

TOWN OF UXBRIDGE, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2008

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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, 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 Uxbridge'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 Uxbridge, 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.

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 December 1, 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
December 1, 2009

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, 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, highways and streets, sanitation, economic development, 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 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 \$ 53,304 (i.e., net assets), a change of \$ (997) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 5,983, a change of \$ 104 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,009, a change of \$ 129 in comparison with the prior year.
- Bonds payable at the close of the current fiscal year was \$ 23,550, a change of \$ 4,865 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 19,703	\$ 21,511	\$ 6,256	\$ 2,644	\$ 25,959	\$ 24,155
Capital assets	<u>36,086</u>	<u>36,525</u>	<u>18,930</u>	<u>17,298</u>	<u>55,016</u>	<u>53,823</u>
Total assets	55,789	58,036	25,186	19,942	80,975	77,978
Long-term liabilities outstanding	15,853	15,976	8,562	3,578	24,415	19,554
Other liabilities	<u>2,421</u>	<u>3,747</u>	<u>836</u>	<u>377</u>	<u>3,257</u>	<u>4,124</u>
Total liabilities	18,274	19,723	9,398	3,955	27,672	23,678
Net assets:						
Invested in capital assets, net	33,678	34,542	14,511	13,932	48,189	48,474
Restricted	3,635	3,601	-	-	3,635	3,601
Unrestricted	<u>202</u>	<u>170</u>	<u>1,277</u>	<u>2,056</u>	<u>1,480</u>	<u>2,226</u>
Total net assets	\$ <u>37,515</u>	\$ <u>38,313</u>	\$ <u>15,788</u>	\$ <u>15,988</u>	\$ <u>53,304</u>	\$ <u>54,301</u>

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,445	\$ 2,797	\$ 2,708	\$ 2,385	\$ 5,153	\$ 5,182
Operating grants and contributions	13,752	13,211	-	-	13,752	13,211
Capital grants and contributions	668	-	-	-	668	-
General revenues:						
Property taxes	17,420	17,435	-	-	17,420	17,435
Excises	1,650	1,271	-	-	1,650	1,271
Penalties and interest on taxes	383	114	-	-	383	114
Grants and contributions not restricted to specific programs	3,053	1,688	-	-	3,053	1,688
Investment income	375	488	117	33	492	521
Other	1,155	933	-	-	1,155	933
Total revenues	<u>40,901</u>	<u>37,937</u>	<u>2,825</u>	<u>2,418</u>	<u>43,726</u>	<u>40,355</u>
Expenses:						
General government	1,944	1,911	-	-	1,944	1,911
Public safety	2,642	2,455	-	-	2,642	2,455
Education	26,515	25,146	-	-	26,515	25,146
Public works	2,065	1,766	-	-	2,065	1,766
Human services	331	318	-	-	331	318
Culture and recreation	470	563	-	-	470	563
Employee benefits	5,383	4,795	-	-	5,383	4,795
Interest on long-term debt	1,067	841	-	-	1,067	841
Intergovernmental	1,282	1,412	-	-	1,282	1,412
Water services	-	-	1,337	919	1,337	919
Sewer services	-	-	1,170	1,184	1,170	1,184
Ambulance services	-	-	517	506	517	506
Total expenses	<u>41,699</u>	<u>39,207</u>	<u>3,024</u>	<u>2,609</u>	<u>44,723</u>	<u>41,816</u>
Change in net assets	(798)	(1,270)	(199)	(191)	(997)	(1,461)
Special item - MSBA adjustment	-	(5,275)	-	-	-	(5,275)
Transfers, net	-	(180)	-	180	-	-
Change in net assets	(798)	(6,725)	(199)	(11)	(997)	(6,736)
Net assets - beginning 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>
Net assets - end of year	<u>\$ 37,515</u>	<u>\$ 38,313</u>	<u>\$ 15,788</u>	<u>\$ 15,988</u>	<u>\$ 53,304</u>	<u>\$ 54,301</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 \$ 53,304 a change of \$ (997) from the prior year. The largest portion of net assets \$ 48,189 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 \$ 3,635 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 1,480 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 \$ (798). Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (2,132)
Other nonmajor governmental funds revenues in excess of expenditures (exclusive of capital project funds)	1,206
Other	<u>128</u>
Total	<u>\$ (798)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (199). Key elements of this change are as follows:

Water fund	\$ (94)
Sewer fund	(105)
Nonmajor fund	<u>-</u>
Total	<u>\$ (199)</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 \$ 5,983, a change of \$ 104 in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (2,132)
Special revenue fund revenue in excess of expenditures	1,013
Trust fund revenues in excess of expenditures	193
Capital project fund revenues and bond proceeds in excess of capital expenditures	<u>1,030</u>
Total	<u>\$ 104</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 \$ 1,009, while total fund balance was \$ 2,011. 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 2.6 percent of total general fund expenditures, while total fund balance represents 5.2 percent of that same amount.

The fund balance of the general fund changed by \$ (1,170) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,074)
Use of overlay surplus as a funding source	(251)
Revenues in excess of budget	82
Expenditures less than budget	692
Tax collections less than budget	(404)
Other	<u>(215)</u>
Total	<u>\$ (1,170)</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 \$ 15,788, a change of \$ (199) 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 \$ 593 from various supplemental appropriations, which were funded by Stabilization fund transfers.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 55,016 (net of accumulated depreciation), a change of \$ 1,192 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.

Change in credit rating. The Town's credit rating did not change during the fiscal year.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 23,550, 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 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, 2008

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 5,186,747	\$ 5,849,850	\$ 11,036,597
Investments	2,928,116	-	2,928,116
Receivables, net of allowance for uncollectibles:			
Property taxes	44,181	-	44,181
Excises	148,316	-	148,316
User fees	-	406,668	406,668
Intergovernmental	1,134,575	-	1,134,575
Deferred asset	19,250	-	19,250
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	902,629	-	902,629
Intergovernmental	9,032,267	-	9,032,267
Deferred asset	308,000	-	308,000
Capital assets being depreciated, net	30,798,570	14,962,804	45,761,374
Capital assets not being depreciated	<u>5,287,091</u>	<u>3,967,222</u>	<u>9,254,313</u>
TOTAL ASSETS	55,789,742	25,186,544	80,976,286
LIABILITIES			
Current:			
Warrants payable	496,628	-	496,628
Accrued liabilities	1,881,953	423,445	2,305,398
Other current liabilities	42,453	412,821	455,274
Current portion of long-term liabilities:			
Bonds payable	1,250,000	355,000	1,605,000
Accrued employee benefits	17,347	4,345	21,692
Estimated landfill closure and postclosure care costs	24,550	-	24,550
Noncurrent:			
Bonds payable, net of current portion	13,825,000	8,120,000	21,945,000
Accrued employee benefits, net of current portion	329,591	82,539	412,130
Estimated landfill closure and postclosure care costs, net of current portion	<u>406,850</u>	<u>-</u>	<u>406,850</u>
TOTAL LIABILITIES	18,274,372	9,398,150	27,672,522
NET ASSETS			
Invested in capital assets, net of related debt	33,677,883	14,511,196	48,189,079
Restricted for:			
Grants and other statutory restrictions	3,306,798	-	3,306,798
Permanent funds:			
Nonexpendable	328,786	-	328,786
Unrestricted	<u>201,903</u>	<u>1,277,198</u>	<u>1,479,101</u>
TOTAL NET ASSETS	\$ <u>37,515,370</u>	\$ <u>15,788,394</u>	\$ <u>53,303,764</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	<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>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,943,885	\$ 209,879	\$ 189,618	\$ -	\$ (1,544,388)	\$ -	\$ (1,544,388)
Public safety	2,642,392	248,534	435,848	-	(1,958,010)	-	(1,958,010)
Education	26,515,098	1,931,072	12,874,573	130	(11,709,323)	-	(11,709,323)
Public works	2,064,657	14,488	59,085	667,600	(1,323,484)	-	(1,323,484)
Health and human services	331,373	40,709	113,417	-	(177,247)	-	(177,247)
Culture and recreation	469,609	-	79,907	-	(389,702)	-	(389,702)
Employee benefits	5,382,401	-	-	-	(5,382,401)	-	(5,382,401)
Interest	1,067,386	-	-	-	(1,067,386)	-	(1,067,386)
Intergovernmental	1,281,734	-	-	-	(1,281,734)	-	(1,281,734)
Total Governmental Activities	41,698,535	2,444,682	13,752,448	667,730	(24,833,675)	-	(24,833,675)
Business-Type Activities:							
Water services	1,337,395	1,142,471	-	-	-	(194,924)	(194,924)
Sewer services	1,170,116	1,059,574	-	-	-	(110,542)	(110,542)
Other (nonmajor)	516,713	505,649	-	-	-	(11,064)	(11,064)
Total Business-Type Activities	3,024,224	2,707,694	-	-	-	(316,530)	(316,530)
Total	\$ <u>44,722,759</u>	\$ <u>5,152,376</u>	\$ <u>13,752,448</u>	\$ <u>667,730</u>	(24,833,675)	(316,530)	(25,150,205)
General Revenues and Transfers:							
Property taxes					17,419,947	-	17,419,947
Excises					1,650,520	-	1,650,520
Penalties, interest and other taxes					382,523	-	382,523
Grants and contributions not restricted to specific programs					3,052,942	-	3,052,942
Investment income					374,903	117,183	492,086
Other					1,155,086	-	1,155,086
Total general revenues					24,035,921	117,183	24,153,104
Change in Net Assets					(797,754)	(199,347)	(997,101)
Net Assets:							
Beginning of year					38,313,124	15,987,741	54,300,865
End of year					\$ <u>37,515,370</u>	\$ <u>15,788,394</u>	\$ <u>53,303,764</u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 2,608,709	\$ 2,578,038	\$ 5,186,747
Investments	1,733,415	1,194,701	2,928,116
Receivables:			
Property taxes	1,100,055	-	1,100,055
Excises	202,441	-	202,441
Intergovernmental	<u>21,622</u>	<u>209,429</u>	<u>231,051</u>
TOTAL ASSETS	<u>\$ 5,666,242</u>	<u>\$ 3,982,168</u>	<u>\$ 9,648,410</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 496,628	\$ -	\$ 496,628
Accrued liabilities	1,821,220	2,150	1,823,370
Deferred revenue	1,302,496	-	1,302,496
Other liabilities	<u>35,050</u>	<u>7,403</u>	<u>42,453</u>
TOTAL LIABILITIES	3,655,394	9,553	3,664,947
Fund Balances:			
Reserved for:			
Encumbrances	420,588	-	420,588
Expenditures	580,761	-	580,761
Permanent perpetual funds	-	328,786	328,786
Unreserved:			
Undesignated, reported in:			
General fund	1,009,499	-	1,009,499
Special revenue funds	-	3,586,607	3,586,607
Capital project funds	<u>-</u>	<u>57,222</u>	<u>57,222</u>
TOTAL FUND BALANCES	<u>2,010,848</u>	<u>3,972,615</u>	<u>5,983,463</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,666,242</u>	<u>\$ 3,982,168</u>	<u>\$ 9,648,410</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, 2008

Total governmental fund balances	\$ 5,983,463
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,085,661
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,095,126
<ul style="list-style-type: none">• MSBA receivables are not collectible in the current period and, therefore, are not reported in the governmental funds.	9,935,791
<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.	(58,583)
<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>(15,526,088)</u>
Net assets of governmental activities	\$ <u>37,515,370</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, 2008

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 17,396,192	\$ -	\$ 17,396,192
Excise taxes	1,622,849	-	1,622,849
Interest, penalties, and other taxes	382,523	-	382,523
Fines and forfeitures	118,470	10,052	128,522
Departmental	178,710	1,944,480	2,123,190
Licenses and permits	192,970	-	192,970
Intergovernmental	15,031,093	2,775,634	17,806,727
Investment income	186,607	188,296	374,903
Contributions	-	277,931	277,931
Other	1,080,108	74,978	1,155,086
Total Revenues	<u>36,189,522</u>	<u>5,271,371</u>	<u>41,460,893</u>
Expenditures:			
Current:			
General government	1,741,620	327,264	2,068,884
Public safety	2,196,716	241,391	2,438,107
Education	22,973,360	2,779,426	25,752,786
Public works	1,418,836	565,296	1,984,132
Health and human services	252,346	74,926	327,272
Culture and leisure	422,461	32,086	454,547
Employee benefits	5,382,401	-	5,382,401
Debt service	2,652,247	-	2,652,247
Capital outlay	-	509,629	509,629
Intergovernmental	<u>1,281,734</u>	<u>-</u>	<u>1,281,734</u>
Total Expenditures	<u>38,321,721</u>	<u>4,530,018</u>	<u>42,851,739</u>
Excess (deficiency) of revenues over expenditures	(2,132,199)	741,353	(1,390,846)
Other Financing Sources (Uses):			
Bond proceeds	-	1,495,000	1,495,000
Transfers in	1,927,463	1,542,303	3,469,766
Transfers out	(965,534)	(2,504,232)	(3,469,766)
Total Other Financing Sources (Uses)	<u>961,929</u>	<u>533,071</u>	<u>1,495,000</u>
Changes in fund balances	(1,170,270)	1,274,424	104,154
Fund Balances, at Beginning of Year	<u>3,181,118</u>	<u>2,698,191</u>	<u>5,879,309</u>
Fund Balances, at End of Year	<u>\$ 2,010,848</u>	<u>\$ 3,972,615</u>	<u>\$ 5,983,463</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, 2008

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 104,154
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases, net of dispositions	1,383,983
Depreciation	(1,851,782)
<ul style="list-style-type: none"> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 	
	51,426
<ul style="list-style-type: none"> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: 	
Repayments of debt	1,610,000
Proceeds of bonds	(1,495,000)
Loss on refunding	(19,250)
<ul style="list-style-type: none"> • Receipt of MSBA grant previously recognized at the government-wide level, combined with the special item adjustment. 	
	(534,325)
<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. 	
	(5,889)
<ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
	<u>(41,071)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(797,754)</u>

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers:				
Property taxes	\$ 17,800,471	\$ 17,800,471	\$ 17,800,471	\$ -
Excise taxes	1,625,900	1,625,900	1,622,849	(3,051)
Interest, penalties, and other taxes	100,000	100,000	382,523	282,523
Fines and forfeitures	95,000	95,000	118,470	23,470
Departmental	131,041	131,041	178,710	47,669
Licenses and permits	449,543	449,543	192,970	(256,573)
Intergovernmental	13,043,879	13,043,879	13,235,186	191,307
Investment income	175,000	175,000	186,607	11,607
Miscellaneous	1,298,983	1,298,983	1,080,108	(218,875)
Transfers in	1,330,145	1,923,427	1,927,463	4,036
Other sources	1,325,149	1,325,149	1,325,149	-
Total Revenues and Transfers	37,375,111	37,968,393	38,050,506	82,113
Expenditures:				
General government	1,698,459	1,698,459	1,621,951	76,508
Public safety	2,248,997	2,248,997	2,193,116	55,881
Education	21,134,083	21,134,083	21,132,363	1,720
Public works	1,189,773	1,530,302	1,319,268	211,034
Health and human services	269,422	269,422	251,696	17,726
Culture and leisure	442,880	442,880	435,633	7,247
Employee benefits	5,127,229	5,379,982	5,411,952	(31,970)
Intergovernmental	1,518,753	1,518,753	1,281,734	237,019
Debt service	2,784,939	2,784,939	2,652,247	132,692
Transfers out	950,576	950,576	965,534	(14,958)
Other uses	10,000	10,000	10,000	-
Total Expenditures	37,375,111	37,968,393	37,275,494	692,899
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 775,012	\$ 775,012

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	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	\$ 4,860,010	\$ 728,054	\$ 261,786	\$ 5,849,850
User fees, net of allowance for uncollectibles	<u>103,529</u>	<u>116,485</u>	<u>186,654</u>	<u>406,668</u>
Total current assets	4,963,539	844,539	448,440	6,256,518
Noncurrent:				
Capital assets being depreciated, net	8,235,736	6,573,826	153,242	14,962,804
Capital assets not being depreciated	<u>3,800,414</u>	<u>166,808</u>	<u>-</u>	<u>3,967,222</u>
Total noncurrent assets	<u>12,036,150</u>	<u>6,740,634</u>	<u>153,242</u>	<u>18,930,026</u>
TOTAL ASSETS	16,999,689	7,585,173	601,682	25,186,544
<u>LIABILITIES</u>				
Current:				
Accrued liabilities	409,692	13,753	-	423,445
Other current liabilities	412,821	-	-	412,821
Current portion of long-term liabilities:				
Bonds payable	270,000	85,000	-	355,000
Accrued employee benefits	<u>1,538</u>	<u>1,966</u>	<u>841</u>	<u>4,345</u>
Total current liabilities	1,094,051	100,719	841	1,195,611
Noncurrent:				
Bonds payable, net of current portion	6,995,000	1,125,000	-	8,120,000
Accrued employee benefits, net of current portion	<u>29,218</u>	<u>37,347</u>	<u>15,974</u>	<u>82,539</u>
Total noncurrent liabilities	<u>7,024,218</u>	<u>1,162,347</u>	<u>15,974</u>	<u>8,202,539</u>
TOTAL LIABILITIES	8,118,269	1,263,066	16,815	9,398,150
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	8,463,373	5,894,581	153,242	14,511,196
Unrestricted	<u>418,047</u>	<u>427,526</u>	<u>431,625</u>	<u>1,277,198</u>
TOTAL NET ASSETS	<u>\$ 8,881,420</u>	<u>\$ 6,322,107</u>	<u>\$ 584,867</u>	<u>\$ 15,788,394</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, 2008

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Non-Major Fund	
Operating Revenues:				
Charges for services	\$ <u>1,142,471</u>	\$ <u>1,059,574</u>	\$ <u>505,649</u>	\$ <u>2,707,694</u>
Total Operating Revenues	1,142,471	1,059,574	505,649	2,707,694
Operating Expenses:				
Personnel services	377,574	371,717	411,768	1,161,059
Non-personnel services	654,402	372,774	78,347	1,105,523
Depreciation	<u>183,514</u>	<u>396,613</u>	<u>26,598</u>	<u>606,725</u>
Total Operating Expenses	<u>1,215,490</u>	<u>1,141,104</u>	<u>516,713</u>	<u>2,873,307</u>
Operating Income (Loss)	(73,019)	(81,530)	(11,064)	(165,613)
Nonoperating Revenues (Expenses):				
Investment income	100,990	5,126	11,067	117,183
Interest expense	<u>(121,905)</u>	<u>(29,012)</u>	<u>-</u>	<u>(150,917)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(20,915)</u>	<u>(23,886)</u>	<u>11,067</u>	<u>(33,734)</u>
Change in Net Assets	(93,934)	(105,416)	3	(199,347)
Net Assets at Beginning of Year	<u>8,975,354</u>	<u>6,427,523</u>	<u>584,864</u>	<u>15,987,741</u>
Net Assets at End of Year	\$ <u><u>8,881,420</u></u>	\$ <u><u>6,322,107</u></u>	\$ <u><u>584,867</u></u>	\$ <u><u>15,788,394</u></u>

See notes to financial statements.

TOWN OF UXBRIDGE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Fund</u>	
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 1,109,480	\$ 1,041,245	\$ 517,021	\$ 2,667,746
Payments to vendors and employees	<u>(671,456)</u>	<u>(736,545)</u>	<u>(489,314)</u>	<u>(1,897,315)</u>
Net Cash Provided By (Used) Operating Activities	438,024	304,700	27,707	770,431
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(1,373,765)	(340,429)	(109,958)	(1,824,152)
Principal payments on bonds and notes	(185,000)	(385,000)	-	(570,000)
Proceeds from notes	4,600,000	630,000	-	5,230,000
Interest expense	<u>(121,905)</u>	<u>(29,012)</u>	<u>-</u>	<u>(150,917)</u>
Net Cash Provided by Capital and Related Financing Activities	2,919,330	(124,441)	(109,958)	2,684,931
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>100,990</u>	<u>5,126</u>	<u>11,067</u>	<u>117,183</u>
Net Cash Provided By Investing Activities	<u>100,990</u>	<u>5,126</u>	<u>11,067</u>	<u>117,183</u>
Net Change in Cash and Short-Term Investments	3,458,344	185,385	(71,184)	3,572,545
Cash and Short-Term Investments, Beginning of Year	<u>1,401,666</u>	<u>542,669</u>	<u>332,970</u>	<u>2,277,305</u>
Cash and Short-Term Investments, End of Year	<u>\$ 4,860,010</u>	<u>\$ 728,054</u>	<u>\$ 261,786</u>	<u>\$ 5,849,850</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating income	\$ (73,019)	\$ (81,530)	\$ (11,064)	\$ (165,613)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	183,514	396,613	26,598	606,725
Changes in assets and liabilities:				
User fees receivables	(32,991)	(18,329)	11,372	(39,948)
Accrued liabilities	360,520	6,074	-	366,594
Other liabilities	<u>-</u>	<u>1,872</u>	<u>801</u>	<u>2,673</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 438,024</u>	<u>\$ 304,700</u>	<u>\$ 27,707</u>	<u>\$ 770,431</u>

See notes to financial statements.

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

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>1,492,082</u>
Total Assets	1,492,082
<u>LIABILITIES</u>	
Other liabilities	<u>1,492,082</u>
Total Liabilities	\$ <u><u>1,492,082</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 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.

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:

- 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 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 \$ 1,063.

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 is 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)	\$ 36,189,522	\$ 38,321,721
Other financing sources/uses (GAAP basis)	1,927,463	965,534
Subtotal (GAAP Basis)	38,116,985	39,287,255
Adjust tax revenue to accrual basis	404,279	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(646,442)
Add end of year appropriation carryforwards to expenditures	-	420,588
To record raising of tax title	-	10,000
To record use of free cash	1,073,860	-
To record use of overlay surplus	251,289	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(1,795,907)	(1,795,907)
Budgetary basis	\$ 38,050,506	\$ 37,275,494

D. Excess of Expenditures Over Appropriations

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

Employee benefits	\$ 31,970
Transfers out	\$ 14,958

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, 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.” Massachusetts General Law Chapter 32, Section 23, limits the System’s deposits “in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company.” The Town does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$ 5,438,525 of the Town’s bank balance of \$ 13,759,162 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>Exempt From Disclosure</u>	<u>Average Rating as of Year End</u>	
			<u>Aaa</u>	<u>Baa2</u>
Corporate bonds	\$ 371	\$ N/A	\$ -	\$ 371
U.S. Treasury notes	152	N/A	152	-
Federal agency securities	1,987	N/A	1,987	-
Common equities	<u>418</u>	<u>418</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 2,928</u>	<u>\$ 418</u>	<u>\$ 2,139</u>	<u>\$ 371</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 govern-

ment 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 Town's investment of \$ 2,928,116, the government has a custodial credit risk exposure of \$ 2,928,116 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

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 Home Loan Bank	\$ 1,987,500	85 %
US Treasury Notes	151,958	6 %
Merrill Lynch Corporate Bonds	200,000	9 %

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	\$ 371	\$ 200	\$ 84	\$ 87
Federal agency securities	1,987	-	1,987	-
U.S. Treasury Notes	152	152	-	-
Total	<u>\$ 2,510</u>	<u>\$ 352</u>	<u>\$ 2,071</u>	<u>\$ 87</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, 2008 consist of the following (in thousands):

Real Estate		
2008	\$ 6	
2007	5	
2006	3	
2005	3	
2004	3	
2003	1	
Prior	<u>24</u>	
		45
Personal Property		
2008	8	
2007	3	
2006	4	
2005	5	
2004	4	
2003	3	
Prior	<u>3</u>	
		30
Tax Liens		1,003
Deferred Taxes		<u>22</u>
Total		<u>\$ 1,100</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	\$ 153
Excises	<u>54</u>
Total	<u>\$ 207</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008.

8. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 37,688	\$ 113	\$ -	\$ 37,801
Machinery, equipment, and furnishings	7,861	284	(62)	8,083
Improvements	277	-	-	277
Infrastructure	<u>17,792</u>	<u>543</u>	<u>-</u>	<u>18,335</u>
Total capital assets, being depreciated	63,618	940	(62)	64,496
Less accumulated depreciation for:				
Buildings and improvements	(13,988)	(929)	-	(14,917)
Machinery, equipment, and furnishings	(6,299)	(380)	28	(6,651)
Improvements	(228)	(5)	-	(233)
Infrastructure	<u>(11,358)</u>	<u>(538)</u>	<u>-</u>	<u>(11,896)</u>
Total accumulated depreciation	<u>(31,873)</u>	<u>(1,852)</u>	<u>28</u>	<u>(33,697)</u>
Total capital assets, being depreciated, net	31,745	(912)	(34)	30,799
Capital assets, not being depreciated:				
Land	4,535	110	-	4,645
Construction in progress	<u>245</u>	<u>510</u>	<u>(113)</u>	<u>642</u>
Total capital assets, not being depreciated	<u>4,780</u>	<u>620</u>	<u>(113)</u>	<u>5,287</u>
Governmental activities capital assets, net	<u>\$ 36,525</u>	<u>\$ (292)</u>	<u>\$ (147)</u>	<u>\$ 36,086</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,068	\$ 1,965	\$ -	\$ 9,033
Machinery, equipment, and furnishings	1,561	172	-	1,733
Improvements	1,005	-	-	1,005
Infrastructure	<u>15,586</u>	<u>-</u>	<u>-</u>	<u>15,586</u>
Total capital assets, being depreciated	25,220	2,137	-	27,357
Less accumulated depreciation for:				
Buildings and improvements	(4,596)	(192)	-	(4,788)
Machinery, equipment, and furnishings	(741)	(106)	-	(847)
Improvements	(463)	(59)	-	(522)
Infrastructure	<u>(5,987)</u>	<u>(250)</u>	<u>-</u>	<u>(6,237)</u>
Total accumulated depreciation	<u>(11,787)</u>	<u>(607)</u>	<u>-</u>	<u>(12,394)</u>
Total capital assets, being depreciated, net	13,433	1,530	-	14,963
Capital assets, not being depreciated:				
Land	1,476	-	-	1,476
Construction in progress	<u>2,390</u>	<u>345</u>	<u>(244)</u>	<u>2,491</u>
Total capital assets, not being depreciated	<u>3,866</u>	<u>345</u>	<u>(244)</u>	<u>3,967</u>
Business-type activities capital assets, net	<u>\$ 17,299</u>	<u>\$ 1,875</u>	<u>\$ (244)</u>	<u>\$ 18,930</u>

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

Governmental Activities:	
General government	\$ 54
Public safety	253
Education	841
Public works	647
Health and human services	4
Culture and recreation	<u>53</u>
Total depreciation expense - governmental activities	<u>\$ 1,852</u>
Business-Type Activities:	
Water	\$ 184
Sewer	397
Other	<u>26</u>
Total depreciation expense - business-type activities	<u>\$ 607</u>

9. Warrants Payable

Warrants payable represent 2008 expenditures paid by 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.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2008 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Anticipation Notes Payable

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

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

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/08
<u>Governmental Activities:</u>			
School	12/15/19	3.80-6.75%	\$ 6,565,000
Police station	08/15/17	3.70-4.75%	675,000
Highway garage	08/15/17	3.70-4.75%	225,000
2005 School	11/15/16	2.50-4.00%	6,045,000
Sludge - DES	08/15/15	3.70-4.75%	70,000
Taft school roof	04/01/27	3.55-4.25%	136,925
DPW sidewalk tractor	04/01/17	3.55-4.25%	108,985
Land acquisition I	04/01/27	3.55-4.25%	747,590
Land acquisition II	04/01/27	3.55 - 4.25%	501,500
Total Governmental Activities:			<u>\$ 15,075,000</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/08
<u>Business-Type Activities:</u>			
Sludge Project	08/01/18	3.00 - 4.20%	\$ 580,000
Sewer Roof	04/01/18	3.55 - 4.25%	310,000
Water Project	04/15/24	3.90 - 4.60%	1,495,000
Water Land Purchase	11/15/24	2.25 - 5.00%	1,170,000
Wastewater Treatment Facility	04/01/28	3.55 - 4.25%	320,000
Water	04/01/28	3.55 - 4.25%	4,600,000
Total Business-Type Activities:			<u>\$ 8,475,000</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	\$ 1,250,000	\$ 573,492	\$ 1,823,492
2010	1,300,000	529,814	1,829,814
2011	1,340,000	482,420	1,822,420
2012	1,380,000	431,578	1,811,578
2013	1,425,000	375,510	1,800,510
2014-2018	6,960,000	962,572	7,922,572
2019-2023	1,050,000	130,165	1,180,165
2024-2028	370,000	36,465	406,465
Total	<u>\$ 15,075,000</u>	<u>\$ 3,522,016</u>	<u>\$ 18,597,016</u>

The general fund has been designated as the source 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	\$ 355,000	\$ 338,653	\$ 693,653
2010	360,000	324,949	684,949
2011	385,000	310,741	695,741
2012	395,000	295,284	690,284
2013	410,000	279,221	689,221
2014-2018	2,345,000	1,129,014	3,474,014
2019-2023	2,280,000	663,671	2,943,671
2024-2028	1,945,000	212,204	2,157,204
Total	<u>\$ 8,475,000</u>	<u>\$ 3,553,737</u>	<u>\$ 12,028,737</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/07</u>	Additions	Reductions	Total Balance <u>6/30/08</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/08</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 15,190,000	\$ 1,495,000	\$ (1,610,000)	\$ 15,075,000	\$ (1,250,000)	\$ 13,825,000
Other:						
Accrued employee benefits	330,417	33,042	(16,521)	346,938	(17,347)	329,591
Landfill closure	455,950	-	(24,550)	431,400	(24,550)	406,850
Totals	\$ <u>15,976,367</u>	\$ <u>1,528,042</u>	\$ <u>(1,651,071)</u>	\$ <u>15,853,338</u>	\$ <u>(1,291,897)</u>	\$ <u>14,561,441</u>

	Total Balance <u>7/1/07</u>	Additions	Reductions	Total Balance <u>6/30/08</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/08</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 3,495,000	\$ 5,230,000	\$ (250,000)	\$ 8,475,000	\$ (355,000)	\$ 8,120,000
Other:						
Accrued employee benefits	82,746	8,274	(4,137)	86,883	(4,344)	82,539
Totals	\$ <u>3,577,746</u>	\$ <u>5,238,274</u>	\$ <u>(254,137)</u>	\$ <u>8,561,883</u>	\$ <u>(359,344)</u>	\$ <u>8,202,539</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 \$ 431,400 reported as landfill closure and postclosure care liability at June 30, 2008 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 2008. 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, 2008:

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

A. 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.

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

In addition to the pension benefits described in a subsequent note, the Town provides post-employment health care and life insurance benefits, in accordance with Chapter 32B of Massachusetts General Laws, to participating retirees. Presently the Town finances these benefits on the pay-as-you-go *Statement No. 43 Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. The number of participants currently eligible to receive benefits and costs of benefits for retirees, their dependents, or their survivors for the 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. 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 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 that 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. Massachusetts Teacher Retirement System (MTRS) – Plan Description

As required by State Statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS

is funded by contributions from covered employees and the Commonwealth of Massachusetts. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The Town is not required to contribute.

D. Teachers

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

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

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

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

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

The Town's current year covered payroll for teachers and administrators was not available.

In fiscal year 2008, the Commonwealth of Massachusetts contributed \$ 1,795,907 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.