

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 Board of Selectmen and an appointed Town Manager.

For financial reporting purposes, the Town has included all funds, organizations, account groups, 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. Exceptions are charges between the general fund and water enterprise fund. 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 *school renovations fund* is a capital projects fund used to account for financial resources to expand and upgrade the Town's school facilities.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to be used for general and/or capital purposes upon approval of Town Meeting.

The *pension trust fund* is a special revenue fund used to account for the accumulation of resources to meet future annual contributions to the County Retirement System.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds 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 and Trust Funds).

The *permanent fund* is 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.

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 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.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

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 six months 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 Excise

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.

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

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.

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 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 amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds - nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" 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 2004 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.

O. Post Retirement Benefits*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, the Town provides health insurance coverage for approximately 228 retired employees and their survivors. The Town recognizes the cost of providing health insurance by recording its shares of insurance premiums in the General Fund in the fiscal year paid. For the fiscal year ended June 30, 2003, this expenditure totaled approximately \$335,000.

P. 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.

Q. 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 ACCOUNTABILITYA. Fund Deficits

At June 30, 2003 the Internal Service Fund had a deficit of (\$2,066,825). This deficit will be funded through Town contributions.

At June 30, 2003, the School Renovations Major Governmental Fund had a deficit of (\$32,960,025). This deficit will be funded through future long-term borrowing.

At June 30, 2003, the Miscellaneous Capital Projects and the High School Sewage Capital Project funds classified within the Nonmajor Governmental Funds have deficit balances of (\$624,933) and (\$2,935,861) respectively. These deficits will be funded through future long-term borrowing.

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 combined balance sheet as "Cash and Short-term Investments". 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). In addition, there are various restrictions limiting the amount and length of deposits and investments.

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.

Short-term investments and investments are classified as to collateral risk into the following three categories:

- Category 1: Insured or registered, or securities held by the Town or its agent in the Town's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the Town's name.

At fiscal year-end, the carrying amount of deposits totaled \$18,364,256 and the bank balance totaled \$19,224,575. Of the bank balance, \$18,054,340 was covered by depository insurance and \$1,170,235 was uninsured and uncollateralized.

The following details the carrying amount of cash and short-term investments and investments as reported in the basic financial statements at June 30, 2003:

	Cash and Short-term Investments	Investments	Total
Checking, savings and NOW accounts.....	\$ 7,021,865	\$ -	\$ 7,021,865
Certificates of deposit.....	10,636,000	-	10,636,000
Money market deposits.....	<u>706,391</u>	<u>-</u>	<u>706,391</u>
Total carrying amount of cash.....	<u>18,364,256</u>	<u>-</u>	<u>18,364,256</u>
Investments not subject to categorization:			
MMDT.....	991,280	-	991,280
Mutual funds.....	<u>277,162</u>	<u>-</u>	<u>277,162</u>
Investments subject to categorization:			
Equity securities (Category 3).....	-	23	23
Fixed income securities (Category 3).....	<u>-</u>	<u>6,597,288</u>	<u>6,597,288</u>
Total investments.....	<u>1,268,442</u>	<u>6,597,311</u>	<u>7,865,753</u>
Total cash and short-term investments as reported on the balance sheet.....	<u>\$ 19,632,698</u>	<u>\$ 6,597,311</u>	<u>\$ 26,230,009</u>

NOTE 4 – RECEIVABLES

At June 30, 2003, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Personal property taxes.....	\$ 50,661	\$ (49,800)	\$ 861
Motor vehicle excise taxes.....	305,200	(171,200)	134,000
Boat excise taxes.....	<u>43,339</u>	<u>(41,400)</u>	<u>1,939</u>
Total.....	<u>\$ 399,200</u>	<u>\$ (262,400)</u>	<u>\$ 136,800</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	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 211,326	\$ -	\$ 211,326
Tax liens and foreclosures.....	911,590	-	911,590
Motor vehicle and other excise.....	135,941	-	135,941
User charges.....	4,892	-	4,892
Departmental and other.....	163,660	-	163,660
Intergovernmental.....	22,400,124	334,219	22,734,343
Community Preservation Act.....	-	7,929	7,929
Total.....	<u>\$ 23,827,533</u>	<u>\$ 342,148</u>	<u>\$ 24,169,681</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 24,877,267	\$ 2,405,000	\$ -	\$ 27,282,267
Construction in progress.....	19,059,402	16,229,456	(13,338,800)	21,950,058
Total capital assets not being depreciated.....	43,936,669	18,634,456	(13,338,800)	49,232,325
<u>Capital assets being depreciated:</u>				
Buildings.....	13,100,144	12,798,800	-	25,898,944
Infrastructure.....	12,997,909	269,368	(205,140)	13,062,137
Vehicles.....	4,137,440	787,694	-	4,925,134
Computers.....	1,237,337	602,059	(99,036)	1,740,360
Furniture, fixtures and equipment.....	741,020	280,000	-	1,021,020
Improvements.....	7,734,200	235,580	-	7,969,780
Library books.....	793,022	132,596	(71,397)	854,221
School books.....	971,789	323,688	(201,929)	1,093,548
Total capital assets being depreciated.....	41,712,861	15,429,785	(577,502)	56,565,144
<u>Less accumulated depreciation for:</u>				
Buildings.....	(5,209,673)	(411,206)	-	(5,620,879)
Infrastructure.....	(6,249,708)	(645,626)	205,140	(6,690,194)
Vehicles.....	(2,480,429)	(319,760)	-	(2,800,189)
Computers.....	(521,171)	(199,711)	99,036	(621,846)
Furniture, fixtures and equipment.....	(199,870)	(88,102)	-	(287,972)
Improvements.....	(2,854,413)	(374,425)	-	(3,228,838)
Library books.....	(357,035)	(71,397)	71,397	(357,035)
School books.....	(430,712)	(268,905)	201,929	(497,688)
Total accumulated depreciation.....	(18,303,011)	(2,379,132)	577,502	(20,104,641)
Total capital assets being depreciated, net.....	23,409,850	13,050,653	-	36,460,503
Total governmental activities capital assets, net.....	\$ 67,346,519	\$ 31,685,109	\$ (13,338,800)	\$ 85,692,828

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Fund Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 330,110	\$ -	\$ -	\$ 330,110
Construction in progress.....	1,597,323	326,276	(13,974)	1,909,625
Total capital assets not being depreciated.....	1,927,433	326,276	(13,974)	2,239,735
<u>Capital assets being depreciated:</u>				
Plant, facilities and infrastructure.....	10,703,024	-	-	10,703,024
Equipment and motor vehicles.....	86,629	13,974	-	100,603
Total capital assets being depreciated.....	10,789,653	13,974	-	10,803,627
<u>Less accumulated depreciation for:</u>				
Plant, facilities and infrastructure.....	(2,838,176)	(456,370)	-	(3,294,546)
Equipment and motor vehicles.....	(223,249)	(20,120)	-	(243,369)
Total accumulated depreciation.....	(3,061,425)	(476,490)	-	(3,537,915)
Total capital assets being depreciated, net.....	7,728,228	(462,516)	-	7,265,712
Total Water Enterprise capital assets being depreciated, net.....	\$ 9,655,661	\$ (136,240)	\$ (13,974)	\$ 9,505,447

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

Governmental Activities:

General government.....	\$ 60,328
Public safety.....	181,516
Education.....	989,093
Public works.....	642,221
Culture and recreation.....	505,974
Total depreciation expense - governmental activities.....	\$ 2,379,132

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2003, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Nonmajor Governmental Funds	Agency Funds	Total
General Fund.....	\$ -	\$ 50,000	\$ 14,000	\$ 64,000
Nonmajor Governmental Funds.....	325,764	-	-	325,764
Water Enterprise Fund.....	170,000	-	-	170,000
Total.....	<u>\$ 495,764</u>	<u>\$ 50,000</u>	<u>\$ 14,000</u>	<u>\$ 559,764</u>

NOTE 7 – CAPITAL LEASES

The Town has entered into a lease agreement to finance the acquisition of an energy management system used by the school system. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The following identifies the assets acquired capital lease agreements:

Asset:	Governmental Activities
Improvements.....	\$ 2,044,000
Less: accumulated depreciation.....	<u>(1,533,000)</u>
Total.....	<u>\$ 511,000</u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2003, are as follows:

Fiscal Years Ending June 30	Governmental Activities
2004.....	\$ 371,862
2005.....	<u>154,943</u>
Total minimum lease payments.....	526,805
Less: amounts representing interest.....	<u>(27,649)</u>
Present value of minimum lease payments.....	<u>\$ 499,156</u>

NOTE 8 – 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, 2003, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2002	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2003
<i>Governmental Funds</i>							
BAN	Pool Dehumidifaction.....	1.75-2.00%	01/15/04	\$ 153,000	\$ 153,000	\$ 153,000	\$ 153,000
BAN	Fire Pumper.....	2.50%	01/15/03	285,000	-	285,000	-
BAN	Fire Truck.....	1.42%	01/15/04	-	625,000	-	625,000
BAN	Snug Harbor/Bluefish.....	2.00%	01/15/03	78,000	-	78,000	-
BAN	Snug Harbor/Bluefish.....	2.50%	01/15/03	66,000	-	66,000	-
BAN	Snug Harbor/Bluefish.....	2.00%	01/15/03	51,500	-	51,500	-
BAN	Snug Harbor/Bluefish.....	2.00%	01/15/03	800,000	-	800,000	-
BAN	Alden School.....	1.75-2.00%	01/15/04	1,300,000	1,300,000	1,300,000	1,300,000
BAN	School Design.....	1.75-2.00%	01/15/04	14,132,123	14,132,123	14,132,123	14,132,123
BAN	School Design.....	1.75-2.00%	01/15/04	13,703,500	13,703,500	13,703,500	13,703,500
BAN	School Design.....	1.75-2.00%	01/15/04	-	9,799,584	-	9,799,584
BAN	Merry Land.....	2.50%	01/15/03	459,000	-	459,000	-
BAN	Millenium Green Land.....	2.50%	01/15/03	95,000	-	95,000	-
BAN	Land-Conservation.....	1.75-2.00%	01/15/04	-	1,544,000	1,144,000	400,000
BAN	High School Sewage Treatment.....	1.75-2.00%	01/15/04	1,533,000	1,533,000	1,533,000	1,533,000
BAN	High School Sewage Treatment.....	1.75-2.00%	01/15/04	1,567,000	1,567,000	1,567,000	1,567,000
BAN	MWPAT Title V.....	N/A	N/A	100,000	100,000	200,000	-
<i>Total Governmental Funds.....</i>				<u>\$ 34,323,123</u>	<u>\$ 44,457,207</u>	<u>\$ 35,567,123</u>	<u>\$ 43,213,207</u>
<i>Enterprise Fund</i>							
BAN	Water Projects.....	2.50%	01/15/03	101,878	-	101,878	-
BAN	Water Projects.....	2.50%	01/15/03	153,000	-	153,000	-
BAN	Water Projects.....	2.50%	01/15/03	408,000	-	408,000	-
BAN	Water Projects.....	1.42%	01/15/04	-	200,000	-	200,000
<i>Total Enterprise Fund.....</i>				<u>\$ 662,878</u>	<u>\$ 200,000</u>	<u>\$ 662,878</u>	<u>\$ 200,000</u>
<i>Total.....</i>				<u>\$ 34,986,001</u>	<u>\$ 44,657,207</u>	<u>\$ 36,230,001</u>	<u>\$ 43,413,207</u>

NOTE 9 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 2 1/2% 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, 2003, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2002	Issued	Redeemed	Outstanding at June 30, 2003
Road Improvements.....	4.42	\$ 30,000	\$ -	\$ 15,000	\$ 15,000
Departmental Equipment.....	4.45	195,000	-	55,000	140,000
Remodeling.....	4.45	100,000	-	40,000	60,000
School Equipment.....	4.43	60,000	-	20,000	40,000
DPW Building Construction.....	4.49	55,000	-	10,000	45,000
Seawall.....	4.42	30,000	-	15,000	15,000
Library.....	5.00	2,360,000	-	160,000	2,200,000
Dredging.....	5.00	70,000	-	20,000	50,000
Sewer Connections.....	5.00	60,000	-	10,000	50,000
MWPAT 1997.....	5.27	517,122	-	28,213	488,909
Land acquisition.....	3.89	1,090,000	-	160,000	930,000
Bridge.....	3.89	30,000	-	15,000	15,000
Equipment.....	3.89	30,000	-	15,000	15,000
Landfill.....	3.89	25,000	-	15,000	10,000
School.....	4.99	1,340,000	-	175,000	1,165,000
Fire Station.....	4.99	480,000	-	60,000	420,000
Senior Center.....	3.5-4.5	2,183,000	-	158,000	2,025,000
Equipment.....	3.5-4.5	250,000	-	85,000	165,000
Sidewalks.....	3.5-4.5	100,000	-	35,000	65,000
Ambulance.....	3.5-4.5	86,000	-	31,000	55,000
MWPAT 2001 Title V.....	4.50	184,804	-	10,872	173,932
Sewer.....	4.00	-	1,028,000	-	1,028,000
Land Acquisition.....	3.10	-	310,000	-	310,000
Departmental Equipment.....	2.80	-	285,000	-	285,000
MWPAT 2004 Title V.....	3.3-5.25	-	192,582	-	192,582
Total Bonds and Notes Payable.....		\$ 9,275,926	\$ 1,815,582	\$ 1,133,085	\$ 9,958,423

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

Fiscal Year	Principal	Interest	Total
2004.....	\$ 1,323,432	\$ 430,758	\$ 1,754,190
2005.....	1,206,138	357,045	1,563,183
2006.....	1,006,862	312,825	1,319,687
2007.....	842,906	274,337	1,117,243
2008.....	838,985	238,680	1,077,665
2009.....	804,860	203,219	1,008,079
2010.....	655,774	171,164	826,938
2011.....	446,513	141,363	587,876
2012.....	442,726	122,059	564,785
2013.....	438,792	112,391	551,183
2014.....	404,889	83,884	488,773
2015.....	401,053	65,140	466,193
2016.....	402,267	46,185	448,452
2017.....	403,518	26,897	430,415
2018.....	71,558	14,326	85,884
2019.....	66,558	11,156	77,714
2020.....	55,690	8,347	64,037
2021.....	55,902	5,777	61,679
2022.....	45,000	3,161	48,161
2023.....	45,000	1,057	46,057
Totals.....	\$ <u>9,958,423</u>	\$ <u>2,629,771</u>	\$ <u>12,588,194</u>

Bonds and Notes Payable Schedule – Enterprise Fund

Project	Interest Rate (&)	Outstanding at June 30, 2002	Issued	Redeemed	Outstanding at June 30, 2003
Water Projects.....	4.45	\$ 720,000	\$ -	\$ 180,000	\$ 540,000
Water Wells.....	5.00	20,000	-	20,000	-
Municipal Bond.....	3.89	2,075,000	-	225,000	1,850,000
Water.....	4.99	320,000	-	40,000	280,000
Water Projects.....	3.5 - 4.5	225,000	-	25,000	200,000
Water.....	3.10	-	623,000	-	623,000
Total Bonds and Notes Payable.....		\$ <u>3,360,000</u>	\$ <u>623,000</u>	\$ <u>490,000</u>	\$ <u>3,493,000</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>
2004.....	\$ 548,000	\$ 138,697	\$ 686,697
2005.....	540,000	107,289	647,289
2006.....	535,000	85,869	620,869
2007.....	350,000	68,429	418,429
2008.....	345,000	55,010	400,010
2009.....	345,000	41,485	386,485
2010.....	220,000	30,280	250,280
2011.....	180,000	21,310	201,310
2012.....	175,000	14,250	189,250
2013.....	155,000	7,542	162,542
2014.....	100,000	2,188	102,188
Totals.....	\$ <u>3,493,000</u>	\$ <u>572,349</u>	\$ <u>4,065,349</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 \$125,191 and interest costs for \$331,026. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$777,013. 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 2003 principal and interest subsidies totaled approximately \$6,000 and \$30,000, respectively.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the School Building Assistance Bureau, provides resources for construction costs and debt service interest of general obligation school bonds outstanding. During fiscal year 2003, approximately \$135,000 of such assistance was received. Approximately \$23,000,000 will be received in future fiscal years. Of this amount, approximately \$844,000 represents reimbursement of long-term interest costs, and \$21,669,964 represents reimbursement of approved construction costs. Accordingly, a \$21,669,964 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The net change in 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, 2003, the Town had the following authorized and unissued debt:

Purpose	Amount
Fire Alarm.....	\$ 500,000
New School Facilities.....	39,436,000
Percy Walker Pool (Recreation).....	153,000
Sewer Treatment Plant.....	3,100,000
Ladder Truck.....	625,000
Water Line Replacement.....	400,000
Delano Land Purchase.....	400,000
Animal Shelter.....	75,000
Water Wells.....	800,000
PCE Water.....	400,000
Total.....	<u>\$ 45,889,000</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2003, the following changes occurred in long-term liabilities:

	Balance June 30, 2002	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2003
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 9,275,926	\$ 1,815,582	\$ (1,133,085)	\$ -	\$ 9,958,423
Capital Lease.....	821,148	-	-	(321,992)	499,156
Compensated Absences.....	821,000	-	-	(19,000)	802,000
Total governmental activity long-term liabilities.....	<u>\$ 10,918,074</u>	<u>\$ 1,815,582</u>	<u>\$ (1,133,085)</u>	<u>\$ (340,992)</u>	<u>\$ 11,259,579</u>
Business-Type Activities:					
Long-Term Bonds and Notes.....	<u>\$ 3,360,000</u>	<u>\$ 623,000</u>	<u>\$ (490,000)</u>	<u>\$ -</u>	<u>\$ 3,493,000</u>

NOTE 10 - STABILIZATION AND PENSION TRUST FUNDS

Stabilization Fund – At June 30, 2003, \$1,463,808 has been set aside in a stabilization fund, which is classified as a major 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, 2003, \$1,685,337 has been set aside in a pension trust fund, which is classified as a major fund in the governmental funds financial statements. The pension trust fund is distinct and separate from the System information in Note 13. The purpose of the fund is to provide a reserve to meet future annual contributions to the System.

NOTE 11 – 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 new 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, 2003, the CPA fund has a balance of approximately \$410,000 and is reported as a major fund in the governmental funds financial statements.

NOTE 12 – 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 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 three month claims paid average. At June 30, 2003, the amount of the liability for health insurance claims totaled \$1,492,000. This liability is the Town's best estimate based on available information. Changes in the reported liability since July 1, 2001, 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 2002.....	958,000	4,582,624	(4,432,624)	1,108,000
Fiscal Year 2003.....	1,108,000	6,350,923	(5,966,923)	1,492,000

(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, 2003, the amount of the liability for workers' compensation claims was immaterial and is therefore not reported.

NOTE 13 - 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 approximately \$2,190,000 for the fiscal year ended June 30, 2003, 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, 2003, 2002, and 2001 were \$1,035,462, \$1,005,445, and \$968,352, respectively, which equaled its required contribution for each fiscal year.

Noncontributory Retirement Allowance - The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2003 totaled approximately \$34,000.

NOTE 14 - COMMITMENTS

The Town has authorized \$39,436,000 to be borrowed for major renovations to school facilities. The project is expected to be completed in fiscal year 2004. The Town has expended approximately \$36,400,000 on this project as of June 30, 2003. The Town anticipates receiving construction assistance equal to 67% of approved costs.

The Town has various other commitments totaling approximately \$6,453,000 for projects related to a sewer treatment plant, pool facilities, fire alarms, land purchases, an animal shelter and various water projects.

NOTE 15 - 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, 2003, 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, 2003, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2003.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2003, the following GASB pronouncements were implemented:

- Statement #34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- Statement #37, *Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments; Omnibus*
- Statement #38, *Certain Financial Statement Note Disclosures*
- Statement #41, *Budgetary Comparison Schedules – Perspective Differences, an amendment of GASB Statement #34*.

The pronouncements identified above are all related to the new financial reporting requirements as defined in Statement #34. Fiscal year 2003 is the required implementation date. The most significant changes required by the new financial reporting standards are as follows:

- Management’s discussion and analysis.
- Basic financial statements, which include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting.
 - Fund financial statements, consisting of a series of statements that focus on major governmental and enterprise funds.
 - Schedules to reconcile the fund financial statements to the government-wide financial statements.
 - Notes to the basic financial statements.

As a result of implementing these pronouncements, the following restatements have been made to beginning fund balances and net assets:

Fund Financial Statements

The following beginning fund balances have been restated to reflect the change in focus of reporting from generic fund types to major funds:

Description	6/30/2002 Previously Reported Balances	Reclass to Major and Nonmajor Funds	Reclass to Private Purpose Trust Funds	Record Accrued Interest	6/30/2002 Restated Balances
General Fund.....	\$ 6,145,262	\$ -	\$ -	\$ (196,817)	\$ 5,948,445
Special Revenue Fund.....	1,662,547	(1,662,547)	-	-	-
Capital Projects Fund.....	(19,972,705)	19,972,705	-	-	-
Expendable Trust Fund.....	3,507,117	(3,507,117)	-	-	-
Nonexpendable Trust Fund.....	2,670,315	(1,835,848)	(834,467)	-	-
Community Preservation Act.....	-	838,697	-	-	838,697
School Renovations.....	-	(16,652,314)	-	-	(16,652,314)
Stabilization.....	-	1,434,364	-	-	1,434,364
Pension Trust.....	-	1,542,812	-	-	1,542,812
Nonmajor Governmental Funds.....	-	(130,752)	-	-	(130,752)
Private Purpose Trust Fund.....	-	-	834,467	-	834,467
Total.....	\$ <u>(5,987,464)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(196,817)</u>	\$ <u>(6,184,281)</u>

Future Implementation of GASB Pronouncements

The GASB issued Statement #39, Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement #14, which is required to be implemented during fiscal year 2004. Management has yet to determine if this pronouncement will significantly impact the basic financial statements.

The GASB issued Statement #40, Deposit and Investment Risk Disclosures, an Amendment of GASB Statement #3, which is required to be implemented during fiscal year 2005. There will be no change in the financial statements as this GASB will only require changes to the note disclosure.