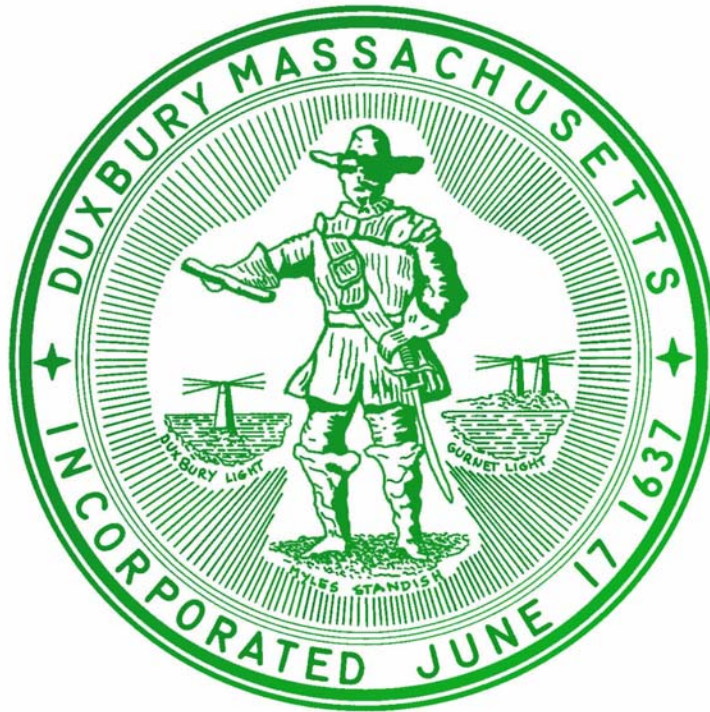


*The Town of
Duxbury, Massachusetts*



**Comprehensive
Annual Financial Report**

**For the Fiscal Year
July 1, 2008 through June 30, 2009**

Prepared by the Finance Department

Town of Duxbury, Massachusetts

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009**

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Finance Director
John Madden

Town of Duxbury, Massachusetts

ACCOUNTING DEPARTMENT

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December 16, 2009

Letter of Transmittal

To the Honorable Board of Selectmen and Citizens of the Town of Duxbury:

Subsequent to the close of each fiscal year, state law requires the Town of Duxbury to publish a complete set of financial statements in conformity with accounting principals generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Duxbury, Massachusetts, for the fiscal year ending June 30, 2009 for your review.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and credit raters. Just as important, the design and format of this report is aimed at providing the residents and taxpayers of Duxbury a more easily readable and, therefore, a more easily understandable financial report.

This report consists of management's representations concerning the finances of the Town of Duxbury. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. In order to provide a reasonable basis for making these financial representations, management continues to review and improve its established comprehensive internal controls. The framework for these controls is designed to protect, to the extent possible, the government's assets from loss, theft or misuse. The cost of internal controls should not outweigh their benefits. As a result, the Town of Duxbury's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP.

The Town of Duxbury's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Duxbury for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town of Duxbury's financial statements for the fiscal year ended June 30, 2009, and that they are, in fact, fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Duxbury was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of

the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Duxbury's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The Town of Duxbury's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

Duxbury, incorporated on June 17, 1637, was the home of Captain Myles Standish and John Alden. The Town was originally established as a community with plentiful lands for harvesting crops and other natural resources as well as providing a livelihood for many in the shellfish and fishing industries. Because of its proximity to the ocean and its natural harbor, the harbor became one of the busiest in the world during the "Golden Age of Shipbuilding" (approximately 1800-1874) and the Town enjoyed a period of great prosperity. During the late 1800's other industries began to develop including shoe manufacturing, cranberry harvesting, charcoal production and the production of textiles. The first department store in America, "Ford's Store" was established in 1826 and the Franco-American cable was pulled ashore at Duxbury Beach on July 23, 1869, uniting Europe and the United States in the first trans-Atlantic telegraph connection. Duxbury is also home to the famous Island Creek oyster. Known for their quality and distinctive flavor, these oysters are in great demand and are shipped to points throughout the United States as well as Bermuda, the Caribbean, and Hong Kong. Duxbury is a town of quiet dignity and stability, with beautiful beaches, tides and marshes combined with Cape Cod homes and Sea Captain's Colonials.

The Town is governed by an open Town Meeting form of government and is located in Southeastern Massachusetts in Plymouth County approximately 33 miles from Boston. Duxbury is accessible by Route 3, a major highway, as well as secondary roads including Routes 3A and 114. The Town is bordered by the Towns of Pembroke on the west, Marshfield on the north, Kingston on the south and the Atlantic Ocean on the east and southeast. Duxbury occupies an area of approximately 23.76 square miles and its population is 15,360 based on the most recent town census.

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, public education in grades kindergarten through twelve, water, street maintenance, parks, beaches and other recreational facilities.

The Greater Attleboro Taunton Regional Transit Authority provides bus coverage throughout Duxbury to surrounding communities. The Duxbury Housing Authority provides public housing for eligible low income families, the elderly and the handicapped.

Local legislative decisions are made by an open Town Meeting. Subject to the legislative decisions made by the Town Meeting, the affairs for the Town are generally administered by a board of three selectmen who are supported by the Town Manager.

Local school affairs are administered by a school committee of five persons, elected for staggered three-year terms on an at large basis. The Water and Sewer Departments are managed by the same three-person Board of Selectmen. Local taxes are assessed by a board of three assessors, elected for staggered three-year terms.

Budgetary Controls

The Finance Director is responsible for preparing the budget and reviewing it with the various departments, boards and committees. This budget is then presented to the Town Manager who, in turn, after review, presents the budget to the Board of Selectmen. The Selectmen review all requests and town-wide issues and present a budget to Town Meeting for approval. A nine member Finance Committee made up of citizen volunteers appointed by the Town Moderator reviews the budget and makes recommendations to Town Meeting. A separate Fiscal Advisory Committee also made up of nine citizen volunteers appointed by the Town Moderator reviews capital expenditure plans.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department salary and expense level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. The Finance Committee, upon request of the Town Manager, may approve during the year a transfer from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Factors Affecting Economic Condition

Local Economy

The Town of Duxbury continues to reflect a strong economic condition. The per capita income is significantly higher than state averages, and the unemployment rate has always been extremely low. Duxbury has a primarily residential tax base which has grown through rapidly rising home values.

In 2009 the average price of a home in Duxbury was \$654,000 (based upon 2008 sales data), an increase of slightly more than 2% from the previous year. Housing prices have increased over 39% since 2004 because the housing stock is limited and the community is seen as highly desirable. The average increase over that same time period was 6.23%. The community has preserved large amounts of open space and has a pristine coastline, as well as having an excellent reputation for academics, athletics and many cultural and natural amenities. Easy access to the commuter rail in neighboring Kingston facilitates the commute to Boston.

The Town continues to be faced with financial challenges. State funding, which was cut dramatically in 2004, has finally risen to levels not seen since 2002. Rising health care costs and other fixed costs add to the economic pressures. Proposition 2 ½ caps the Town's ability to raise taxes and excess levy capacity is limited. The Town last approved a Proposition 2 ½ operating override (in the amount of \$1,000,000) in 1989 and it is unclear whether this will be a viable solution in the near future.

Fortunately, the Town has long enjoyed a cooperative approach to problem solving among its many boards, departments, unions and citizens. This cooperation has led to solid fund balances. Constant oversight is given to the Health Claims Trust, resulting in an equity position that more than covers the 'incurred but not reported' claims accrual at the end of 2009. A town-wide approach to problem solving in this area has resulted in what is projected to be a three year average annual increase in the Health Insurance budget of under six percent, well below the national average. The 2008 increase in the Town's health insurance appropriation was 6.24% over the prior year, in 2009 the increase was 3.18%, and looking forward to 2010 a projected decrease of 7.70%.

During the 2009 budget cycle (March 2008) departments worked together to agree upon a budget that did not rely heavily on long term reserves. The Town further addressed revenue needs with increased fees wherever

practical. The community continues to support a 3% Community Preservation surcharge and voted to utilize over \$2,200,000 to preserve open space and historical properties at the March 2008 Town Meeting.

Long Term Financial Planning

The Town's long term financial planning is focused on addressing the numerous needs of the community, particularly in view of the revenue constraints of Proposition 2 ½. Discussions are ongoing concerning issues regarding how to provide the community with the level of services it has come to expect under difficult financial conditions. Town Departments, the School Committee, Finance Committee, Fiscal Advisory Committee and the Government Study Committee have all provided input.

The Town has begun in earnest to develop a sustainable long-term financial plan. Management recognizes that in order to continue to provide services to the community, while at the same time maintaining its existing infrastructure, a formalized plan is necessary. Issues being discussed include long range capital planning, appropriate reserve levels and new revenue sources. The Town has identified debt usage and increasing reserves such as Stabilization as areas requiring greater attention. Plans and discussions are currently ongoing regarding the construction and/or replacement of several large facilities including a Police Station, Fire Station, Crematory and High School. These dialogues are expected to continue and the parties will need to agree on appropriate fiscal targets and timing of projects.

Relevant Financial Policies

The Town uses reserves to balance the current budget only as necessary with the goal of replenishing reserves through conservative budgeting. During FY 2009, Town Management discontinued the practice of using Free Cash to balance the Town's operating budget. Pension reserves and other available fund balances were used to balance the fiscal year 2009 budget.

Major Initiatives

The Town currently has authorized an unissued debt totaling \$3.053 million. This debt is related to Pool Renovations, School Feasibility Study and School Roof Replacement. The Town, through its long range planning development and strong financial position, saw its bond rating reach AAA status. We are all very proud of this achievement. It was through these efforts that the Town secured a very favorable interest rate. Going forward, the Town has secured very favorable Massachusetts Water Pollution Abatement Trust rates for its planned water tank construction and water mains expansion.

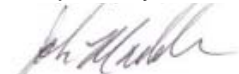
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Duxbury for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the fifth year that the Town submitted a CAFR to the GFOA. In order to receive this prestigious award, a government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparing a document of this magnitude requires a significant investment of time and resources. I am grateful to the Finance Department for achieving and maintaining this prestigious honor. This document reflects well upon the professionalism of our organization and provides a wealth of information to the community.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "John Madden", written in a cursive style.

John Madden
Finance Director

Town of Duxbury, Massachusetts

Principal Executive Officers

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Length of Term</u>	<u>Expiration of Term</u>
Chairman-Board of Selectmen	Elizabeth H. Sullivan	Elected	3 Years	2011
Vice Chairman-Board of Selectmen	Christopher R. Donato	Elected	3 Years	2012
Selectman	Jonathan D. Witten	Elected	3 Years	2010
Town Manager	Richard MacDonald	Appointed	Indefinite	N/A
Finance Director	John M. Madden	Appointed	Indefinite	N/A
Town Accountant	Claudette Coutu	Appointed	Indefinite	N/A
Treasurer/Collector	Thomas Connolly	Appointed	Indefinite	N/A
Town Clerk	Nancy M. Oates	Elected	3 Years	2013
Assessor- Chairman	James G. MacNab	Elected	3 Years	2010
Assessor-Vice Chairman	June E. Albritton	Elected	3 Years	2011
Assessor	Linda M. Collari	Elected	3 Years	2012
Superintendent of Schools	Susan K. Skeiber	Appointed	Indefinite	N/A
School Business Manager	Susan Nauman	Appointed	Indefinite	N/A
Director of Public Works	Peter Buttkus	Appointed	Indefinite	N/A
Town Moderator	Allen N. Bornheimer	Elected	1 Year	2010
Town Counsel	Robert S. Troy	Appointed	Indefinite	N/A

Organizational Chart

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Duxbury Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Duxbury, 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 Duxbury, Massachusetts, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Duxbury, Massachusetts' 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.

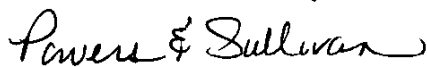
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Duxbury, Massachusetts, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2009, on our consideration of the Town of Duxbury, Massachusetts' internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Duxbury, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, retirement system schedule of funding progress, retirement system schedule of employer contributions, other post-employment benefit plan schedule of funding progress and other post-employment benefit plan actuarial methods and assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.



Wakefield, Massachusetts
December 16, 2009

Management's Discussion and Analysis

As management of the Town of Duxbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Duxbury's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to 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, human services, culture and recreation, community preservation and interest. The business-type activities include the activities of the municipal water department.

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 statements focus on *near-term inflows 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*.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its municipal water department.

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

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 statement 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 the basic 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Duxbury's government-wide assets exceeded liabilities by \$100.8 million at the end of fiscal year 2009. The Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Comparative analysis of the assets, liabilities, net assets, revenues, expense and transfers of the governmental and business-type activities are discussed herein.

Governmental Activities

The results of operations of the governmental activities are discussed in the following paragraphs and tables. Net assets of \$73.9 million (83%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 the governmental activities' net assets, \$2.6 million (3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$12.3 million (14%), may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities net assets decreased by \$517,000 during the current fiscal year. Increases in net assets were partially derived from community preservation taxes of \$1.2 million and state matching funds of \$450,000, which are used to finance capital expenditures; better than anticipated results in the general fund, and internal service funds; and approximately \$836,000 in highway fund capital grants used to finance capital expenditures. Decreases in net assets resulted from depreciation expense exceeding debt principal expenditures by approximately \$880,000 and recording the Other Post-Employment Benefit Obligation of \$6.8 million.

	Balance at June 30, 2009	Balance at June 30, 2008
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 27,267,653	\$ 24,511,952
Noncurrent assets (excluding capital).....	926,059	279,716
Capital assets.....	<u>89,252,483</u>	<u>87,809,132</u>
Total assets.....	<u>117,446,195</u>	<u>112,600,800</u>
Liabilities:		
Current liabilities (excluding debt).....	5,708,459	5,423,029
Noncurrent liabilities (excluding debt).....	7,111,000	349,050
Current debt.....	2,824,774	2,747,860
Noncurrent debt.....	<u>12,994,466</u>	<u>14,756,240</u>
Total liabilities.....	<u>28,638,699</u>	<u>23,276,179</u>
Net Assets:		
Capital assets net of related debt.....	73,890,487	70,846,707
Restricted.....	2,630,344	2,817,488
Unrestricted.....	<u>12,286,665</u>	<u>15,660,425</u>
Total net assets.....	<u>\$ 88,807,496</u>	<u>\$ 89,324,620</u>

	Balance at June 30, 2009	Balance at June 30, 2008
Program revenues:		
Charges for services.....	\$ 14,408,231	\$ 12,295,445
Operating grants and contributions.....	12,761,352	10,749,772
Capital grants and contributions.....	1,286,073	1,250,418
General Revenues:		
Real estate and personal property taxes.....	40,555,656	38,483,995
Tax liens.....	48,105	126,079
Motor vehicle and other excise taxes.....	2,117,119	2,262,861
Community preservation taxes.....	1,171,545	1,110,178
Penalties and interest on taxes.....	155,068	108,421
Payments in lieu of taxes.....	12,804	28,750
Nonrestricted grants and contributions.....	1,145,359	1,385,213
Unrestricted investment income.....	255,383	484,751
Miscellaneous revenues.....	-	30,914
Total revenues.....	<u>73,916,695</u>	<u>68,316,797</u>
Expenses:		
General Government.....	3,942,177	3,686,678
Public Safety.....	9,850,181	8,522,903
Education.....	50,478,418	44,398,693
Public Works.....	5,911,232	5,194,930
Human Services.....	857,340	710,722
Culture and Recreation.....	2,923,774	2,742,203
Community Preservation.....	147,179	200,192
Interest.....	637,234	784,810
Total expenses.....	<u>74,747,535</u>	<u>66,241,131</u>
Excess (deficiency) before transfers.....	(830,840)	2,075,666
Transfers.....	<u>313,716</u>	<u>309,109</u>
Change in net assets.....	\$ <u>(517,124)</u>	\$ <u>2,384,775</u>

Business-type Activities

The results of operations for the business-type activities are discussed in the following paragraphs and tables. For the Town's water business-type activities, assets exceeded liabilities by \$12 million at the close of fiscal year 2009. Of this amount \$9.5 million (79%) is invested in capital assets, net of related debt and \$2.5 million (21%) is unrestricted and may be used to meet the water enterprise's ongoing obligations.

There was a decrease of \$177,000 in net assets related to the Water Department's operations during the fiscal year. A major factor in this decrease is the recognition of the other post-employment benefit obligation totaling \$124,000.

	Balance at June 30, 2009	Balance at June 30, 2008
Assets:		
Current assets.....	\$ 4,459,744	\$ 4,259,403
Capital assets.....	<u>15,131,425</u>	<u>12,884,815</u>
Total assets.....	<u>19,591,169</u>	<u>17,144,218</u>
Liabilities:		
Current liabilities (excluding debt).....	470,280	384,007
Noncurrent liabilities (excluding debt).....	131,000	7,651
Current debt.....	812,851	765,000
Noncurrent debt.....	<u>6,160,149</u>	<u>3,794,000</u>
Total liabilities.....	<u>7,574,280</u>	<u>4,950,658</u>
Net Assets:		
Capital assets net of related debt.....	9,523,752	9,439,228
Unrestricted.....	<u>2,493,137</u>	<u>2,754,332</u>
Total net assets.....	<u>\$ 12,016,889</u>	<u>\$ 12,193,560</u>
	Balance at June 30, 2009	Balance at June 30, 2008
Program revenues:		
Charges for services.....	<u>\$ 2,460,603</u>	<u>\$ 2,901,469</u>
Expenses:		
Water.....	<u>2,323,558</u>	<u>2,487,440</u>
Excess (deficiency) before transfers.....	137,045	414,029
Transfers.....	<u>(313,716)</u>	<u>(309,109)</u>
Change in net assets.....	<u>\$ (176,671)</u>	<u>\$ 104,920</u>

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting 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 \$13.2 million, a decrease of \$767,000 from the prior year. Most of the decrease is attributable to the Community Preservation Trust Fund which purchased two parcels of land causing expenditures to exceed revenues by \$1.4 million.

The General Fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund totaled \$5 million, while total fund balance is \$5.8 million. 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 after excluding \$5.6 million of teachers retirement expenditures paid by the commonwealth on behalf of the Town. Unreserved fund balance represents 8.4% of total General Fund expenditures, while total fund balance represents 9.7% of that same amount.

The fund balance of the General Fund increased by \$930,000, which was primarily due to positive budget results. Actual revenues exceeded budgeted revenues by \$1.7 million, actual expenditures came in less than budgeted by \$2.4 million and the Town budgeted prior year reserves of (\$3.1 million) to balance FY2009. The Town has historically been conservative in the annual budget process.

The Community Preservation Act Fund had a fund balance at June 30, 2009 of \$2.4 million. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The Community Preservation Act's fund balance decreased \$1.4 million mainly due to the Town's purchase of the Berrybrook and Camp Wing land parcels.

The State Fiscal Stabilization Fund is used to account for the Town's use of the federal state fiscal stabilization program which was awarded to Governors to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services. The Governor cut state Chapter 70 education funding to cities and towns by 10% and replaced the amount with federal state fiscal stabilization funds amounts. During fiscal year 2009, the Town received and spent \$457,000 of state fiscal stabilization funds.

The Highway Improvements Fund is used to account for the construction, reconstruction and improvements of roadways, streets and sidewalks funded by state grants. The Town spent \$450,000 on projects in fiscal 2009 which were fully supported by the state grant and therefore the fund balance remains at zero at fiscal year end.

The Chandler School Roof Fund is used to account for the construction of a new roof for the school. At June 30, 2009, the project is in its preliminary stage and therefore fund balance had a deficit of \$2,000 due to expenditures of outstanding bond anticipation note proceeds. Expenditures from temporary financing create a deficit until the Town permanently finances the project and records the bond proceeds.

The Town Services Fund is a permanent fund used to account for various contributions associated with Town services such as the cemetery and library. At June 30, 2009 the fund balance totaled \$2.1 million which decreased by \$60,000 due to a loss on investment earnings.

General Fund Budgetary Highlights

The \$433,000 increase from the original budget to the final amended budget resulted from a Spring Special Town Meeting vote to use available funds mainly for snow and ice removal (\$200,000), the payment of prior year bills (\$60,000) and additional appropriations for the Fuel Depot (\$60,000).

General Fund revenues came in approximately \$1.7 million more than budgeted. The largest area of the surplus was in departmental and other revenues which made up \$1.4 million of the total. This is the combined result of a \$655,000 budgeted decrease in departmental revenues in anticipation of a slow economy and an actual increase in revenues of \$744,000, mostly due to a legal settlement totaling \$654,000.

Intergovernmental revenues came in lower than expected by \$341,000 mainly due to the Governors use of State Fiscal Stabilization Funds to replace state aid to Cities and Towns (\$457,000). Under this initiative, state revenues were reduced, showing a budgetary deficit and expenditures were transferred to the grant fund, leaving a budgetary surplus in the education line.

General fund expenditures came in approximately \$2.4 million less than budgeted. Key components of this surplus include the \$457,000 in education from the State Fiscal Stabilization Fund grant which was a required reallocation of expenditures to offset the reduction in state aid; \$468,000 in public works, mostly related to the operations of the transfer station; and \$340,000 in employee benefits.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures. The Town’s major governmental capital asset activity in fiscal year 2009 includes additions of \$3.2 million for land, \$450,000 for infrastructure and \$358,000 for vehicles.

	Capital Assets		
	Cost of Capital Assets at end of year	Accumulated Depreciation at end of year	Capital Assets, net
Governmental activities			
<i>Function:</i>			
General government..... \$	23,427,799	\$ (510,204)	\$ 22,917,595
Public safety.....	6,726,490	(3,982,653)	2,743,837
Education.....	56,683,378	(17,861,285)	38,822,093
Public works.....	17,640,583	(9,764,635)	7,875,948
Culture and recreation.....	11,490,162	(3,882,829)	7,607,333
Community preservation....	9,345,629	(59,952)	9,285,677
	<u>125,314,041</u>	<u>(36,061,558)</u>	<u>89,252,483</u>
Total by function..... \$			
Business-type activities			
Water..... \$	22,734,837	(7,603,412)	15,131,425

The Town of Duxbury's governmental funds had total bonded debt outstanding of \$14.8 million at the end of the current fiscal year. Of this amount, \$1.3 million is related to the renovation of the library, \$1.1 million is related to the senior center project, \$1.2 million relates to sewer projects, \$105,000 relates to land purchases and \$10.6 million is related to school equipment and improvements. The remaining \$411,000 relates to other capital related projects.

The enterprise fund has \$6.9 million in water debt that is fully supported by the rates and does not rely on a general fund subsidy.

For further discussion please refer to Note 5 for major capital activity and Notes 7 and 8 for debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Duxbury'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 the Finance Director, Town Hall, 878 Tremont Street, Duxbury, Massachusetts 02332.

Basic Financial Statements

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Government-wide Financial Statements

Statement of Net Assets

Statement of Activities

Page two of the statement of activities.

Fund Financial Statements

Governmental Funds – Balance Sheet

Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets

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Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities**

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Proprietary Funds – Statement of Net Assets

Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds – Statement of Cash Flows

Fiduciary Funds – Statement of Fiduciary Net Assets

Fiduciary Funds – Statement of Changes in Fiduciary Net Assets

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Duxbury, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town of Duxbury, Massachusetts is a municipal corporation governed by an elected three member Board of Selectmen and an appointed Town Manager.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the Primary Government) and its component units. The Town did not identify any component units requiring inclusion in the basic financial statements.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation act fund* is a special revenue fund used to account for the accumulation of resources for the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

The *state fiscal stabilization fund* is a special revenue fund used to account for the Town's use of the federally funded state fiscal stabilization program which was awarded to Governors to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services.

The *highway improvement fund* is a special revenue fund used to account for construction, reconstruction and improvements of roadways, streets and sidewalks. Funding is provided primarily by state grants.

The *chandler school roof fund* is a capital projects fund used to account for the construction of a new roof for the school.

The *town services fund* is a permanent fund used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The nonmajor governmental funds consist of other special revenue and capital projects that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary fund is reported:

The *water enterprise fund* is used to account for the Town's water activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to employees' health insurance.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs. Agency funds have no measurement focus.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings. The Town's private-purpose trust fund is primarily comprised of scholarships.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town's agency fund is comprised of performance bonds, special details, deposits, and fees and licenses.

Government-Wide and Fund Financial Statements

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.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

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 August 1st, November 1st, February 1st and May 1st 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 of the levy.

Real estate tax liens are processed yearly after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Fees

Water and sewer user fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist of veterans and ambulance receivables and are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. All major general infrastructure assets acquired or significantly reconstructed in fiscal years ending after June 30, 1980 have been recorded at estimated historical cost.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Infrastructure.....	20-40
Vehicles.....	5-15
Computers.....	5
Furniture, Fixtures and Equipment.....	10
Improvements.....	10-20
Library books.....	7
School books.....	3-7

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts.

“Gifts and grants” represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2010 operating budget.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

O. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

P. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Fund Deficits**

At June 30, 2009, the Chandler School Roof major capital project fund had a deficit balance of (\$2,128) which will be funded with future bond proceeds.

At June 30, 2009, the School Lunch Special Revenue fund had a deficit balance of (\$2,311) and the Pool Design Capital Project fund had a deficit balance of (\$134,710). Both funds are classified within the Nonmajor Governmental Funds. These deficits will be funded through bond proceeds, grants and future revenues.

B. Appropriation Deficits

During fiscal year 2009, expenditures exceeded budgeted appropriations for State and County Charges. State and County Charges is a legal deficit created solely by the Commonwealth and not under the control of the Town.

NOTE 3 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Custodial Credit Risk – Deposits

In the case of deposits, the custodial credit risk is the risk that, in the event of a bank failure the Town of Duxbury's deposits may not be recovered. At fiscal year-end, the carrying amount of deposits totaled \$13,722,151 and the bank balance totaled \$13,880,329. Of the bank balance, \$1,414,882 was covered by Federal Depository Insurance, and \$12,465,447 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Town's investment policy limits its custodial credit risk by 1) pre-qualifying banks, 2) diversifying its investments across several banks and collateralizing deposits where practical.

Investments

As of June 30, 2009, the Town of Duxbury had the following investments:

Investment Type	Fair Value	Maturity		
		1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>				
Government Sponsored Enterprises.....	\$ 1,554,683	\$ 1,023,570	\$ 368,198	\$ 162,915
Government National Mortgage Association.....	96,962	-	-	96,962
U.S. Treasury Notes.....	264,148	264,148	-	-
Total Debt Securities.....	1,915,793	\$ 1,287,718	\$ 368,198	\$ 259,877
<u>Other Investments:</u>				
Equity Securities.....	2,751,530			
Money Market Mutual Funds.....	199,929			
MMDT.....	8,981,750			
Total Investments.....	\$ 13,849,002			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investments of \$1,915,793 and \$2,751,530 in equity securities, the Town is exposed to custodial credit risk as the securities are uninsured. The \$8,981,750 in shares of MMDT is not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The securities are registered to Dunn & Co. as nominee for the Town of Duxbury. The Town of Duxbury's investment policy allows for custodial safekeeping in the name of a nominee. It also requires proof that securities purchased from any bank or dealer be provided to the Treasurer and recorded on the Town's books.

Interest Rate Risk

The Town's investment policy limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates and to match investment maturities with anticipated cash flow requirements. The Town's investment policy requires investments of operating funds to have a maturity of one year or less from the date of purchase. The Town limits their maximum final stated maturities for other investments to ten (10) years, unless specific authority is given to exceed this limit. Additionally, the policy does not permit the direct investment in securities maturing more than ten (10) years from date of purchase unless the maturities are matched to specific cash flow requirements. Reserve funds are permitted to be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide, as nearly as practicable, with the expected use of the funds.

Credit Risk

The Town's investment policy states that for bank deposits, including repurchase agreements; certificates of deposit; and demand deposits that exceed the FDIC insured amount are to be made in banks or savings and loan associations with a Moody's Rating of A3 or above; a Standard & Poor's and Finch rating of A or above; or a Thompson Bond Watch Rating of A or B. The Town's investments in Government Sponsored Enterprises and

U.S. Treasury Notes were all rated AAA. The Town’s investment in MMDT is unrated. However, the investment policy of MMDT limits the Trust’s investments to only the highest quality securities as rated by at least two nationally recognized rating services.

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. The Town did not invest in any one issuer more than 5 percent.

NOTE 4 – RECEIVABLES

At June 30, 2009, receivables for the individual major and nonmajor governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	654,610	\$ (1,525)	\$ 653,085
Real estate tax deferrals.....	174,290	-	174,290
Tax liens.....	78,461	-	78,461
Motor vehicle and other excise taxes.....	127,475	(75,006)	52,469
User fees.....	16,449	-	16,449
Departmental and other.....	643,832	-	643,832
Special assessments.....	855,789	-	855,789
Intergovernmental.....	<u>1,689,117</u>	<u>-</u>	<u>1,689,117</u>
Total..... \$	<u><u>4,240,023</u></u>	<u><u>(76,531)</u></u>	<u><u>4,163,492</u></u>

At June 30, 2009, receivables for the water enterprise consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water user fees..... \$	898,810	\$ -	\$ 898,810
Water intergovernmental.....	<u>806,434</u>	<u>-</u>	<u>806,434</u>
Total..... \$	<u><u>1,705,244</u></u>	<u><u>-</u></u>	<u><u>1,705,244</u></u>

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. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Community Preservation Act	Highway Improvements	Total
<u>Receivable and other asset type:</u>				
Real estate and personal property taxes.....	\$ 269,485	\$ 17,358	\$ -	\$ 286,843
Real estate tax deferrals.....	174,290	-	-	174,290
Tax liens.....	76,619	1,842	-	78,461
Motor vehicle and other excise taxes.....	52,469	-	-	52,469
User fees.....	16,449	-	-	16,449
Departmental and other.....	318,156	-	-	318,156
Special assessments.....	855,789	-	-	855,789
Intergovernmental.....	137,700	449,196	574,913	1,161,809
Tax foreclosures.....	667,539	-	-	667,539
Total.....	\$ 2,568,496	\$ 468,396	\$ 574,913	\$ 3,611,805

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 29,962,767	\$ 3,150,000	\$ -	\$ 33,112,767
Construction in progress.....	3,329,528	374,052	(3,185,886)	517,694
Total capital assets not being depreciated.....	<u>33,292,295</u>	<u>3,524,052</u>	<u>(3,185,886)</u>	<u>33,630,461</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	50,395,228	3,185,886	-	53,581,114
Infrastructure.....	18,550,134	449,705	(255,395)	18,744,444
Vehicles.....	6,307,423	357,695	(126,853)	6,538,265
Computers.....	1,440,042	170,468	(309,083)	1,301,427
Furniture, fixtures and equipment.....	1,860,842	60,225	-	1,921,067
Improvements.....	8,307,238	65,102	-	8,372,340
Library books.....	770,411	99,889	(125,022)	745,278
School books.....	455,783	181,422	(157,560)	479,645
Total capital assets being depreciated.....	<u>88,087,101</u>	<u>4,570,392</u>	<u>(973,913)</u>	<u>91,683,580</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(10,600,024)	(1,186,877)	-	(11,786,901)
Infrastructure.....	(9,452,316)	(768,158)	255,395	(9,965,079)
Vehicles.....	(3,902,664)	(704,949)	126,853	(4,480,760)
Computers.....	(863,991)	(269,478)	309,083	(824,386)
Furniture, fixtures and equipment.....	(1,077,439)	(163,536)	-	(1,240,975)
Improvements.....	(7,017,995)	(140,236)	-	(7,158,231)
Library books.....	(393,428)	(108,337)	125,022	(376,743)
School books.....	(262,407)	(123,636)	157,560	(228,483)
Total accumulated depreciation.....	<u>(33,570,264)</u>	<u>(3,465,207)</u>	<u>973,913</u>	<u>(36,061,558)</u>
Total capital assets being depreciated, net.....	<u>54,516,837</u>	<u>1,105,185</u>	<u>-</u>	<u>55,622,022</u>
Total governmental activities capital assets, net.....	<u>\$ 87,809,132</u>	<u>\$ 4,629,237</u>	<u>\$ (3,185,886)</u>	<u>\$ 89,252,483</u>

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Fund Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,849,437	\$ -	\$ -	\$ 2,849,437
Construction in progress.....	1,388,477	3,004,365	(219,582)	4,173,260
Total capital assets not being depreciated.....	4,237,914	3,004,365	(219,582)	7,022,697
<u>Capital assets being depreciated:</u>				
Plant, facilities and infrastructure.....	15,177,157	205,000	-	15,382,157
Equipment and motor vehicles.....	316,010	13,973	-	329,983
Total capital assets being depreciated.....	15,493,167	218,973	-	15,712,140
<u>Less accumulated depreciation for:</u>				
Plant, facilities and infrastructure.....	(6,337,403)	(685,021)	-	(7,022,424)
Equipment and motor vehicles.....	(508,863)	(72,125)	-	(580,988)
Total accumulated depreciation.....	(6,846,266)	(757,146)	-	(7,603,412)
Total capital assets being depreciated, net.....	8,646,901	(538,173)	-	8,108,728
Total Water Enterprise capital assets.....	\$ 12,884,815	\$ 2,466,192	\$ (219,582)	\$ 15,131,425

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government.....	\$ 68,854
Public safety.....	489,007
Education.....	1,626,449
Public works.....	828,148
Culture and recreation.....	405,428
Community preservation.....	47,321

Total depreciation expense - governmental activities..... \$ 3,465,207

Business-Type Activities:

Water.....	\$ <u>757,146</u>
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NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from other funds

As of June 30, 2009, the Town has interfund receivable/payable of \$527,308 which exists between the General Fund and the Highway Improvements Fund. The purpose of this balance is to cover short-term cash needs that will be funded by future grant and bond proceeds.

Interfund transfers

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 67,000	\$ 67,000 (1)
Town Services Fund.....	65,000	-	65,000 (2)
Nonmajor Governmental Funds.....	860,607	-	860,607 (3)
Water Enterprise Fund.....	<u>313,716</u>	<u>-</u>	<u>313,716 (4)</u>
Total.....	<u>\$ 1,239,323</u>	<u>\$ 67,000</u>	<u>\$ 1,306,323</u>

- (1) Represents budgeted transfers from the general fund of \$50,000 to the stabilization nonmajor fund and \$17,000 to the conservation nonmajor fund.
- (2) Represents budgeted transfers to the general fund from the perpetual care fund (\$40,000) and the Isabelle Freeman Trust (\$25,000) within the town services fund.
- (3) Represents budgeted transfers totaling \$860,607 to the general fund from the pension reserve fund (\$150,000), the sale of lots and graves fund (\$50,000), the park and recreation revolving fund (\$23,460), school lunch (\$265,016), school grant funds (\$161,827) and school revolving funds (\$208,962). The remaining transfer was from various nonmajor funds to close finished projects.
- (4) Represents a budgeted transfer to the general fund from the water enterprise fund for health insurance costs.

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and water enterprise fund, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
<i>Governmental Funds</i>							
BAN	Percy Walker Pool.....	2.50%	05/14/09	\$ 163,000	\$ -	\$ 163,000	\$ -
BAN	Community Preservation.....	3.10%	06/15/09	-	400,000	400,000	-
BAN	Percy Walker Pool.....	2.00%	12/01/09	-	163,000	-	163,000
BAN	Chandler School Roof.....	1.45%	12/01/09	-	900,000	-	900,000
<i>Total Governmental Funds.....</i>				<u>163,000</u>	<u>1,463,000</u>	<u>563,000</u>	<u>1,063,000</u>
<i>Enterprise Fund</i>							
BAN	Birch Street Water Tank.....	2.00%	12/01/09	-	29,000	-	29,000
<i>Total.....</i>				<u>\$ 163,000</u>	<u>\$ 1,492,000</u>	<u>\$ 563,000</u>	<u>\$ 1,092,000 (1)</u>

- (1) On December 1, 2009, the Town rolled the \$1,092,000 BAN into a new BAN issue, totaling \$3,181,853, that has a due date of March 15, 2010, with an interest rate of 1.15%.

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

General Obligation Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Library.....	5.00	\$ 160,000	\$ -	\$ 160,000	\$ -
MWPAT 1997.....	5.27	336,511	-	33,275	303,236
Land acquisition.....	3.89	150,000	-	150,000	-
School.....	4.99	300,000	-	150,000	150,000
Fire Station.....	4.99	120,000	-	60,000	60,000
Senior Center.....	3.50-4.50	1,290,000	-	145,000	1,145,000
MWPAT 2001 Title V.....	4.50	119,572	-	10,872	108,700
Sewer.....	4.00	750,000	-	55,000	695,000
Land Acquisition.....	3.10	135,000	-	30,000	105,000
MWPAT 2004 Title V.....	3.30-5.25	139,017	-	10,713	128,304
School.....	4.00	10,025,000	-	775,000	9,250,000
School Sewer.....	4.00	1,255,000	-	100,000	1,155,000
Departmental Equipment.....	4.00	655,000	-	655,000	-
Animal Shelter.....	4.00	15,000	-	15,000	-
Remodeling.....	4.00	65,000	-	20,000	45,000
Departmental Equipment.....	4.00	190,000	-	100,000	90,000
Truck Rehabilitation.....	4.00	66,000	-	30,000	36,000
Cemetery Bonds.....	4.00	60,000	-	20,000	40,000
School Sewer.....	4.00	40,000	-	20,000	20,000
Parking Lot.....	4.00	45,000	-	15,000	30,000
Seawalls.....	3.00-3.85	125,000	-	15,000	110,000
2008 Library Refunding.....	3.00-3.75	1,300,000	-	15,000	1,285,000
Total Bonds and Notes Payable.....		\$ 17,341,100	\$ -	\$ 2,584,860	\$ 14,756,240

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 1,761,774	\$ 626,522	\$ 2,388,296
2011.....	1,401,513	547,788	1,949,301
2012.....	1,342,726	485,849	1,828,575
2013.....	1,323,792	435,579	1,759,371
2014.....	1,289,889	366,766	1,656,655
2015.....	1,286,053	307,900	1,593,953
2016.....	1,277,267	249,370	1,526,637
2017.....	1,273,518	189,570	1,463,088
2018.....	936,558	139,752	1,076,310
2019.....	931,558	101,982	1,033,540
2020.....	920,690	63,493	984,183
2021.....	920,902	24,160	945,062
2022.....	45,000	3,162	48,162
2023.....	45,000	1,058	46,058
Totals.....	<u>\$ 14,756,240</u>	<u>\$ 3,542,951</u>	<u>\$ 18,299,191</u>

Bonds and Notes Payable Schedule – Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2009</u>
Municipal Bond.....	3.89	\$ 725,000	\$ -	\$ 225,000	\$ 500,000
Water.....	4.99	80,000	-	40,000	40,000
Water Projects.....	3.50-4.50	80,000	-	20,000	60,000
Water.....	3.10	290,000	-	60,000	230,000
Water.....	2.50-4.00	660,000	-	110,000	550,000
Water.....	2.00-3.60	240,000	-	40,000	200,000
Water.....	4.00	400,000	-	50,000	350,000
Water.....	4.00	384,000	-	95,000	289,000
Damon Well.....	3.00-3.85	570,000	-	40,000	530,000
Damon Well.....	3.00-3.85	580,000	-	45,000	535,000
Water.....	3.00-3.85	550,000	-	40,000	510,000
MWPAT.....	2.00	-	3,150,000	-	3,150,000
Total Bonds and Notes Payable.....		<u>\$ 4,559,000</u>	<u>\$ 3,150,000</u>	<u>\$ 765,000</u>	<u>\$ 6,944,000</u>

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....\$	783,851 \$	183,794 \$	967,645
2011.....	731,539	168,574	900,113
2012.....	729,197	144,217	873,414
2013.....	611,908	119,727	731,635
2014.....	559,674	99,905	659,579
2015.....	312,495	83,875	396,370
2016.....	315,374	75,097	390,471
2017.....	268,311	66,961	335,272
2018.....	266,307	59,702	326,009
2019.....	259,364	52,664	312,028
2020.....	262,482	45,556	308,038
2021.....	265,664	38,331	303,995
2022.....	263,909	31,139	295,048
2023.....	237,221	24,555	261,776
2024.....	170,599	19,828	190,427
2025.....	174,045	16,382	190,427
2026.....	177,561	12,866	190,427
2027.....	181,149	9,279	190,428
2028.....	184,808	5,619	190,427
2029.....	188,542	1,885	190,427
Totals..... \$	<u>6,944,000</u> \$	<u>1,259,956</u> \$	<u>8,203,956</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$84,755 and interest costs for \$139,688. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$470,901. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2009 principal and interest subsidies totaled approximately \$8,400 and \$26,700, respectively.

The Town has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs. The Town has been approved for a grant equal to 67% of allowable costs, as defined, for the construction of the new sewer system for the High School Complex and the renovation and addition to the Alden and Chandler Elementary Schools. During fiscal year 2009 the Town received approximately \$138,000 in MSBA grant funding. The anticipated future reimbursement of approximately \$138,000 has been recorded as an intergovernmental receivable and deferred revenue in the general fund in the fund based financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009, the Town had the following authorized and unissued debt:

Purpose	Amount
Pool Bonds.....	\$ 2,200,000
School Feasibility Study.....	200,000
Chandler School Roof.....	640,000
Seawalls.....	<u>13,000</u>
Total.....	<u>\$ 3,053,000</u>

Changes in Long-term Liabilities

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

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 17,341,100	\$ -	\$ (2,584,860)	\$ 14,756,240	\$ 1,761,774
Other Post-Employment Benefits.....	-	6,844,000	-	6,844,000	-
Compensated Absences.....	<u>1,191,000</u>	<u>742,950</u>	<u>(841,950)</u>	<u>1,092,000</u>	<u>825,000</u>
Total governmental activity long-term liabilities.....	<u>\$ 18,532,100</u>	<u>\$ 7,586,950</u>	<u>\$ (3,426,810)</u>	<u>\$ 22,692,240</u>	<u>\$ 2,586,774</u>
Business-Type Activities:					
Long-Term Bonds and Notes.....	\$ 4,559,000	\$ 3,150,000	\$ (765,000)	\$ 6,944,000	\$ 783,851
Other Post-Employment Benefits.....	-	124,000	-	124,000	-
Compensated Absences.....	<u>36,000</u>	<u>21,439</u>	<u>(28,439)</u>	<u>29,000</u>	<u>22,000</u>
Total business-type activity long-term liabilities.....	<u>\$ 4,595,000</u>	<u>\$ 3,295,439</u>	<u>\$ (793,439)</u>	<u>\$ 7,097,000</u>	<u>\$ 805,851</u>

Compensated absences liabilities related to both governmental and business-type activities are normally paid from the general fund and water enterprise fund, respectively.

NOTE 9 – STABILIZATION AND PENSION TRUST FUNDS

Stabilization Fund – At June 30, 2009, \$973,430 has been set aside in a stabilization fund, which is classified as a nonmajor fund in the governmental funds financial statements. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

Pension Trust Fund – At June 30, 2009, \$679,462 has been set aside in a pension trust fund, which is classified as a nonmajor fund in the governmental funds financial statements. The pension trust fund is distinct and separate from the System information in Note 12. The purpose of the fund is to provide a reserve to meet future annual contributions to the Pension System.

NOTE 10 – COMMUNITY PRESERVATION FUNDS

In March of 2001, the Town approved the Community Preservation Act (CPA) which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The CPA requires that the Town spend or set aside for later spending a minimum of ten percent of annual revenues for open space, a minimum of ten percent of annual revenues for historic resources and a minimum of ten percent of annual revenues for community housing.

In accordance with the CPA, the Town has approved a bylaw establishing a Community Preservation Committee (CPC) to study the needs, possibilities and resources of the Town regarding community preservation and to make recommendations for Town Meeting approval to fund eligible projects using CPA funds.

As of June 30, 2009, the CPA fund has a balance of \$2,449,837 and is reported as a major fund in the governmental funds financial statements.

NOTE 11 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town is self-insured for employee health insurance activities. These activities are accounted for in the Town’s Internal Service Fund where revenues are recorded when earned and expenditures recorded when the liability is incurred.

(a) *Employee Health Insurance*

The Town estimates its Incurred But Not Reported (IBNR) claims based on a 10% claims paid average. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$85,000 per claim. At June 30, 2009, the amount of the liability for health insurance claims totaled \$919,050. This liability is the Town’s best estimate based on available information. Changes in the reported liability since July 1, 2007, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2008.....	\$ 843,110	\$ 8,150,467	\$ (8,074,527)	\$ 919,050
Fiscal Year 2009.....	919,050	7,634,634	(7,634,634)	919,050

(b) *Workers’ Compensation*

Workers’ compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers’ compensation liability is based on history and injury type.

At June 30, 2009, the amount of the liability for workers’ compensation claims was immaterial and is therefore not reported.

NOTE 12 – PENSION PLAN

Plan Description - The Town contributes to the Plymouth County Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$5,556,000 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Plymouth County Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at South Russell Street in Plymouth, Massachusetts, 02360.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the System for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,843,795, \$1,761,398 and \$1,460,631, respectively, which equaled its required contribution for each fiscal year.

NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2009 is the initial year that the Town has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (GASB 45)*. As allowed by GASB 45, the Town has established the net Other Post Employment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description – The Town of Duxbury administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For fiscal year 2009, the Town contributed \$2.7 million to the plan, and member contributions totaled \$900,000.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Normal cost.....	\$ 6,283,000
Amortization of unfunded actuarial accrued liability.....	<u>3,405,000</u>
Annual OPEB cost (expense).....	9,688,000
Contributions made.....	<u>(2,720,000)</u>
Increase in net OPEB obligation.....	6,968,000
Net OPEB obligation--beginning of year.....	<u>-</u>
Net OPEB obligation--end of year.....	<u>\$ 6,968,000</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 9,688,000	28%	\$ 6,968,000

Funded Status and Funding Progress – As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$86.3 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$33,452,281, and the ratio of the UAAL to the covered payroll was 258.1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2007 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an

annual medical/drug cost trend rate of 10% initially, graded to 5% over 10 years and included a 3.75% inflation assumption. The UAAL is being amortized over a closed 30 year period, with amortization payments increasing at 3.75% per year. The remaining amortization period at June 30, 2008 is 30 years.

NOTE 14 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2009.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2009, the following GASB pronouncements were implemented:

The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. This pronouncement required additional disclosure and has impacted the basic financial statements.

The GASB issued Statement #55, The Hierarchy of GAAP for State and Local Governments. The standards in this statement did not impact the basic financial statements.

The GASB issued Statement #56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement of Auditing Standards. The standards in this statement did not impact the basic financial statements.

Future Implementation of GASB Pronouncements:

The GASB issued Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual

Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual (2)

Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual (3)

Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual (4)

Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual (5)

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

Retirement System Schedule of Funding Progress

Retirement System Schedule of Employer Contributions

Other Post-Employment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Other Post-Employment Benefit Plan Schedule of Funding Progress

Other Post-Employment Benefit Plan Actuarial Methods and Assumptions

NOTE A – BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved at the annual town meeting. The Town Manager presents an annual budget to the Board of Selectmen, Finance Committee and the Fiscal Advisory Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted by categories that are broken down by personal services, expenses, debt service and capital outlay and are mandated by Municipal Law.

Supplementary appropriations are voted at special town meetings.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget for the General Fund includes \$56 million in current year appropriations and other amounts to be raised and \$474,000 in encumbrances and appropriations carried over from previous fiscal years. During fiscal year 2009, the Town approved supplemental appropriations totaling \$433,000.

The Accounting office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2009, is presented below:

Net Change in Fund Balance - budgetary basis.....	\$	1,003,617
<u>Basis of accounting differences:</u>		
Net change in revenue accrual.....		(73,586)
Recognition of revenue for on-behalf payments.....		5,556,000
Recognition of expenditures for on-behalf payments.....		<u>(5,556,000)</u>
Net Change in Fund Balance - GAAP basis.....	\$	<u>930,031</u>

C. Appropriation Deficits

During fiscal year 2009, expenditures exceeded budgeted appropriations for State and County Charges. State and County Charges is a legal deficit created solely by the Commonwealth and not under the control of the Town.

NOTE B – OTHER POST-EMPLOYMENT BENEFITS PLAN

The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since this is the Town’s initial year of implementation of GASB Statement 45, information for prior years is not available.

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

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

NOTE C – PENSION PLAN

The Town contributes to the Plymouth County Contributory Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan (“Plan”) administered by the Plymouth County Retirement Association (the Association). The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the System at rates ranging from 5% to 10% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active current payroll.

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town’s proportionate share of the plan’s annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date..... January 1, 2008
 Actuarial Cost Method..... Entry Age Normal Cost Method
 Amortization Method..... Increasing at 4.5% per year, level dollar for ERI liability for certain units.
 Remaining Amortization Period..... 20 years remaining as of January 1, 2008, closed
 Asset Valuation Method..... Assets held by the fund are valued at market value as reported by the public Employees' Retirement Administration Commission (PERAC). The actuarial value is based on a 5 year smoothing of realized and unrealized investment earnings greater than or less than the expected return. The result must be within 10% of market value.

Actuarial Assumptions:

Investment rate of return..... 8.50%
 Projected salary increases..... 4.50%
 Cost of living adjustments..... 3.0% of the lesser of the pension amount and \$12,000 per year

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,889
Inactive participants.....	1,917
Disabled.....	332
Active participants.....	<u>7,036</u>
 Total.....	 <u><u>12,174</u></u>

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Other Supplementary Information

Combining and Individual Fund Statements and Schedules

The combining financial statements provide a more detailed view of the “Basic Financial Statements” presented in the preceding subsection.

Combining statements are presented when there are more than one fund of a given fund type.

Nonmajor Governmental Funds

Fund Description

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than permanent funds or capital project funds) that are restricted by law or administrative action to expenditures for specific purposes. The Town's special revenue funds are grouped into the following categories:

- ***School Lunch Fund*** – accounts for the operations of the public school lunch program.
- ***School Gifts & Grants*** – accounts for educational programs specifically financed by gifts, grants and other restricted revenues.
- ***School Revolving*** – accounts for self-supporting educational programs and activities.
- ***Recreation Revolving*** – accounts for self-supporting recreational programs and activities.
- ***Receipts Reserved for Appropriation*** – accounts for the sale of cemetery lots.
- ***Town Gifts & Grants*** – accounts for various gifts, grants and legally restricted revenues for special programs administered by Town departments.
- ***Stabilization*** – accounts for the accumulation of resources to be used for general and/or capital purposes upon approval of Town Meeting.
- ***Town Revolving*** – accounts for self-supporting programs and activities.
- ***Pension Trust*** – accounts for the accumulation of resources to meet future annual contributions to the County Retirement System.
- ***Special Revenue Trust Funds*** – accounts for statutory trust accounts that may be spent to support the government.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction or improvement of major capital assets (other than those financed by enterprise funds). Such resources are derived principally from proceeds of general obligation bonds and grants. The Town's grouping for non-major capital project funds is as described as follows:

- ***Miscellaneous Small Projects*** – accounts for non-major capital projects.
- ***Cemetery*** – accounts for the construction of various cemetery projects.
- ***Pool Design*** – accounts for preliminary design phase for the construction of the new Town pool.
- ***Senior Center*** – accounts for the construction of a new parking lot at the senior center.

Nonmajor Governmental Funds - Combining Balance Sheet

Nonmajor governmental funds - combining balance sheet (PAGE 2)

Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances (PAGE 2)

Agency Fund

Fund Description

Agency Fund is used to account for assets held in a purely custodial capacity. The Town's Agency Fund activity consists primarily of performance bonds, off duty details, security deposits, and licenses and fees collected on-behalf of the state.

Agency Funds – Combining Statement of Changes in Assets and Liabilities

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Statistical Section

This part of the Town of Duxbury's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

- These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Net Assets by Components

Changes in Net Assets

Fund Balances, Governmental Funds

Changes in Fund Balances, Governmental Funds

Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

Principal Taxpayers

Property Tax Levies and Collections

Ratios of Outstanding Debt and General Bonded Debt

Computation of Legal Debt Margin

Demographic and Economic Statistics

Principal Employers (excluding Town)

Full-time Equivalent Town Employees by Function

Operating Indicators by Function/Program

Capital Assets Statistics by Function/Program