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 250,000	\$ 140,357	\$ 390,357
2009	170,000	132,209	302,209
2010	170,000	126,369	296,369
2011	180,000	120,235	300,235
2012	185,000	113,491	298,491
2013 - 2017	1,045,000	453,181	1,498,181
2018 - 2022	975,000	236,223	1,211,223
2023 - 2027	<u>520,000</u>	<u>34,965</u>	<u>554,965</u>
Total	<u>\$ 3,495,000</u>	<u>\$ 1,357,030</u>	<u>\$ 4,852,030</u>

C. Changes in General Long-Term Liabilities

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

	<u>Total Balance 7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/07</u>	<u>Current Portion</u>	<u>Equals Long-Term Portion 6/30/07</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 16,750	\$ -	\$ (1,560)	\$ 15,190	\$ (1,610)	\$ 13,580
Other:						
Accrued employee benefits	322	24	(16)	330	(16)	314
Landfill closure	<u>481</u>	<u>-</u>	<u>(25)</u>	<u>456</u>	<u>(25)</u>	<u>431</u>
Totals	<u>\$ 17,553</u>	<u>\$ 24</u>	<u>\$ (1,601)</u>	<u>\$ 15,976</u>	<u>\$ (1,651)</u>	<u>\$ 14,325</u>

	Total Balance <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/07</u>	Current Portion	Equals Long-Term Portion <u>6/30/07</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 3,750	\$ -	\$ (255)	\$ 3,495	\$ (250)	\$ 3,245
Other:						
Accrued employee benefits	<u>80</u>	<u>7</u>	<u>(4)</u>	<u>83</u>	<u>(4)</u>	<u>79</u>
Totals	<u>\$ 3,830</u>	<u>\$ 7</u>	<u>\$ (259)</u>	<u>\$ 3,578</u>	<u>\$ (254)</u>	<u>\$ 3,324</u>

13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Town's landfill has stopped accepting waste, therefore, the Town reports these closure and postclosure care costs as a liability in the government-wide financial statements.

The \$ 455,950 reported as landfill closure and postclosure care liability at June 30, 2007 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Restricted Net Assets

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

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

15. Reserves of Fund Equity

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

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

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

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

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

16. Subsequent Events

Debt

Subsequent to June 30, 2007 the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 1,815,050	4.00%	09/28/07	04/11/08

17. Commitments and Contingencies

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

18. Post-Employment Health Care and Life Insurance Benefits

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

19. Pension Plan

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

A. Plan Description

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

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 7% 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.

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 not available.

In fiscal year 2007, the Commonwealth of Massachusetts contributed \$ 1,656,890 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

20. Risk Management

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