

**TOWN OF EASTON, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Easton, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 18, 2008 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
April 18, 2008

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

As management of the Town of Easton, we offer readers this narrative overview and analysis of the financial activities of the Town of Easton for the fiscal year ended June 30, 2007.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are composed of 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 our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, the enterprise fund is used to account for water and trash operations.

The Proprietary fund provides the same type of information as the business-type activities reported 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 statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

## B. FINANCIAL HIGHLIGHTS (in thousands)

- As of the close of the current fiscal year, total assets for governmental activities exceeded liabilities by \$ 88,792 (i.e., net assets), a change of \$ 26,722 in comparison with the prior year.
- As of the close of the current fiscal year, total assets for business-type activities exceeded liabilities by \$ 33,238 (i.e., net assets), a change of \$ 931 in comparison with the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 11,202, a change of \$ 18,424 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 2,642, a change of \$ 1,053 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 47,123, a change of \$ 21,757 in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 37,832	\$ 25,706	\$ 3,161	\$ 2,850	\$ 40,993	\$ 28,556
Capital assets	109,415	89,414	34,914	34,720	144,329	124,134
Total assets	<u>147,247</u>	<u>115,120</u>	<u>38,075</u>	<u>37,570</u>	<u>185,322</u>	<u>152,690</u>
Long-term liabilities	45,099	24,995	4,102	2,382	49,201	27,377
Notes payable	7,031	22,181	550	2,810	7,581	24,991
Other liabilities	6,325	5,874	186	71	6,511	5,945
Total liabilities	<u>58,455</u>	<u>53,050</u>	<u>4,838</u>	<u>5,263</u>	<u>63,293</u>	<u>58,313</u>
Net assets:						
Invested in capital assets, net of related debt	60,087	44,703	30,687	29,874	90,774	74,577
Restricted	9,549	8,448	-	-	9,549	8,448
Unrestricted	<u>19,156</u>	<u>8,919</u>	<u>2,550</u>	<u>2,432</u>	<u>21,706</u>	<u>11,351</u>
Total net assets	<u>\$ 88,792</u>	<u>\$ 62,070</u>	<u>\$ 33,237</u>	<u>\$ 32,306</u>	<u>\$ 122,029</u>	<u>\$ 94,376</u>

**CHANGES IN NET ASSETS**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues						
Charges for services	\$ 3,090	\$ 2,927	\$ 3,211	\$ 3,020	\$ 6,301	\$ 5,947
Operating grants and contributions	14,539	14,556	13	-	14,552	14,556
Capital grants and contributions	1,629	1,246	582	901	2,211	2,147
General revenues						
Property Taxes	34,235	31,661	-	-	34,235	31,661
Excises	2,767	3,262	-	-	2,767	3,262
Penalties, interest and other taxes	233	146	-	-	233	146
Grants and contributions not restricted to specific programs	29,181	32,652	-	-	29,181	32,652
Investment income	608	701	90	71	698	772
Other	1,336	1,491	-	-	1,336	1,491
Total revenues	<u>87,618</u>	<u>88,642</u>	<u>3,896</u>	<u>3,992</u>	<u>91,514</u>	<u>92,634</u>
Expenses:						
General government	11,247	10,177	-	-	11,247	10,177
Public safety	7,018	6,527	-	-	7,018	6,527
Education	35,343	32,148	-	-	35,343	32,148
Public works	3,486	2,338	-	-	3,486	2,338
Health and human services	690	565	-	-	690	565
Culture and recreation	1,351	805	-	-	1,351	805
Interest and costs	1,659	2,291	-	-	1,659	2,291
Intergovernmental	650	653	-	-	650	653
Water services	-	-	2,417	2,468	2,417	2,468
Total expenses	<u>61,444</u>	<u>55,504</u>	<u>2,417</u>	<u>2,468</u>	<u>63,861</u>	<u>57,972</u>
Change in net assets before transfers and loss	26,174	33,138	1,479	1,524	27,653	34,662
Transfer in (out)	<u>548</u>	<u>548</u>	<u>(548)</u>	<u>(548)</u>	<u>-</u>	<u>-</u>
Change in net assets	26,722	33,686	931	976	27,653	34,662
Net assets - beginning of year	<u>62,070</u>	<u>28,384</u>	<u>32,306</u>	<u>31,330</u>	<u>94,376</u>	<u>59,714</u>
Net assets - end of year	<u>\$ 88,792</u>	<u>\$ 62,070</u>	<u>\$ 33,237</u>	<u>\$ 32,306</u>	<u>\$ 122,029</u>	<u>\$ 94,376</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 122,029, a change of \$ 27,653 from the prior year.

The largest portion of net assets, \$ 90,774 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets, \$ 9,549 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 21,706 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 26,722. Key elements of this change are as follows (in thousands):

General fund excess of revenues over expenditures	\$ 1,444
General fund transfer in from Enterprise funds (indirect costs)	548
MSBA grants	25,762
Depreciation expense in excess of debt service principal payments	(404)
Increase in compensated absence liability	(107)
Other	<u>(521)</u>
Total	<u>\$ 26,722</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 931. The key element of this change increase was contributed assets from developers.

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of 11,202, a change of \$ 18,424 in comparison with the prior year. Most of this change was attributable to the expenditure of funds for school construction in the amount of \$ 21,231, the MSBA grant reimbursement for the construction of \$ 14,676, and the issuance of bonds for the school

construction project and the purchase of land by the CPA Fund in the amount of \$ 21,910.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 2,642, while total fund balance was \$ 5,282. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.7 percent of total general fund expenditures, while total fund balance represents 9.3 percent of that same amount.

The fund balance of the general fund changed by \$ 1,894 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and other surplus as a funding source	\$ (520)
Raising of prior year deficit	139
Revenues in excess of budget	356
Expenditures less than budget	1,593
Other	<u>326</u>
Total	<u>\$ 1,894</u>

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 2,550, a change of \$ 118 over the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 397. Major reasons for these amendments include:

- \$ 140 increase in various Town department budgets
- \$ 257 increase in capital outlay

This increase was principally funded from the use of free cash and transfers from other funds.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION (in thousands)**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 144,328 (net of accumulated depreciation), a change of \$ 20,212 from the prior year. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Construction in progress for the high school/middle school addition and renovation project of approximately \$ 21,278.
- Water infrastructure improvements of \$ 208, net.

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 47,123, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Easton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Town Accountant  
Town of Easton, Massachusetts  
136 Elm Street  
North Easton, Massachusetts 02356

## TOWN OF EASTON, MASSACHUSETTS

## STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 9,227,674	\$ 451,689	\$ 9,679,363
Investments	8,121,485	1,468,070	9,589,555
Receivables, net of allowance for uncollectibles:			
Property taxes	823,964	-	823,964
Excise	425,255	-	425,255
Charges for service	-	1,110,036	1,110,036
Betterments	49,379	59,969	109,348
Departmental and other	356,443	-	356,443
Intergovernmental	8,788,275	-	8,788,275
Inventories	-	71,388	71,388
Other assets	668	-	668
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	199,436	-	199,436
Intergovernmental	9,839,796	-	9,839,796
Capital assets, not being depreciated	76,417,259	2,885,012	79,302,271
Capital assets, being depreciated net of accumulated depreciation	<u>32,997,307</u>	<u>32,029,250</u>	<u>65,026,557</u>
<b>TOTAL ASSETS</b>	<b>147,246,941</b>	<b>38,075,414</b>	<b>185,322,355</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,736,871	134,013	1,870,884
Accrued liabilities	1,006,300	52,071	1,058,371
Notes payable	7,031,000	550,000	7,581,000
Other current liabilities	3,581,861	-	3,581,861
Current portion of long-term liabilities:			
Bonds payable	2,746,556	707,551	3,454,107
Accrued employee benefits	36,533	4,850	41,383
Estimated landfill closure and postclosure liability	50,000	-	50,000
Noncurrent:			
Bonds payable	40,372,174	3,296,979	43,669,153
Accrued employee benefits	694,119	92,141	786,260
Estimated landfill closure and postclosure liability	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>
<b>TOTAL LIABILITIES</b>	<b>58,455,414</b>	<b>4,837,605</b>	<b>63,293,019</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	60,086,592	30,687,554	90,774,146
Restricted for:			
Grants and other statutory restrictions	9,483,280	-	9,483,280
Permanent funds:			
Nonexpendable	45,881	-	45,881
Expendable	19,883	-	19,883
Unrestricted	<u>19,155,891</u>	<u>2,550,255</u>	<u>21,706,146</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>88,791,527</u></b>	<b>\$ <u>33,237,809</u></b>	<b>\$ <u>122,029,336</u></b>

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 11,246,890	\$ 275,347	\$ 63,487	\$ -	\$ (10,908,056)	\$ -	\$ (10,908,056)
Public safety	7,017,861	1,577,873	346,529	-	(5,093,459)	-	(5,093,459)
Education	35,343,314	938,793	13,969,020	1,245,934	(19,189,567)	-	(19,189,567)
Public works	3,486,226	1,512	-	383,285	(3,101,429)	-	(3,101,429)
Health and human services	690,271	128,518	125,643	-	(436,110)	-	(436,110)
Culture and recreation	1,350,858	168,325	34,334	-	(1,148,199)	-	(1,148,199)
Interest	1,659,339	-	-	-	(1,659,339)	-	(1,659,339)
Intergovernmental	650,143	-	-	-	(650,143)	-	(650,143)
Total Governmental Activities	61,444,902	3,090,368	14,539,013	1,629,219	(42,186,302)	-	(42,186,302)
<b>Business-Type Activity:</b>							
Water services	2,416,588	3,007,796	12,675	582,104	-	1,185,987	1,185,987
Trash services	-	203,170	-	-	-	203,170	203,170
Total Business-Type Activities	2,416,588	3,210,966	12,675	582,104	-	1,389,157	1,389,157
Total Primary Government	\$ 63,861,490	\$ 6,301,334	\$ 14,551,688	\$ 2,211,323	(42,186,302)	1,389,157	(40,797,145)
<b>General Revenues and Transfers:</b>							
Property taxes					34,235,188	-	34,235,188
Excises					2,766,536	-	2,766,536
Penalties, interest and other taxes					233,239	-	233,239
Grants and contributions not restricted to specific programs					29,180,593	-	29,180,593
Investment income					608,762	90,008	698,770
Miscellaneous					1,335,806	-	1,335,806
Transfers, net					547,753	(547,753)	-
Total general revenues and transfers					68,907,877	(457,745)	68,450,132
Change in Net Assets					26,721,575	931,412	27,652,987
<b>Net Assets:</b>							
Beginning of year, restated					62,069,952	32,306,397	94,376,349
End of year					\$ 88,791,527	\$ 33,237,809	\$ 122,029,336

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	<u>General</u>	Community Preservation <u>Fund</u>	School Building <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 4,611,473	\$ 232,788	\$ 438,183	\$ 3,945,230	\$ 9,227,674
Investments	-	6,268,407	-	1,853,078	8,121,485
Receivables:					
Property taxes	1,086,999	-	-	-	1,086,999
Excises	509,804	-	-	-	509,804
Betterments	-	-	-	49,379	49,379
Departmental	242,871	21,175	-	92,397	356,443
Intergovernmental	-	-	6,782,123	760,218	7,542,341
Due from other funds	1,991,451	-	-	-	1,991,451
Other assets	99	-	-	569	668
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 8,442,697</u>	<u>\$ 6,522,370</u>	<u>\$ 7,220,306</u>	<u>\$ 6,700,871</u>	<u>\$ 28,886,244</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Warrants payable	\$ 504,129	\$ -	\$ 1,162,108	\$ 70,634	\$ 1,736,871
Accrued liabilities	616,007	-	3,026,782	24,645	3,667,434
Deferred revenues	1,779,026	21,175	-	902,564	2,702,765
Notes payable	-	-	6,000,000	1,031,000	7,031,000
Due to other funds	-	-	1,991,451	-	1,991,451
Other liabilities	261,196	1,314	-	292,569	555,079
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	3,160,358	22,489	12,180,341	2,321,412	17,684,600
Fund Balances:					
Reserved for:					
Encumbrances	316,174	41,761	-	-	357,935
Continuing appropriations	272,989	-	-	-	272,989
Expenditures	901,558	-	-	-	901,558
Debt service	1,149,728	-	-	-	1,149,728
Permanent perpetual funds	-	-	-	45,881	45,881
Unreserved:					
Designated	-	1,683,323	-	-	1,683,323
Undesignated, reported in:					
General fund	2,641,890	-	-	-	2,641,890
Special revenue funds	-	4,774,797	-	4,522,939	9,297,736
Capital project funds	-	-	(4,960,035)	(209,244)	(5,169,279)
Permanent expendable funds	-	-	-	19,883	19,883
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>5,282,339</u>	<u>6,499,881</u>	<u>(4,960,035)</u>	<u>4,379,459</u>	<u>11,201,644</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,442,697</u>	<u>\$ 6,522,370</u>	<u>\$ 7,220,306</u>	<u>\$ 6,700,871</u>	<u>\$ 28,886,244</u>

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2007

<b>Total governmental fund balances</b>	\$ 11,201,644
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	109,414,566
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	13,640,347
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(365,648)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(45,099,382)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 88,791,527</u></u>

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Community Preservation Fund</u>	<u>School Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 35,997,921	\$ 823,715	\$ -	\$ 6,767	\$ 36,828,403
Excises	2,771,420	-	-	-	2,771,420
Departmental	522,810	-	-	1,596,839	2,119,649
Licenses and permits	864,000	-	-	-	864,000
Fines and forfeitures	230,939	2,300	-	-	233,239
Intergovernmental	16,684,193	693,938	14,675,733	2,209,230	34,263,094
Investment income	334,376	141,062	-	133,323	608,761
Other	408,996	9,340	-	797,669	1,216,005
Total Revenues	<u>57,814,655</u>	<u>1,670,355</u>	<u>14,675,733</u>	<u>4,743,828</u>	<u>78,904,571</u>
<b>Expenditures:</b>					
Current:					
General government	11,043,283	52,335	-	116,580	11,212,198
Public safety	6,135,243	-	-	540,645	6,675,888
Education	31,739,891	-	21,230,993	2,799,407	55,770,291
Public works	2,588,243	-	-	821,185	3,409,428
Human services	637,453	-	-	40,896	678,349
Culture and recreation	444,985	-	-	891,212	1,336,197
Debt service	3,131,230	74,630	-	-	3,205,860
Intergovernmental	650,143	-	-	-	650,143
Total Expenditures	<u>56,370,471</u>	<u>126,965</u>	<u>21,230,993</u>	<u>5,209,925</u>	<u>82,938,354</u>
Excess (deficiency) of revenues over expenditures	1,444,184	1,543,390	(6,555,260)	(466,097)	(4,033,783)
<b>Other Financing Sources (Uses):</b>					
Proceeds of refunding	14,285,000	-	-	-	14,285,000
Payment to refunded bond escrow agent	(14,732,683)	-	-	-	(14,732,683)
Premium, net of issuance costs	447,683	-	-	-	447,683
Issuance of debt	-	1,420,000	20,000,000	490,000	21,910,000
Transfers in	1,260,674	-	-	811,000	2,071,674
Transfers out	(811,000)	-	-	(712,921)	(1,523,921)
Total Other Financing Sources (Uses)	<u>449,674</u>	<u>1,420,000</u>	<u>20,000,000</u>	<u>588,079</u>	<u>22,457,753</u>
Change in fund balance	1,893,858	2,963,390	13,444,740	121,982	18,423,970
Fund Balance, at Beginning of Year	<u>3,388,481</u>	<u>3,536,491</u>	<u>(18,404,775)</u>	<u>4,257,477</u>	<u>(7,222,326)</u>
Fund Balance, at End of Year	<u>\$ 5,282,339</u>	<u>\$ 6,499,881</u>	<u>\$ (4,960,035)</u>	<u>\$ 4,379,459</u>	<u>\$ 11,201,644</u>

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2007

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 18,423,970</b>																
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">22,151,188</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,146,926)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(2,491,379)</td> </tr> </table> </li> <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">11,085,730</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(21,910,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">1,743,173</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(196,652)</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities such as compensated absences and landfill postclosure liabilities, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">62,471</td> </tr> </table> </li> </ul>		Capital outlay purchases	22,151,188	Depreciation	(2,146,926)		(2,491,379)		11,085,730	Issuance of debt	(21,910,000)	Repayments of debt	1,743,173		(196,652)		62,471
Capital outlay purchases	22,151,188																
Depreciation	(2,146,926)																
	(2,491,379)																
	11,085,730																
Issuance of debt	(21,910,000)																
Repayments of debt	1,743,173																
	(196,652)																
	62,471																
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>26,721,575</u></b>																

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 35,633,966	\$ 35,633,966	\$ 35,633,966	\$ -
Motor vehicle excise	3,025,000	3,025,000	2,771,420	(253,580)
Licenses, permits and fees	1,300,000	1,300,000	1,386,810	86,810
Fines and forfeitures	195,000	195,000	230,939	35,939
Intergovernmental	12,442,913	12,442,913	12,426,935	(15,978)
Investment income	250,000	250,000	334,376	84,376
Other revenue	75,000	75,000	408,996	333,996
Transfers in	990,888	1,176,677	1,260,674	83,997
Use of free cash and fund balance	309,000	520,316	520,316	-
<b>Total Revenues and Other Sources</b>	<b>54,221,767</b>	<b>54,618,872</b>	<b>54,974,432</b>	<b>355,560</b>
<b>Expenditures and Other Uses:</b>				
General government	11,402,820	11,482,156	11,012,696	469,460
Public safety	6,133,490	6,133,490	6,032,379	101,111
Education	27,492,920	27,584,222	27,584,222	-
Public works	2,438,598	2,453,598	2,444,835	8,763
Health and human services	598,378	644,427	640,296	4,131
Culture and recreation	482,290	482,290	445,002	37,288
Capital outlay	185,000	441,720	393,840	47,880
Debt service	4,069,954	3,978,652	3,088,664	889,988
Intergovernmental	684,209	684,209	650,143	34,066
Transfers out	595,000	595,000	595,000	-
Other uses	139,108	139,108	139,108	-
<b>Total Expenditures and Other Uses</b>	<b>54,221,767</b>	<b>54,618,872</b>	<b>53,026,185</b>	<b>1,592,687</b>
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,948,247	\$ 1,948,247

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-Type Activities Enterprise Fund		
	Water Fund	Nonmajor Fund	Total
<b><u>ASSETS</u></b>			
Current:			
Cash and short-term investments	\$ 280,113	\$ 171,576	\$ 451,689
Investments	1,468,070	-	1,468,070
Receivables:			
Charges for service, net of allowance for uncollectibles	1,078,442	31,594	1,110,036
Betterments	59,969	-	59,969
Inventory	71,388	-	71,388
Total current assets	2,957,982	203,170	3,161,152
Noncurrent:			
Capital assets, not being depreciated	2,885,012	-	2,885,012
Capital assets being depreciated, net of accumulated depreciation	32,029,250	-	32,029,250
Total noncurrent assets	34,914,262	-	34,914,262
<b>TOTAL ASSETS</b>	37,872,244	203,170	38,075,414
<b><u>LIABILITIES</u></b>			
Current:			
Warrants payable	134,013	-	134,013
Accrued liabilities	52,071	-	52,071
Notes payable	550,000	-	550,000
Current portion of long-term liabilities:			
Bonds payable	707,551	-	707,551
Accrued employee benefits	4,850	-	4,850
Total current liabilities	1,448,485	-	1,448,485
Noncurrent:			
Bonds payable	3,296,979	-	3,296,979
Accrued employee benefits	92,141	-	92,141
Total noncurrent liabilities	3,389,120	-	3,389,120
<b>TOTAL LIABILITIES</b>	4,837,605	-	4,837,605
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	30,687,554	-	30,687,554
Unrestricted	2,347,085	203,170	2,550,255
<b>TOTAL NET ASSETS</b>	<b>\$ 33,034,639</b>	<b>\$ 203,170</b>	<b>\$ 33,237,809</b>

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Fund		
	Water Fund	Nonmajor Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 2,957,818	\$ 203,170	\$ 3,160,988
Other	<u>49,978</u>	<u>-</u>	<u>49,978</u>
Total Operating Revenues	3,007,796	203,170	3,210,966
<b>Operating Expenses:</b>			
Personnel services	797,972	-	797,972
Purchase of services	669,234	-	669,234
Depreciation	<u>756,224</u>	<u>-</u>	<u>756,224</u>
Total Operating Expenses	<u>2,223,430</u>	<u>-</u>	<u>2,223,430</u>
Operating Income	784,366	203,170	987,536
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	12,675	-	12,675
Contributions	582,104	-	582,104
Investment income	90,008	-	90,008
Interest expense	<u>(193,158)</u>	<u>-</u>	<u>(193,158)</u>
Total Nonoperating Revenues (Expenses), Net	<u>491,629</u>	<u>-</u>	<u>491,629</u>
Income Before Transfers	1,275,995	203,170	1,479,165
<b>Transfers:</b>			
Transfers out	<u>(547,753)</u>	<u>-</u>	<u>(547,753)</u>
Change in Net Assets	728,242	203,170	931,412
Net Assets at Beginning of Year	<u>32,306,397</u>	<u>-</u>	<u>32,306,397</u>
Net Assets at End of Year	<u>\$ 33,034,639</u>	<u>\$ 203,170</u>	<u>\$ 33,237,809</u>

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Fund	Nonmajor Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 2,891,984	\$ 171,576	\$ 3,063,560
Payments to vendors and employees	<u>(1,334,561)</u>	<u>-</u>	<u>(1,334,561)</u>
Net Cash Provided By (Used For) Operating Activities	1,557,423	171,576	1,728,999
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Intergovernmental	12,675	-	12,675
Transfers out	<u>(547,753)</u>	<u>-</u>	<u>(547,753)</u>
Net Cash (Used For) Noncapital Financing Activities	(535,078)	-	(535,078)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	(368,757)	-	(368,757)
Proceeds from issuance of bonds and notes	2,735,000	-	2,735,000
Principal payments on bonds and notes	(3,300,827)	-	(3,300,827)
Interest expense	<u>(181,113)</u>	<u>-</u>	<u>(181,113)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(1,115,697)	-	(1,115,697)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	<u>90,008</u>	<u>-</u>	<u>90,008</u>
Net Cash Provided By Investing Activities	<u>90,008</u>	<u>-</u>	<u>90,008</u>
Net Change in Cash and Short-Term Investments	(3,344)	171,576	168,232
Cash and Short-Term Investments, Beginning of Year	<u>283,457</u>	<u>-</u>	<u>283,457</u>
Cash and Short-Term Investments, End of Year	<u>\$ 280,113</u>	<u>\$ 171,576</u>	<u>\$ 451,689</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>			
Operating income	\$ 784,366	\$ 203,170	\$ 987,536
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	756,224	-	756,224
Changes in assets and liabilities:			
Receivables	(115,812)	(31,594)	(147,406)
Other assets	4,602	-	4,602
Warrants payable	100,048	-	100,048
Accrued liabilities	<u>27,995</u>	<u>-</u>	<u>27,995</u>
Net Cash Provided By Operating Activities	<u>\$ 1,557,423</u>	<u>\$ 171,576</u>	<u>\$ 1,728,999</u>

See notes to financial statements.

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

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 17,539	\$ 1,394,874
Investments	<u>180,572</u>	<u>-</u>
Total Assets	198,111	1,394,874
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Other liabilities	<u>-</u>	<u>1,394,874</u>
Total Liabilities	<u>-</u>	<u>1,394,874</u>
 <b><u>NET ASSETS</u></b>		
Total net assets held in trust	\$ <u><u>198,111</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF EASTON, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment income	\$ <u>25,195</u>
Total additions	25,195
<b>Deductions:</b>	
Other	<u>5,300</u>
Total deductions	<u>5,300</u>
Net increase	19,895
<b>Net assets:</b>	
Beginning of year	<u>178,216</u>
End of year	\$ <u><u>198,111</u></u>

See notes to financial statements.

# TOWN OF EASTON, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

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

##### Government-Wide Financial Statements

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

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

##### Fund Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *Community Preservation Fund* - This fund accounts for activity associated with the Commonwealth's Community Preservation Act.
- The *School Building Fund* - This fund accounts for activity associated with the Oliver Ames High School and Easton Junior High School renovation/construction projects.

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

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

The government reports the following major proprietary funds:

- Water Enterprise Fund

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

The agency funds account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

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

*E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

*F. Property Tax Limitations*

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2007 tax levy reflected an excess capacity of approximately \$ 1,061.

*G. Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

*H. Capital Assets*

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Infrastructure	50
Vehicles	3 - 5
Office equipment	3 - 10
Computer equipment	3 - 5
Furnishings	5

*I. Compensated Absences*

The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds if they have matured, for example, as a result of employee resignations and retirements; otherwise, the liability is appropriately reported in the government-wide statements.

*J. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

*K. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance and Accountability**

A. Budgetary Information

At the annual town meeting, the Town Administrator presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to their total budget as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items, encumbrances and special appropriations, which will be honored during the subsequent year.

B. Budgetary Basis

The budgetary data for the general is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with

budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 57,814,655	\$ 56,370,471
Other financing sources/uses (GAAP Basis)	<u>1,260,674</u>	<u>811,000</u>
Subtotal (GAAP Basis)	59,075,329	57,181,471
To adjust property tax revenue to the budgetary basis	(303,307)	-
To reverse expenditures of prior year appropriation carryforwards	-	(1,145,494)
To book current year appropriation carryforwards	-	519,285
To record raising of prior year's overlay deficits	-	139,108
To record use of free cash and and other sources	520,316	-
To reverse GASB 24 MTRS	(4,257,258)	(4,257,258)
To reverse accrued interest	-	589,073
Other timing issues	<u>(60,648)</u>	<u>-</u>
Budgetary Basis	<u>\$ 54,974,432</u>	<u>\$ 53,026,185</u>

**C. Deficit Fund Equity**

The following funds had deficits as of June 30, 2007:

Library Addition/Renovation	\$ ( 664,000)
Chapter 90 Highway	\$ ( 366,807)
School Building Major Fund	\$ (4,960,035)

The Town also reflects several other small special revenue and capital project fund deficits, primarily caused by grant expenses occurring in advance of grant reimbursements and the use of bond anticipation notes to finance construction activities.

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

### 3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts general law Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2007, \$ 10,758,000 of the Town's bank balance of \$ 13,019,303 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

### 4. Investments

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year end for each investment of the Town:

<u>Investment Type</u>	Fair <u>Value</u>	Exempt From <u>Disclosure</u>	<u>Rating as of Year End</u>	
			<u>Aaa</u>	<u>Aa</u>
U.S. Treasury notes	\$ 147,550	\$ -	\$ 147,550	\$ -
Certificates of deposits	48,000	48,000	-	-
Corporate bonds	249,503	-	-	249,503
Mutual funds	132,572	132,572	-	-
Federal agency securities	<u>9,192,502</u>	<u>-</u>	<u>9,192,502</u>	<u>-</u>
Total investments	<u>\$ 9,770,127</u>	<u>\$ 180,572</u>	<u>\$ 9,340,052</u>	<u>\$ 249,503</u>

*B. Custodial Credit Risk*

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

*C. Concentration of Credit Risk*

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

Federal Home Loan Mortgage	\$ 2,944,845
Federal National Mortgage Association	\$ 2,465,170
Federal Home Loan Bank	\$ 3,487,923

*D. Interest Rate Risk*

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

	Fair		
Debt Related Securities:	<u>Value</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury notes	\$ 147,550	\$ 147,550	\$ -
Corporate bonds	249,503	249,503	-
Federal agency securities	<u>9,192,502</u>	<u>8,680,363</u>	<u>512,139</u>
Total	<u>\$ 9,589,555</u>	<u>\$ 9,077,416</u>	<u>\$ 512,139</u>

*E. Foreign Currency Risk*

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

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor’s for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

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

Taxes receivable at June 30, 2007 consist of the following (in thousands):

Real Estate		\$ 488
Personal Property		
2007	1	
2006	6	
Prior	<u>11</u>	
		18
Deferred Taxes		7
Tax Liens/Tax Title		<u>574</u>
Total		<u>\$ 1,087</u>

**6. Allowance for Doubtful Accounts**

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 64	\$ -
Excises	84	-
Utilities	-	75

**7. Intergovernmental Receivables**

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

Chapter 90 highway funds. The receivable in the School Building Fund represents amounts that will be received from the Massachusetts School Building Authority.

## 8. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 34,029	\$ 20	\$ -	\$ 34,049
Machinery, equipment, and furnishings	5,457	322	-	5,779
Infrastructure	<u>30,282</u>	<u>531</u>	<u>-</u>	<u>30,813</u>
Total capital assets, being depreciated	69,768	873	-	70,641
Less accumulated depreciation for:				
Buildings and improvements	(16,295)	(1,058)	-	(17,353)
Machinery, equipment, and furnishings	(3,638)	(361)	-	(3,999)
Infrastructure	<u>(15,564)</u>	<u>(728)</u>	<u>-</u>	<u>(16,292)</u>
Total accumulated depreciation	<u>(35,497)</u>	<u>(2,147)</u>	<u>-</u>	<u>(37,644)</u>
Total capital assets, being depreciated, net	34,271	(1,274)	-	32,997
Capital assets, not being depreciated:				
Land	7,713	-	-	7,713
Construction in progress	<u>47,426</u>	<u>21,278</u>	<u>-</u>	<u>68,704</u>
Total capital assets, not being depreciated	<u>55,139</u>	<u>21,278</u>	<u>-</u>	<u>76,417</u>
Governmental activities capital assets, net	<u>\$ 89,410</u>	<u>\$ 20,004</u>	<u>\$ -</u>	<u>\$ 109,414</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 390	\$ -	\$ -	\$ 390
Machinery, equipment, and furnishings	1,492	114	(98)	1,508
Infrastructure	<u>39,713</u>	<u>853</u>	<u>-</u>	<u>40,566</u>
Total capital assets, being depreciated	41,595	967	(98)	42,464
Less accumulated depreciation for:				
Buildings and improvements	(211)	(11)	-	(222)
Machinery, equipment, and furnishings	(427)	(110)	95	(442)
Infrastructure	<u>(9,136)</u>	<u>(635)</u>	<u>-</u>	<u>(9,771)</u>
Total accumulated depreciation	<u>(9,774)</u>	<u>(756)</u>	<u>95</u>	<u>(10,435)</u>
Total capital assets, being depreciated, net	31,821	211	(3)	32,029
Capital assets, not being depreciated:				
Land	2,885	-	-	2,885
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,885</u>	<u>-</u>	<u>-</u>	<u>2,885</u>
Business-type activities capital assets, net	<u>\$ 34,706</u>	<u>\$ 211</u>	<u>\$ (3)</u>	<u>\$ 34,914</u>

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

<b>Governmental Activities:</b>	
General government	\$ 28
Public safety	386
Education	851
Public works	862
Health and human services	15
Culture and recreation	<u>5</u>
Total depreciation expense - governmental activities	<u>\$ 2,147</u>
<b>Business-Type Activities:</b>	
Water	<u>\$ 756</u>
Total depreciation expense - business-type activities	<u>\$ 756</u>

## 9. Warrants Payable

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

## 10. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

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

## 11. Anticipation Notes Payable

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
OAHS/EJHS project	\$ 20,000,000	\$ 6,000,000	\$ 20,000,000	\$ 6,000,000
Purchase ambulance	78,000	-	78,000	-
Pumper truck	250,000	-	250,000	-
Purchase police cruisers	38,000	-	38,000	-
Road repairs	340,000	-	340,000	-
CPA dean st land	1,475,000	-	1,475,000	-
Washington st tank painting	550,000	-	550,000	-
Town well	900,000	-	900,000	-
Water UV disinfection equip	120,000	-	120,000	-
Water meters	540,000	-	540,000	-
Land on Bay Road	700,000	100,000	700,000	100,000
School electrical updates	-	367,000	-	367,000
Library grant repayment	-	664,000	-	664,000
Bay Road tank repainting	-	450,000	-	450,000
Total	<u>\$ 24,991,000</u>	<u>\$ 7,581,000</u>	<u>\$ 24,991,000</u>	<u>\$ 7,581,000</u>

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

	Interest Rate	Date of Issue	Date of Maturity	Balance at June 30, 2007
OAHS/EJHS project	3.69%	05/03/07	04/25/08	\$ 6,000,000
School electrical updates	3.69%	05/03/07	04/25/08	367,000
Library grant repayments, etc.	3.69%	05/03/07	04/25/08	664,000
Bay Road tank repainting	3.69%	05/03/07	04/25/08	450,000
Land Bay Road	3.99%	10/24/06	10/19/07	<u>100,000</u>
Total				<u>\$ 7,581,000</u>

## 12. Long-Term Debt

### A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2007</u>
Four school roofs	2008	4/30 - 6.00	\$ 75,000
Concom land - Elm Street	2009	3.85 - 4.75	31,400
Concom land - Poquanticut	2009	3.85 - 4.75	29,400
Land acquisition	2012	4.40 - 6.00	236,000
Land conservation	2012	4.40 - 6.00	263,671
Landfill closure	2017	3.25 - 4.50	810,000
MWPAT sewer loan	2020	-	99,371
Library addition	2011	4.60 - 6.00	160,000
Landfill closure	2011	4.60 - 6.00	380,000
Foundry street	2011	4.60 - 6.00	60,000
Concom land - Lewis Farms	2011	4.60 - 6.00	20,000
Landfill closure	2023	3.00 - 4.20	1,920,000
School Planning	2023	3.00 - 4.20	2,635,000
MWPAT wastewater study	2023	3.00 - 5.00	203,888
Library refunded	2019	4.00 - 5.00	307,425
Landfill closure - refunded	2020	4.00 - 5.00	876,740
foundry street - refunded	2011	4.00 - 5.00	139,420
Concom Ind - Lewis Farms refunded	2020	4.00 - 5.00	46,415
Capital budget - roads and sidewalks	2011	4.00 - 5.00	490,000
School construction	2026	4.00 - 5.00	20,000,000
School construction - refunded	2018	4.00 - 5.00	12,915,000
Dean street land purchase	2026	4.00 - 5.00	<u>1,420,000</u>
Total Governmental Activities:			<u>\$ 43,118,730</u>

<u>Business-Type Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s)%</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>June 30, 2007</u>
Well and pumping station	2008	4.30 - 6.00	\$ 30,000
Water mains	2008	4.30 - 6.00	20,000
Land - Freeman	2009	3.85 - 4.75	99,200
Water mains	2009	3.85 - 4.75	140,000
HVAC remodeling	2011	4.60 - 6.00	80,000
Water - Town well	2011	4.60 - 6.00	80,000
Water mains	2013	3.00 - 3.40	660,000
Water mains	2013	3.00 - 3.40	180,000
Water UV equipment	2011	3.75 - 4.50	220,000
Land - Freitas	2017	3.75 - 4.50	200,000
Land conservation	2012	4.40 - 6.00	110,330
Water UV equipment	2008	4.00 - 5.00	45,000
Town well	2016	4.00 - 5.00	750,000
Water meters	2015	4.00 - 5.00	480,000
Water tank painting	2016	4.00 - 5.00	345,000
Bay Road land acquisition	2026	4.00 - 5.00	<u>565,000</u>
Total Business-Type Activities:			\$ <u><u>4,004,530</u></u>

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,746,556	\$ 1,801,965	\$ 4,548,521
2009	2,791,762	1,680,678	4,472,440
2010	2,788,145	1,563,079	4,351,224
2011	2,798,515	1,452,066	4,250,581
2012	2,773,843	1,341,482	4,115,325
2013 - 2017	13,789,426	4,928,436	18,717,862
2018 - 2022	9,123,354	2,188,239	11,311,593
2023 - 2027	<u>6,307,129</u>	<u>526,521</u>	<u>6,833,650</u>
Total	\$ <u><u>43,118,730</u></u>	\$ <u><u>15,482,466</u></u>	\$ <u><u>58,601,196</u></u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 707,551	\$ 156,653	\$ 864,204
2009	612,551	128,692	741,243
2010	491,476	103,563	595,039
2011	491,476	84,911	576,387
2012	396,476	66,874	463,350
2013 - 2017	1,040,000	146,236	1,186,236
2018 - 2022	150,000	39,731	189,731
2023 - 2027	115,000	9,234	124,234
Total	\$ <u>4,004,530</u>	\$ <u>735,894</u>	\$ <u>4,740,424</u>

**C. Changes in General Long-Term Liabilities**

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

	Total Balance 7/1/06	Additions	Reductions	Refunding	Total Balance 6/30/07	Less Current Portion	Equals Long-Term Portion 6/30/07
<u>Governmental Activities</u>							
General obligation debt	\$ 23,057	\$ 21,910	\$ (1,743)	\$ (105)	\$ 43,119	\$ (2,747)	\$ 40,372
Accrued employee benefits	623	108	-	-	731	(37)	694
Landfill closure	1,300	-	(50)	-	1,250	(50)	1,200
Totals	\$ <u>24,980</u>	\$ <u>22,018</u>	\$ <u>(1,793)</u>	\$ <u>(105)</u>	\$ <u>45,100</u>	\$ <u>(2,834)</u>	\$ <u>42,266</u>

	Total Balance 7/1/06	Additions	Reductions	Total Balance 6/30/07	Less Current Portion	Equals Long-Term Portion 6/30/07
<u>Business-Type Activities</u>						
Bonds payable	\$ 2,310	\$ 2,185	\$ (490)	\$ 4,005	\$ (708)	\$ 3,297
Accrued employee benefits	72	25	-	97	(5)	92
Totals	\$ <u>2,382</u>	\$ <u>2,210</u>	\$ <u>(490)</u>	\$ <u>4,102</u>	\$ <u>(713)</u>	\$ <u>3,389</u>

**D. Advance and Current Refundings**

Current Year

On October 15, 2006 the Town issued general obligation bonds in the amount of \$ 14,285,000 with a variable interest rate ranging from 3.480% to 4.120% to advance refund \$ 14,390,000 of term bonds. The general obligation bonds were issued at 3.966% and, after reoffering premium of

\$ 611,955 and paying issuance costs of \$ 164,272, the net proceeds were \$ 14,732,683. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on August 2019. The advance refunding met the requirements of an in-substance debt defeasance, and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$ 772,601, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 550,632.

Defeased debt still outstanding at June 30, 2007 is \$ 14,390,000.

### **13. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In 2002, the Town authorized borrowing \$ 2,400,000 to fund the expected costs of re-capping and monitoring of the landfill.

The \$ 1,250,000 reported as landfill closure and postclosure care liability at June 30, 2007 represents what it would cost to perform all closure and post-closure care remaining on the closed landfill site in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. (See Note 16).

### **14. Restricted Net Assets**

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

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

Net assets restricted for other purposes represent the community preservation act fund, federal and state grants, and restricted gift net assets.

## 15. Reserves and Designations of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use. Fund “designations,” which are not legally required segregations, have also been established to indicate tentative plans for future financial utilization.

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

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

Reserved for Continuing Appropriations - Represents the amount of fund balance reserved for capital articles to be expended in subsequent years.

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

Reserved for Debt Service - Represents the amount of fund balance appropriated to be used for debt service expenditures in the subsequent year budget.

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

Unreserved/Designated - Represents the amount of fund balance designated for use under the Community Preservation Act.

## 16. Commitments and Contingencies

Landfill - The Town of Easton has been in violation of an administrative consent order and subsequent agreements with the Massachusetts Department of Environmental Protection (DEP) that required the Easton Landfill to be capped by December 1999. The Town completed capping the landfill during fiscal year 2004.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town’s management is of the opinion that the potential

future settlement of such claims would not materially affect its financial statements taken as a whole.

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

## **17. Post-Employment Health Care and Life Insurance Benefits**

The Town's employee contracts provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. As of June 30, 2007, the number of retirees, including eligible spouses, receiving health care benefits and the total costs were unavailable. The Town recognizes the cost of providing these benefits as paid.

## **18. Pension Plan**

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

### **A. Plan Description**

The Town contributes to the Bristol County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Bristol County Retirement System, 645 County Street, County Crossing, Taunton, Massachusetts 02780.

### **B. Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the

Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$ 1,800,534 \$ 1,632,510, and \$ 1,722,719, respectively, which were equal to its annual required contributions for each of these years.

### C. Teachers

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

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

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

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

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

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

In fiscal year 2007, the Commonwealth of Massachusetts contributed \$ 4,257,258 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 19. Risk Management

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

**20. Beginning Net Assets Restatement**

The beginning (July 1, 2006) net assets of the Town have been restated as follows (in thousands):

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ 48,875,339
Prior period adjustments - to include retroactive infrastructure capital assets, net of accumulated depreciation	<u>13,194,613</u>
As restated	<u><u>\$ 62,069,952</u></u>