

TOWN OF DOUGLAS, MASSACHUSETTS

BASIC FINANCIAL STATEMENTS

WITH ACCOMPANYING INFORMATION

YEAR ENDED JUNE 30, 2004

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF DOUGLAS, MASSACHUSETTS

BASIC FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (unaudited)	3 - 11

Basic Financial Statements

Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Government Funds:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - General Fund	18
Proprietary Funds:	
Statement of Net Assets	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Assets	22
Statement of Changes in Fiduciary Net Assets	23
Index to Notes to Basic Financial Statements	24
Notes to Basic Financial Statements	25 - 42

Accompanying Information

Independent Auditor's Report on Accompanying Information	43
Schedule of Treasurer's Cash	44

INDEPENDENT AUDITORS' REPORT

The Honorable Board of Selectmen
Town of Douglas, 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 Douglas, Massachusetts as of and for the year ended June 30, 2004, 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 Douglas'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 misstatements. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Town of Douglas, Massachusetts at June 30, 2004, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Town's basic financial statements. The combining and individual fund financial statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a separate report dated December 16, 2004, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Borgatti Harrison & Co

Borgatti Harrison & Co.

Framingham, Massachusetts
December 16, 2004

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

As management of the Town of Douglas (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Douglas for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements, which begin on page 12 of this report.

Overview of the Financial Statements

Previously local government financial statements have been presented on a fund-type basis reporting only current financial information. For Fiscal Year 2003 and forward this approach has been modified to present two types of statements each with a different view of Town's finances. These statements focus on both the Town as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government. An additional part of the basic financial statements are the notes in the financial statements. This report also includes other required supplementary information in addition to the basic financial statements.

Government-Wide Statements

The government-wide statements report information about the Town as a whole, with the exception of Fiduciary activities, and use accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the full accrual basis of accounting. All revenues and expenses connected with the fiscal year are considered even if cash has not been received or disbursed. The government-wide financial statements include two statements:

Statement of net assets – Presents all the government's assets and liabilities, with the difference being reported as "net assets". The amount of net assets is widely considered a good measure of the Town's financial health as increases and decreases in the Town's net assets serves as a useful indicator of whether the financial position is improving or deteriorating. The reader should consider other non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, to assess the overall health of the Town.

Statement of activities – Presents the 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 occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods, i.e., uncollected taxes or earned but unused sick and vacation time. This statement also presents a comparison between direct expenses and program revenues for each function of the Town. In the government-wide statements, financial information is presented in

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

three columns to summarize the Town's programs or activities. The types of activities presented are as follows:

Governmental Activities – Taxes and intergovernmental revenues primarily support the government and are reported in this section, i.e. federal and state grants. Most of the Town's basic services are reported here including general government, public safety, public works, recreation, library, schools, human services, public health programs, judgment and claims, retirement costs, state and district assessments, debt service and other employee benefits.

Business-type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of good and services. The Water and Sewer Fund operation is considered a business-type activity.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statement presentation to be most familiar. A fund is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities. The Town uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements.

All of the funds of the Town can be divided into three categories as follows:

Governmental Funds – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating the Town's near-term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

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 to governmental activities in the government-wide financial statements. This comparison will assist the reader in understanding the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide reconciliations to facilitate the comparison. The reconciliation is presented on the page immediately following the governmental funds financial statements. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statements of revenues, expenditures and changes in fund balance. The remaining governmental funds are aggregated and shown as other governmental funds.

Proprietary Fund – Provides services for which the Town charges customers a fee and operate like a commercial business. The proprietary fund provides the same type of information as in the government-

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the full accrual method of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The full accrual basis of accounting is used for fiduciary funds and is much like that used for proprietary funds.

The Town's fiduciary funds are Agency Funds, which are used to account for assets held in agency capacity.

Notes to the 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 supplementary information concerning all legally adopted budgets. The Town adopts an annual appropriation budget for the general, water and sewer funds. Budgetary comparison schedules are presented to demonstrate compliance with the budget on page 18 of this report.

Government-Wide Financial Analysis

Statement of net assets

The following table reflects the condensed schedule of net assets based on the statement of net assets found on page 12 of the basic financial statements.

The Town's combined net assets (government and business-type activities) exceeded its liabilities at fiscal year ending June 30, 2004 by \$42 million (presented as "net assets"). Of this amount, \$3.635 million was reported as "unrestricted net assets." Unrestricted net assets represent the amount available of to be used to meet the Town's ongoing obligations to citizens and creditors.

The components of net assets include investment in capital assets, such as land, buildings, equipment, and infrastructures (roads, sewer pipes, dams, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$1.369 million indicating the amount of the net book value of the Town's capital assets exceeds the capital debt. The Town uses these capital assets to service the community; therefore they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

	<u>Governmental</u>	<u>Activities</u>	<u>Business Type</u>	<u>Activities</u>	<u>Total</u> <u>Primary</u>	<u>Government</u>
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 41,393,892	\$ 44,967,321	\$ 1,247,037	\$ 625,497	\$ 42,640,929	\$ 45,592,818
Capital Assets	32,726,724	25,931,253	2,788,925	2,033,198	35,515,649	27,964,451
Total Assets	74,120,616	70,898,574	4,035,962	2,658,695	78,156,578	73,557,269
Liabilities						
Current Liabilities	2,664,446	18,526,496	337,029	130,909	3,001,475	18,657,405
Noncurrent Liabilities	30,903,539	12,583,630	1,459,284	981,534	32,362,823	13,565,164
Total Liabilities	33,567,985	31,111,126	1,796,313	1,112,443	35,364,298	32,222,569
Net Assets						
Invested in capital assets, net of related debt	141,746	(1,931,361)	1,227,391	951,470	1,369,137	(979,891)
Restricted	37,274,103	39,488,917	513,744	208,039	37,787,847	39,696,956
Unrestricted	3,136,782	2,230,892	498,514	386,743	3,635,296	2,554,271
Total Net Assets	\$ 40,552,631	\$ 39,788,448	\$ 2,239,649	\$ 1,546,252	\$ 42,792,280	\$ 41,271,336

Statement of changes in Net Assets

The Town's total net assets increased by \$1.457 million in fiscal year 2004, of which the governmental activities net assets increased \$764,184 thousand and the business-type activities increased by \$693,396 thousand.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The summary schedule of activities is based upon the statement found on page 13 of the basic financial statements.

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

Town of Douglas, Massachusetts

Summary Statement of Activities

For the Year Ended June 30, 2004

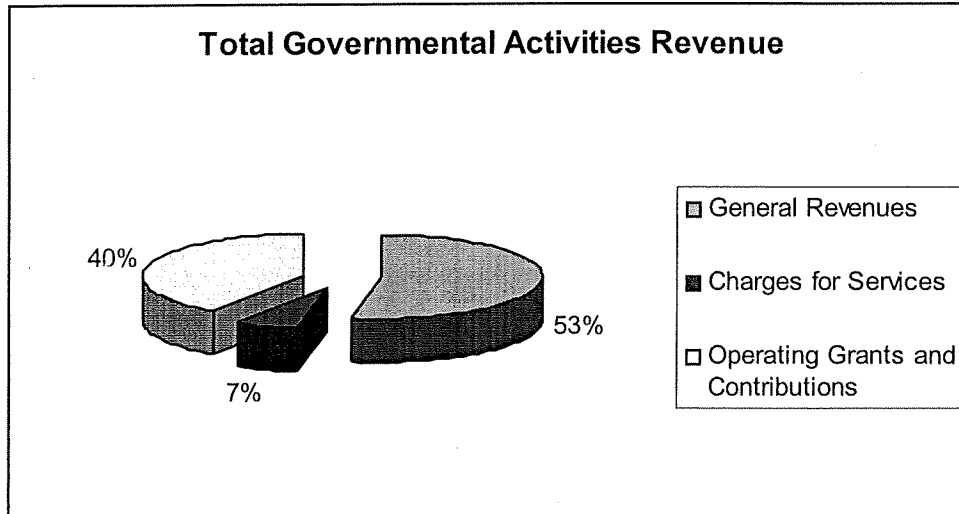
	<u>Governmental</u>	<u>Activities</u>	<u>Business-Type</u>	<u>Activities</u>	<u>Total</u>	
	2004	2003	2004	2003	2004	2003
<u>Revenues:</u>						
Program Revenues:						
Charges for Services	\$ 1,338,369	\$ 1,116,202	\$ 865,455	\$ 784,409	\$ 2,203,824	\$ 1,900,611
Operating Grants and Contributions	8,268,620	8,311,713	570,110	-	8,838,730	8,311,713
General Revenues:						
Property and Excise Taxes	10,293,862	9,116,109	-	-	10,293,862	9,116,109
Investment income	521,161	282,941	5,474	2,690	526,635	285,631
Miscellaneous	-	123,452	-	1,945	-	125,397
Transfers	-	(5,082)	-	5,082	-	-
Total Revenues	20,422,012	18,945,335	1,441,039	794,126	21,863,051	19,739,461
<u>Expenses:</u>						
General Government	1,093,458	1,044,526	-	-	1,093,458	1,044,526
Public Safety	1,666,574	1,611,754	-	-	1,666,574	1,611,754
Public Works	901,407	1,185,478	-	-	901,407	1,185,478
Health and Human Services	138,594	144,792	-	-	138,594	144,792
Culture and Recreation	205,459	183,728	-	-	205,459	183,728
Education	12,006,608	10,836,673	-	-	12,006,608	10,836,673
Interest of Long-term Debt	812,560	450,599	-	-	812,560	450,599
Employee Pensions	913,191	792,383	-	-	913,191	792,383
Insurance	1,472,557	1,142,610	-	-	1,472,557	1,142,610
Water and Sewer Department	-	-	499,166	473,388	499,166	473,388
Transfer Station	-	-	248,477	238,915	248,477	238,915
Capital Outlay	82,012	-	-	-	82,012	-
State and County Charges	365,408	457,276	-	-	365,408	457,276
Total Expenses	19,657,828	17,849,819	747,643	712,303	20,405,471	18,562,122
Change in Net Assets	764,184	1,095,516	693,396	81,823	1,457,580	1,177,339
Net Assets - Beginning	39,788,447	38,692,931	1,546,253	1,464,430	41,334,700	40,157,361
Net Assets - Ending	\$ 40,552,631	\$ 39,788,447	\$ 2,239,649	\$ 1,546,253	\$ 42,792,280	\$ 41,334,700

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

Total Revenues

Total governmental activities revenues for the Town are comprised of general revenue of \$10.815 million, charges for services of \$1.338 million, and operating grants and contributions of \$8.268 million.



The Town's revenues increased by \$1.47 million or 8% over the prior fiscal year, substantially related to governmental activities.

General

Real estate tax revenues are the Town's largest revenue source at \$8.067 million annually, representing 84% of general revenues. The assessed tax valuation base is \$560 million, up from \$544 million assessed in the prior year, showing a 2.9% increase due to new construction.

Grants and contributions not restricted to specific programs are \$762,270, representing 3 % of general revenues a decrease of \$6,2333 from FY03 and includes state cherry sheet revenues of \$660,865, and other unrestricted contributions.

Program

Charges for services are \$1.338 million an increase of \$222,167 from FY03, representing a variety of department revenues. The public safety portion of \$.408 million includes several types of permit revenues, traffic and moving violation revenues.

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

Expenses

For fiscal year ended June 30, 2004 expenses for governmental activities totaled \$19.657 million, which cover a range of services. This represents an increase of \$1.8 million over FY03.

Education continues to be one of the Town's highest priorities with expenditures representing \$12 million, or 61% of total governmental expenses. This includes both grant and general operating expenses.

Business-type Activities

Business-type activities increased net assets by \$.0693 million, accounting for 47% of the total growth of the Town's net assets.

Financial Analysis of the Government's Fund Financial Statements

As noted earlier, the Town of Douglas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

As of the end of the current fiscal year, the Town of Douglas's governmental funds reported a combined ending fund balance of \$7.825 million, a decrease of \$2.03 million, due to a drawdown of Capital Projects fund balances. Of this amount, \$.252 million is reserved for encumbrances and deficits, \$2.927 million is reserved for other purposes and \$.812 million is reserved for subsequent year. This leaves and unreserved/undesignated fund balance of \$3.83 million

The general fund is the chief operating fund of the Town of Douglas. At the end of the current fiscal year the unreserved fund balance of the general fund was \$1.834 million while the total fund balance was \$3.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and total fund balances to total fund expenditures. The unreserved fund balance represents 9% of total general fund expenditures.

Proprietary Funds

The Town of Douglas's proprietary fund provides the same type of information found in the government-wide statements, but in more detail.

Unrestricted net assets of the water/sewer and transfer station funds at the end of the year were \$.498 million with an investment in capital assets, net of related debt of \$1.227 million

General Fund Budgetary Highlights

The Town of Douglas submits its budget to the Annual Town Meeting in May, and six months later sets the tax rate at the Massachusetts Department of Revenue. During this process, the Town reviews and revises its revenues and expenditure plan before setting the tax rate, however there were no major changes for FY2004.

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

The table below represents a summary of the Town's gross capital assets by category (in millions):

	Governmental Activities	Business- Type Activities	Totals
	2004	2004	
Land	2.333	0.389	2.722
Buildings and Improvements	31.487	0.480	31.967
Machinery and Equipment	4.147	0.015	4.162
Infrastructure		2.006	2.006
Construction in Progress		0.639	0.639
Totals	37.967	3.529	41.496

As of June 30, 2004 the Town of Douglas's capital assets for its governmental and business-type activities amounted to \$35.518 million (net of depreciation). Capital assets include land, buildings, improvements, machinery and equipment, open space, roads and highways. The total gross increase in the Town's capital assets for the current fiscal year was \$7.79 million in the governmental activities and \$.816 million in the business-type activities.

Major capital projects that took place during the fiscal year include the following:

- Ongoing construction of a new High School, which are funded through bonds.
- Construction of a new Wastewater Treatment Facility.

Debt

At year-end, the Town had \$33,276,878 million in outstanding bonds and notes, compared to 28,831,771 million last year. This is an increase of 4.44 million, or 15.4%.

During the year, the Town borrowed 4.065 million in General Obligation bonds to finance to continued construction of the new High School, with an expected reimbursement from the Commonwealth of 77%. Additionally, the Town borrowed \$500,000 for the building repairs and \$225,000 for land acquisition.

The Town of Douglas maintains bond ratings with Moody's Investors Service, Inc, of AA. The interest rate for the current year's bond sale was between 3.25 and 5%.

Additional information on the Town of Douglas' debt can be found in note 12 of the Notes to the Basic Financial Statements.

TOWN OF DOUGLAS, MASSACHUSETTS

Management's Discussion and Analysis

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you should have any questions on this report or need additional financial information, your inquiries should be addressed to: Town of Douglas, Attn: Town Accountant, 29 Depot Street, Douglas, MA 01516.

Town of Douglas, Massachusetts
Statement of Net Assets
June 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Equivalents	\$ 8,949,978	\$ 934,406	\$ 9,884,384
Receivables	872,533	103,877	976,410
Due from Other Governmental Agencies	288,431	208,754	497,185
Total current assets	10,110,942	1,247,037	11,357,979
Noncurrent Assets:			
Due from Other Governmental Agencies	31,282,950	-	31,282,950
Capital assets, net of accumulated depreciation	32,726,724	2,788,925	35,515,649
Total noncurrent assets	64,009,674	2,788,925	66,798,599
Total Assets	74,120,616	4,035,962	78,156,578
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	375,940	-	375,940
Performance bonds	343,053	-	343,053
Notes payable	785,000	206,500	991,500
Accrued interest	102,014	28,279	130,293
Current portion of landfill postclosure care costs	9,000	-	9,000
Current portion of capital lease obligations	63,903	-	63,903
Current portion of bonds payable	985,536	102,250	1,087,786
Total current liabilities	2,664,446	337,029	3,001,475
Noncurrent Liabilities:			
Bonds payable, net of current portion	30,729,808	1,459,284	32,189,092
Landfill postclosure care costs, net of current portion	153,000	-	153,000
Capital lease obligations, net of current portion	20,731	-	20,731
Total noncurrent liabilities	30,903,539	1,459,284	32,362,823
Total Liabilities	33,567,985	1,796,313	35,364,298
NET ASSETS			
Invested in capital assets, net of related debt	141,746	1,227,391	1,369,137
Restricted for:			
Capital projects	814,813	(66,497)	748,316
Debt Service	31,282,950	-	31,282,950
Other purposes	5,176,340	580,241	5,756,581
Unrestricted	3,136,782	498,514	3,635,296
Total net assets	\$ 40,552,631	\$ 2,239,649	\$ 42,792,280

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
Primary government					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 1,093,458	\$ 158,257	\$ 762,270	\$ -	\$ (172,931)	\$ -	\$ (172,931)
Public Safety	1,666,574	408,110	24,018	-	(1,234,446)	-	(1,234,446)
Public Works	901,407	800	165,335	-	(735,272)	-	(735,272)
Health and Human Services	138,594	54,625	3,501	-	(80,468)	-	(80,468)
Culture and Recreation	205,459	-	22,137	-	(183,322)	-	(183,322)
Education	12,006,608	716,577	6,839,421	-	(4,450,610)	-	(4,450,610)
Interest on Long-term debt	812,560	-	-	-	(812,560)	-	(812,560)
Employee Pensions	913,191	-	451,938	-	(461,253)	-	(461,253)
Insurance	1,472,557	-	-	-	(1,472,557)	-	(1,472,557)
State and County Charges	365,408	-	-	-	(365,408)	-	(365,408)
Capital Outlay	82,012	-	-	-	(82,012)	-	(82,012)
Total governmental activities	19,657,828	1,338,369	8,268,620	-	(10,050,839)	-	(10,050,839)
Business-type activities							
Water & Sewer Enterprise	499,166	603,825	-	570,110	-	674,769	674,769
Transfer Station Enterprise	248,477	261,630	-	-	-	13,153	13,153
Total business-type activities	747,643	865,455	-	570,110	-	687,922	687,922
Total primary government	\$ 20,405,471	\$ 2,203,824	\$ 8,268,620	\$ 570,110	(10,050,839)	687,922	(9,362,917)
General revenues:							
Property and excise taxes					10,293,862	-	10,293,862
Investment earnings					521,161	5,474	526,635
Miscellaneous					-	-	-
Transfers					-	-	-
Total general revenues, special items, and transfers					10,815,023	5,474	10,820,497
Change in net assets					764,184	693,396	1,457,580
Net assets - beginning					39,788,447	1,546,253	41,334,700
Net assets - ending					\$ 40,552,631	\$ 2,239,649	\$ 42,792,280

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Balance Sheet
Governmental Funds
June 30, 2004

ASSETS	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 5,108,040	\$ 2,130,554	\$ 812,348	\$ 899,036	\$ 8,949,978
Taxes receivable, net	872,533	-	-	-	872,533
Receivable from other governments	31,282,950	-	2,465	285,966	31,571,381
Other receivables	-	-	-	-	-
Total assets	<u>\$ 37,263,523</u>	<u>\$ 2,130,554</u>	<u>\$ 814,813</u>	<u>\$ 1,185,002</u>	<u>\$ 41,393,892</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 472,411	\$ -	\$ -	\$ -	\$ 472,411
Performance bonds	343,053	-	-	-	343,053
Deferred revenue	32,064,432	-	-	-	32,064,432
Temporary loans	785,000	-	-	-	785,000
Other payables	(96,471)	-	-	-	(96,471)
Total liabilities	<u>33,568,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,568,425</u>
Fund balances:					
Reserved for:					
Deficits:	(27,980)	-	-	-	(27,980)
Encumbrances and appropriations	280,226	-	-	-	280,226
Perpetual permanent funds	-	-	-	-	-
Other purposes	796,538	2,130,554	-	-	2,927,092
Unreserved	1,834,314	-	-	-	1,834,314
Designated for subsequent year	812,000	-	-	-	812,000
Unreserved, reported in non-major:					
Special revenue funds	-	-	-	1,099,871	1,099,871
Capital projects funds	-	-	814,813	-	814,813
Permanent Endowment Fund	-	-	-	85,131	85,131
Total fund balances	<u>3,695,098</u>	<u>2,130,554</u>	<u>814,813</u>	<u>1,185,002</u>	<u>7,825,467</u>
Total liabilities and fund balances	<u>\$ 37,263,523</u>	<u>\$ 2,130,554</u>	<u>\$ 814,813</u>	<u>\$ 1,185,002</u>	<u>\$ 41,393,892</u>

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Assets
June 30, 2004

Total fund balance, governmental funds	\$ 7,825,467
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	32,726,724
---	------------

In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in Governmental Funds, interest is not reported until due.	(102,014)
--	-----------

Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.	32,064,432
--	------------

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(31,961,978)
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Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 40,552,631</u>
--	----------------------

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes and assessments	\$ 10,273,431	\$ -	\$ -	\$ 1,439	\$ 10,274,870
Fees and fines	131,429	-	-	127,835	259,264
Licenses and permits	103,281	-	-	-	103,281
Intergovernmental	6,997,347	-	66,376	1,093,399	8,157,122
Charges for services	50,090	-	-	847,601	897,691
Investment earnings	496,378	8,751	15,036	996	521,161
Miscellaneous	47,286	-	27,120	-	74,406
Contributions and donations	-	-	-	115,225	115,225
Total revenues	18,099,242	8,751	108,532	2,186,495	20,403,020
EXPENDITURES					
General government	1,055,556	-	-	26,745	1,082,301
Public safety	1,441,110	-	-	112,235	1,553,345
Public works	730,206	-	-	130,126	860,332
Health and human services	135,063	-	-	3,531	138,594
Culture and recreation	169,335	-	-	15,453	184,788
Education	9,388,699	-	6,859,331	1,855,528	18,103,558
Employee pensions	913,191	-	-	-	913,191
Insurance	1,472,557	-	-	-	1,472,557
Debt service:					
Principal	824,699	-	-	-	824,699
Interest and other charges	785,513	-	-	-	785,513
State and county charges	365,408	-	-	-	365,408
Capital outlay	82,012	-	858,029	-	940,041
Total Expenditures	17,363,349	-	7,717,360	2,143,618	27,224,327
Excess (deficiency) of revenues over expenditures	735,893	8,751	(7,608,828)	42,877	(6,821,307)
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt, net	-	-	4,790,000	-	4,790,000
Transfers in	129,845	-	-	-	129,845
Transfers out	-	-	(29,470)	(100,375)	(129,845)
Total other financing sources and uses	129,845	-	4,760,530	(100,375)	4,790,000
Net change in fund balances	865,738	8,751	(2,848,298)	(57,498)	(2,031,307)
Fund balances - beginning	2,829,360	2,121,803	3,663,111	1,242,500	9,856,774
Fund balances - ending	\$ 3,695,098	\$ 2,130,554	\$ 814,813	\$ 1,185,002	\$ 7,825,467

See accompanying notes to financial statements

Town of Douglas, 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, 2004

Net change in fund balances - total governmental funds: \$ (2,031,307)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$7,761,667) exceeded depreciation (\$992,820) in the current period. 6,768,847

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 18,992

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (3,965,301)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on Governmental funds (27,047)

Change in net assets of governmental activities	\$	764,184
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See accompanying notes to financial statements

Town of Douglas, Massachusetts
Budget and Actual (with Variances)
General Fund
For the year ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ 9,769,477	\$ 9,819,477	\$ 10,313,982	\$ 494,505
Fees and fines	121,000	121,000	131,429	10,429
Licenses and permits	60,000	60,000	103,281	43,281
Intergovernmental	6,441,938	6,441,938	6,545,409	103,471
Charges for services	60,000	60,000	50,090	(9,910)
Investment earnings	70,000	70,000	496,378	426,378
Miscellaneous	-	-	47,286	47,286
Total revenues	16,522,415	16,572,415	17,687,855	1,115,440
EXPENDITURES				
General government	1,154,817	1,148,082	1,074,985	73,097
Public safety	1,506,863	1,512,863	1,445,842	67,021
Public works	731,134	731,134	760,933	(29,799)
Health and human services	159,097	159,433	135,063	24,370
Culture and recreation	176,301	176,301	175,168	1,133
Education	9,338,198	9,338,198	9,337,226	972
Debt service	2,000,612	2,000,612	1,610,212	390,400
Employee pensions	489,092	489,092	461,253	27,839
Insurance	1,538,363	1,538,762	1,472,557	66,205
Capital outlay	113,590	113,590	82,012	31,578
State and county charges	488,791	488,791	365,408	123,383
Total Expenditures	17,696,858	17,696,858	16,920,659	776,199
Excess (deficiency) of revenues over expenditures	(1,174,443)	(1,124,443)	767,196	1,891,639
OTHER FINANCING SOURCES (USES)				
Available funds	1,137,588	1,087,588	1,087,588	-
Proceeds from long-term borrowing	-	-	-	-
Transfers in	129,845	129,845	129,845	-
Transfers out	-	-	-	-
Total other financing sources and uses	129,845	129,845	129,845	-
Net change in fund balances	(1,044,598)	(994,598)	897,041	1,891,639
Fund balances - beginning	2,426,780	2,426,780	2,426,780	-
Fund balances - ending	\$ 1,382,182	\$ 1,432,182	\$ 3,323,821	\$ 1,891,639

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Enterprise Funds</u>		
	<u>Water & Sewer Enterprise Fund</u>	<u>Transfer Station Enterprise Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 870,646	\$ 63,760	\$ 934,406
User fees receivable, net	103,877	-	103,877
Due from other governmental agencies	208,754	-	208,754
Total current assets	1,183,277	63,760	1,247,037
Non-current assets:			
Capital assets, net of accumulated depreciation	2,788,925	-	2,788,925
Total non-current assets	2,788,925	-	2,788,925
Total assets	3,972,202	63,760	4,035,962
LIABILITIES			
Current Liabilities:			
Accrued interest	28,279	-	28,279
USDA loan payable	206,500	-	206,500
Current portion of bonds payable	102,250	-	102,250
Total current liabilities	337,029	-	337,029
Non-current liabilities:			
Bonds payable, net of current portion	1,459,284	-	1,459,284
Total non-current liabilities	1,459,284	-	1,459,284
Total liabilities	1,796,313	-	1,796,313
NET ASSETS			
Invested in capital assets, net of related debt	1,227,391	-	1,227,391
Designated for subsequent year	245,309	-	245,309
Restricted for capital projects	(66,497)	-	(66,497)
Restricted for other purposes	327,277	7,655	334,932
Unrestricted	442,409	56,105	498,514
Total net assets	\$ 2,175,889	\$ 63,760	\$ 2,239,649

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	<u>Water & Sewer</u> <u>Enterprise Fund</u>	<u>Enterprise Funds</u> <u>Transfer Station</u> <u>Enterprise Fund</u>	<u>Total</u>
REVENUES			
Charges for services	\$ 601,202	\$ 261,630	\$ 862,832
Miscellaneous	2,623	-	2,623
Total operating revenues	<u>603,825</u>	<u>261,630</u>	<u>865,455</u>
OPERATING EXPENSES			
Personal services	192,602	30,404	223,006
Contractual services	38,890	211,288	250,178
Utilities	46,114	2,036	48,150
Repairs and Maintenance	9,526	-	9,526
Fringe benefits	30,799	-	30,799
Other supplies and expenses	44,454	4,749	49,203
Depreciation	60,862	-	60,862
Total Operating Expenses	<u>423,247</u>	<u>248,477</u>	<u>671,724</u>
Operating income (loss)	<u>180,578</u>	<u>13,153</u>	<u>193,731</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	5,474	-	5,474
Operating grants and contributions	570,110	-	570,110
Interest expense	(75,919)	-	(75,919)
Total non-operating revenue (expenses)	<u>499,665</u>	<u>-</u>	<u>499,665</u>
Income (loss) before contributions and transfers	680,243	13,153	693,396
Transfers in	-	-	-
Transfers out	-	-	-
Change in net assets	680,243	13,153	693,396
Total net assets - beginning	<u>1,495,646</u>	<u>50,607</u>	<u>1,546,253</u>
Total net assets - ending	<u>\$ 2,175,889</u>	<u>\$ 63,760</u>	<u>\$ 2,239,649</u>

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Statement of Cash Flows
Proprietary Funds
June 30, 2004

	<u>Water & Sewer</u> <u>Enterprise Fund</u>	<u>Transfer Station</u> <u>Enterprise Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 570,659	\$ 261,630	\$ 832,289
Payments to vendors	(169,783)	(218,073)	(387,856)
Payments to employees	(192,602)	(30,404)	(223,006)
Net cash from operating activities	<u>208,274</u>	<u>13,153</u>	<u>221,427</u>
Cash Flows from Noncapital Financing Activities:			
Net transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net cash from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from issuance of bonds and notes	786,500	-	786,500
Acquisition and construction of capital assets	(816,589)	-	(816,589)
Principal payments on bonds and notes	(100,194)	-	(100,194)
Operating grants	361,356	-	
Interest expense	(78,355)	-	
Net cash from capital and related financing activities	<u>152,718</u>	<u>-</u>	<u>(130,283)</u>
Cash Flows from Investing Activities:			
Investment income	<u>5,474</u>		
Net cash from investing activities	<u>5,474</u>	<u>-</u>	<u>-</u>
Net Change in Cash	366,466	13,153	91,144
Cash, beginning of year	504,180	50,607	554,787
Cash, end of year	<u>\$ 870,646</u>	<u>\$ 63,760</u>	<u>\$ 645,931</u>

Reconciliation of Operating income to Net Cash

Provided by (used for) Operating Activities:

Operating income	\$ 180,578	\$ 13,153	\$ 193,731
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	60,862	-	60,862
Changes in assets and liabilities:			
User fees receivable	(33,166)		(33,166)
Net Cash Provided by (used for) Operating Activities	<u>\$ 208,274</u>	<u>\$ 13,153</u>	<u>\$ 221,427</u>

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Private Purpose</u> <u>Trust Fund -</u> <u>Simple</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 50,630	\$ 48,621
Total assets	<u>50,630</u>	<u>48,621</u>
LIABILITIES		
Accounts payable	-	-
Due to student groups	<u>-</u>	<u>48,621</u>
Total liabilities	<u>-</u>	<u>48,621</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ 50,630</u>	<u>\$ -</u>

See accompanying notes to financial statements

Town of Douglas, Massachusetts
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2004

	<u>Private Purpose</u> <u>Trust Fund -</u> <u>Simple</u>
ADDITIONS	
Contributions	\$ -
Investment earnings	573
Total additions	<u>573</u>
DEDUCTIONS	
Scholarships awarded	<u>-</u>
Total deductions	<u>-</u>
Change in net assets	573
Net assets - beginning	<u>50,057</u>
Net assets - ending	<u><u>\$ 50,630</u></u>

See accompanying notes to financial statements

TOWN OF DOUGLAS, MASSACHUSETTS

INDEX TO NOTES TO FINANCIAL STATEMENTS

<u>Note</u>	<u>Page</u>
1. Summary of significant accounting principles	25
A. General Statement	25
B. Financial Reporting Entity	25
C. Use of Estimates	25
D. Inventories of Supplies	25
E. Basis of Presentation	26 - 27
F. Measurement Focus/Basis of Accounting	27
G. Budgetary Control	28
H. Cash and Investments	28
I. Interfund Receivables and Payables	29
J. Transactions Between Funds	29
K. Capital Assets	29
L. Net Assets	29
M. Encumbrances and Continuing Appropriations	30
N. Claims and Judgments	30
O. Reconciliation of Government-Wide and Fund Financial Statements	30
2. Property Taxes	30 - 31
3. Budgetary Basis of Accounting	31
4. Deposits and Investments	32 - 33
5. Pension Plans	33 - 35
6. Post Retirement Benefits	35
7. Deferred Compensation Plan	35
8. Landfill Postclosure Care Costs	35
9. Leases	36
10. Reservations of Fund Balances for Combined Nonmajor Funds	36
11. Capital Assets	37 - 38
12. Long-Term Debt	38 - 41
13. Temporary Borrowings	41
14. Contingencies	41
15. Restricted Net Assets	42

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Town of Douglas, Massachusetts (the "Town") was incorporated in 1746. The Town has an Open Town Meeting form of government and an executive five-member Board of Selectmen. The Executive Administrator is responsible for the day-to-day administration of the Town.

The Town provides general governmental services, including Public Safety - Police and Fire Protection, Highways and Streets, Sanitation, Health and Social Services, Recreation and Cultural, Public Education for grades K through 12, and General Administrative Services.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * the organization is legally separate (can sue and be sued in their own name)
- * the Town holds the corporate powers of the organization
- * the Town appoints a voting majority of the organization's board
- * the Town is able to impose its will on the organization
- * the organization has the potential to impose a financial benefit/burden on the Town
- * there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Douglas has no component units.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Inventories of Supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of net assets as inventories.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

E. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Town. The effect of interfund activity, within the governmental and business-type activities columns, 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental activities typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following major governmental funds:

General Fund - This fund is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General fund.

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specific purposes.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Fiduciary Funds (Not included in District-Wide statements)

Private-Purpose Trust Funds - This fund is used to account for resources legally held in trust for student scholarships.

Agency Funds - This fund is used to account for assets held by the Town as an agent for individuals, private organizations, and/or other governmental units. The Town reports Student Activity Funds in the Agency Fund.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both 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 be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement costs, landfill postclosure care costs, claims, and judgments are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenue are recognized when received.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

G. Budgetary Control

The Town follows the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the Annual Town Meeting, the Executive Administrator submits a proposed operating budget to the Finance Committee for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. At the Annual Town Meeting, the Finance Committee makes the recommendation to the voters of their concurrence or non-concurrence with the articles. The voters at the Annual Town Meeting then vote to accept or reject the proposed budget articles.
- c. On July 1, the budget is legally enacted.
- d. The Board of Assessors will submit to the Commonwealth of Massachusetts' Department of Revenue the Town's Tax Recapitulatory Sheet. The sheet denotes the appropriations passed by the Town voters, sources of estimated revenues and the proposed tax revenues to be raised. The Commonwealth's Department of Revenue will then certify the tax rate to be used in the assessment of taxes to the local property owners (real and personal).
- e. If a need arises, the Town will convene a special town meeting to act on the recommendations of the Finance Committee for additional appropriations.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and continuing appropriations, which are adjusted to the actual results for comparison.

H. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

I. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

J. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

K. Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$25,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-40 Years
Water and Sewer System	30-40 Years
Machinery and Equipment	5-10 Years

L. Net Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

M. Encumbrances and Continuing Appropriations

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year-end.

N. Claims and Judgments

Estimated losses from judgments and claims are recorded in the Government-Wide financial statements as a liability and as an expense if the loss is probable and amounts can be reasonably estimated.

O. Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net assets (deficit) for governmental activities as shown on the government-wide statement of net assets is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

2 - PROPERTY TAXES

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties.

The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting as previously described.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the Town. A secondary limitation is that the levy in a fiscal year may not exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a town-wide referendum vote.

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenues projected to be received by the Town, including available funds.

3 - BUDGETARY BASIS OF ACCOUNTING

The Town of Douglas prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Town's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the budget basis to a GAAP basis are provided below:

Excess of revenues and other sources over expenditures and other uses - budget basis	\$ 767,196
Adjustment or property tax revenues to modified accrual basis	(40,551)
Beginning of year adjustment for encumbrances recognized as expenditures	(270,978)
End of year adjustment for encumbrances not recognized as expenditures	<u>280,226</u>
Excess of revenues and other sources over expenditures and other uses - GAAP basis	\$ 735,893
	=====

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization or insurance protection by the financial institutions involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of 90 days or less which are collateralized by such securities. The Town also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

The composition of the Town's deposits and investments fluctuates throughout the year depending primarily on the timing of property tax receipts, water and sewer revenues, proceeds from borrowings, collections of state and federal aid, and capital outlays.

Deposits

The following summary presents the amount of deposits at June 30, 2004. Deposits that are fully insured or collateralized with securities held by the Town or its agent in the Town's name are shown in Category 1. Deposits collateralized with securities held by the pledging institution's trust department or agent in the Town's name are shown in Category 2. Deposits that are not insured or collateralized are shown in Category 3.

	<u>Bank Balance</u>			<u>Total</u>	
	<u>Category</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Cash	\$ 337,746	\$ -	\$ 4,042,936	\$ 4,380,682	\$ 3,751,957
Total	\$ 337,746	\$ -	\$ 4,042,936	\$ 4,380,682	\$ 3,751,957
	=====	=====	=====	=====	=====

Investments

The following summary presents the amount of investments at June 30, 2004. Investments are categorized according to the level of risk assumed by the Town. Category 1 includes investments that are insured, registered or held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered securities held by the counterparty's trust department or its agent but not in the Town's name. MMDT, pooled funds, international equity funds, real estate funds, and venture capital funds are not categorized because they are managed investment pools.

THE TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

	<u>Carrying Amount</u>			<u>Not Categorized</u>	<u>Fair Value</u>
	<u>Category</u>				
	<u>1</u>	<u>2</u>	<u>3</u>		
MMDT	\$ -	\$ -	\$ -	\$6,231,678	\$6,231,678
	=====	=====	=====	=====	=====

5 - PENSION PLANS

Worcester Regional Contributory Retirement System

Plan Description and Provisions

The Town provides pension benefits for substantially all employees except School Department employees through the Worcester Regional Contributory Retirement System (WRCRS), a Cost-Sharing Multiple Employer Employee Retirement System established under the Massachusetts Contributory Retirement Law. Benefit provisions and contribution requirements are established by state law.

The system provides for retirement benefits up to a maximum of two and one-half times (2-1/2x) the number of years of service, expressed as a percentage, times a member's average annual compensation for the past three years. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the system become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The plan also provides for early retirement at age 55 if the Participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the Fund. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance.

The County of Worcester issues a publicly available financial report that includes financial statements and required supplementary information for WRCRS.

Funding Policy

Active plan members contribute either 5, 7, 8, or 9% of their gross regular compensation depending on the date upon which their membership began, on a pre-tax basis. The Town is required to contribute at an actuarially determined rate; the current rate is 9.6% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the WRCRS board of Trustees.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Annual Pension Cost

For 2004, the Town's annual pension cost of \$332,502 was equal to the Town's required and actual contributions. The periodic employer contributions to the retirement system are determined on an actuarial basis using the entry age normal actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded on a schedule that ends no later than the year 2028. The annual amortization of the unfunded actuarial liability increases each year by 4.5%. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis. The Commonwealth of Massachusetts currently reimburses the System on a quarterly basis for the portion of benefit payments owing to cost-of-living increases granted after the implementation of Proposition 2-1/2.

The significant actuarial assumptions used in the determination of the standardized measure of the pension benefit obligation and contribution are summarized below:

- * The rate of return on the investment of present and future assets is 8% per year, compounded annually.
- * Future pension payments reflect an assumption of a 5.5% salary increase per year.
- * Future pension payments reflect no post-retirement benefit increases.

Three Year Trend Information

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>
2002	\$256,480	100%
2003	272,038	100%
2004	332,502	100%

Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

The majority of the employees of the School Department participate in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. Benefit provisions and contribution requirements are established by state law. Eligibility requirements for participation are as follows:

- * The employee must be employed on at least a half-time basis in a contracted professional position within a public school system located in Massachusetts.
- * The employee must be certified by the Massachusetts Department of Education for a position which requires certification.

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Participation in the plan requires that members contribute a fixed percentage of their compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Employee contributions vest immediately. After 10 years of service employee benefits become fully vested. After 20 years of service, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest-salaried years of employee service and are determined in a manner similar to the provisions of WRCRS.

The Town has no obligation to contribute to this plan. All pension benefits and expenses paid by the Teachers Retirement Board are funded by the Commonwealth of Massachusetts. Payments made by the Commonwealth of Massachusetts on behalf of the Town amounted to \$451,938 and are reflected as revenues and corresponding expenditure in the Town's financial statements.

6 - POST RETIREMENT BENEFITS

The Town pays 50 percent of the cost of insurance premiums for health benefits for all personnel who attain retirement age while in the employment of the Town. These costs are appropriated and expended in the fiscal year incurred. For fiscal year ended June 30, 2004, there were 61 retirees receiving benefits and the approximate cost to the Town was \$114,244.

7 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

8 - LANDFILL POSTCLOSURE CARE COSTS

State and Federal laws and regulations require landfill closures to meet certain standards. The Town's landfill was closed and capping was completed December 1991. The liability for postclosure care is estimated based on current cost. This estimate is subject to change due to inflation, deflation, technology or applicable laws and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net assets. Expenditures related to postclosure care in fiscal 2004 were \$8,341.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - LEASES

The Town is obligated under leases for equipment accounted for as capital leases. The lease obligations are accounted for as a liability in the governmental activities statement of net assets. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2004:

Year Ending <u>June 30,</u>	General Long-Term <u>Obligations Account Group</u>
2005	\$ 67,570
2006	5,894
2007	5,894
2008	5,893
2009	<u>5,893</u>
Minimum lease payments for all capital leases	91,144
Less: Amount representing interest at the Town's incremental borrowing rate of interest	<u>6,510</u>
Present value of minimum lease payments	\$ 84,634 =====

10 - RESERVATIONS OF FUND BALANCES FOR COMBINED NONMAJOR FUNDS

Reservations of fund balances for combined nonmajor funds in the Governmental Funds Balance Sheet are as follows:

Federal and state grants	\$ 88,547
Revolving accounts	725,665
Other Trust funds	85,131
Ambulance fund	<u>285,659</u>
	\$1,185,002 =====

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)11 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,589,685	\$ 744,157	\$ -	\$ 2,333,842
Construction in Progress	<u>20,171,162</u>	<u>6,973,203</u>	<u>27,144,365</u>	<u>-</u>
Total capital assets, not being depreciated	<u>21,760,847</u>	<u>7,717,360</u>	<u>27,144,365</u>	<u>2,333,842</u>
Capital assets, being depreciated				
Buildings	6,390,592	25,097,202	-	31,487,794
Equipment	<u>2,029,086</u>	<u>2,118,094</u>	<u>-</u>	<u>4,147,180</u>
Total capital assets, being depreciated	<u>8,419,678</u>	<u>27,215,296</u>	<u>-</u>	<u>35,634,974</u>
Less accumulated depreciation for:				
Buildings	3,089,740	537,248	-	3,626,988
Equipment	<u>1,159,532</u>	<u>455,572</u>	<u>-</u>	<u>1,615,104</u>
Total accumulated depreciation	<u>4,249,272</u>	<u>992,820</u>	<u>-</u>	<u>5,242,092</u>
Total capital assets, being depreciated, net	<u>4,170,406</u>	<u>26,222,476</u>	<u>-</u>	<u>30,392,882</u>
Governments activities capital assets, net	\$ 25,931,253	\$33,939,836	\$27,144,365	\$ 32,726,724
	=====	=====	=====	=====
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 389,384	\$ -	\$ -	\$ 389,384
Construction in Progress	<u>866,543</u>	<u>777,064</u>	<u>1,007,000</u>	<u>636,607</u>
Total capital assets, not being depreciated	<u>1,255,927</u>	<u>777,064</u>	<u>1,007,000</u>	<u>1,025,991</u>
Capital assets, being depreciated				
Buildings	480,007	-	-	480,007
Equipment	15,400	-	-	15,400
Infrastructure	<u>959,700</u>	<u>1,046,525</u>	<u>-</u>	<u>2,006,225</u>
Total capital assets, being depreciated	<u>1,455,107</u>	<u>1,046,525</u>	<u>-</u>	<u>2,501,632</u>
Less accumulated depreciation for:				
Buildings	365,511	12,039	-	377,550
Equipment	15,400	-	-	15,400
Infrastructure	<u>296,925</u>	<u>48,823</u>	<u>-</u>	<u>345,748</u>
Total accumulated depreciation	<u>677,836</u>	<u>60,862</u>	<u>-</u>	<u>738,698</u>
Total capital assets, being depreciated, net	<u>777,271</u>	<u>985,663</u>	<u>-</u>	<u>1,762,934</u>
Business-type activities capital assets, net	\$ 2,033,198	\$ 1,762,727	\$ 1,007,000	\$ 2,788,925
	=====	=====	=====	=====

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged as direct expenses to programs of the primary government as follows:

Governmental activities:	
General government	\$ 19,884
Public safety	137,769
Public works	52,115
Education	762,381
Culture and recreation	<u>20,671</u>
Total depreciation expense - governmental activities	\$ 992,820 =====
Business-type activities:	
Water and sewer	\$ 60,862
Transfer station	<u>-</u>
Total depreciation expense - business-type activities	\$ 60,862 =====

12 - LONG-TERM DEBT

Unmatured general obligation bonds payable consist of the following:

<u>Purpose of Issue</u>	<u>Governmental</u>	<u>Business-type</u>
Sewer project, serial issue maturities through 2005, bearing interest rate of 5.0%	\$ -	\$ 16,000
School construction, serial issue maturities through 2022, bearing interest rates of 3.0% to 4.5%	9,300,000	-
Cafetorium, serial issue maturities through 2011, bearing interest rates of 3.5% to 4.25%	165,000	-
Municipal purpose, serial issue maturities through 2010, bearing interest rates of 4.3% to 7.0%	390,000	-
New well project, serial issue maturities through 2014, bearing interest rate of 5.2%	-	574,381
New well project, serial issue maturities through 2034, bearing interest rate of 5.12%	-	96,153
Old Town Hall renovation, serial issue maturities through 2017, bearing interest rate of 5.25%	241,594	-
Sewer design, serial issue maturities through 2011, bearing interest rates of 3.5% to 4.25%	-	295,000
Refunded municipal purpose, serial issue maturities through 2018, bearing interest rates of 4.25% to 6.0%	1,230,000	-

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Municipal purpose, serial issue maturities through 2023, bearing interest rates of 2.5% to 5.0%	4,850,000	-
Fire/EMS, serial issue maturities through 2010, bearing interest rates of 4.3% to 7.0%	60,000	-
School Land Acquisition, serial issue maturities through 2011, bearing interest rates of 3.5% to 4.25%	720,000	-
School construction, bond anticipation note, due April 2006, bearing interest rate of 3.0%	14,000,000	-
Capital equipment, bond anticipation note, due July 2004, bearing interest rate of 2.0%	560,000	-
Land, bond anticipation note, due July 2004, bearing interest at 1.8%	725,000	-
Wastewater Treatment Plant, bond anticipation due, due August 2004, bearing interest at 2.09%	-	580,000
Police station, serial issue maturities through 2013, bearing interest rate of 5.63%	<u>258,750</u>	<u>-</u>
	\$32,500,344	\$ 1,561,534
	=====	=====

Transactions for the year ended June 30, 2004 are summarized as follows:

	Balance July 1	Issues or Additions	Payments or Expenditures	Balance June 30	Due Within One Year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 27,750,043	\$ 4,790,000	\$ 824,699	\$ 31,715,344	\$ 985,536
Landfill postclosure care-costs	171,000	-	9,000	162,000	9,000
Capital lease obligations	<u>112,571</u>	<u>26,624</u>	<u>54,561</u>	<u>84,634</u>	<u>63,903</u>
Total governmental activities	<u>28,033,614</u>	<u>4,816,624</u>	<u>888,260</u>	<u>31,961,978</u>	<u>1,058,439</u>
<u>Business Type Activities</u>					
General Obligation Bonds	<u>1,081,728</u>	<u>580,000</u>	<u>100,194</u>	<u>1,561,534</u>	<u>102,250</u>
Total business-type activities	<u>1,081,728</u>	<u>580,000</u>	<u>100,194</u>	<u>1,561,534</u>	<u>102,250</u>
Total government	\$ 29,115,342	\$ 5,396,624	\$ 988,454	\$ 33,523,512	\$ 1,160,689
	=====	=====	=====	=====	=====

General Obligation Bonds -

General obligation bonds are backed by the full faith and credit of the Town. The state has approved school construction assistance subject to annual appropriation by the legislature to partially provide resources for future principal and interest requirements.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Bond anticipation notes are classified as general obligation bonds when the criteria established by FASB-6 (Classification of Short-term Obligations Expected to be Refinanced) are satisfied.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the Town to rebate excess arbitrage earnings from bond proceeds to the federal government.

Annual Requirements to Retire Debt Obligations -

The annual aggregate maturities for each bond type for the years subsequent to June 30, 2004 are as follows:

General Obligation Bonds

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
Year Ending					
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 985,536	\$ 667,122	\$ 102,250	\$ 47,306	\$ 1,802,214
2006	1,006,418	685,998	88,414	43,054	1,823,884
2007	1,012,345	648,747	90,692	39,021	1,790,805
2008	1,028,321	609,507	88,088	34,825	1,760,741
2009	974,349	569,230	90,611	30,702	1,664,892
2010-2014	4,535,396	2,239,635	375,781	90,944	7,241,756
2015-2019	4,317,979	1,291,717	78,497	22,631	5,710,824
2020-2024	3,355,000	336,215	15,583	15,701	3,722,499
2025-2029	-	-	20,007	11,279	31,286
2030-2034	-	-	25,686	5,599	31,285
2035	<u>-</u>	<u>-</u>	<u>5,925</u>	<u>304</u>	<u>6,229</u>
	17,215,344	7,048,171	981,534	341,366	25,586,415
Bond anticipation notes	<u>15,285,000</u>	<u>840,000</u>	<u>580,000</u>	<u>2,020</u>	<u>16,707,020</u>
	\$32,500,344	\$ 7,888,171	\$ 1,561,534	\$ 343,386	\$42,293,435
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Bonds Authorized and Unissued -

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there may be categories of general obligation debt which are exempt from the debt limit but are subject to other limitations, including debt incurred under the Funding Loan Act of 1971.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Bonds authorized and unissued at June 30, 2004 is as follows:

New High School	\$ 5,074,790
High School - Supplemental Approp.	1,309,523
High School - Supplemental Equipment Approp.	620,000
Land Purchase	75,000
Capital Expenditures	45,000
Wastewater Treatment Facility	<u>7,700,000</u>
	\$14,824,313
	=====

13 - TEMPORARY BORROWINGS

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary basis to fund the following:

1. Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
2. Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs).
3. Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of Federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute.

14 - CONTINGENCIES

The Town is a party to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings, in the opinion of Town Counsel, are not likely to have a material adverse impact on the Town's financial position.

The Town is contingently liable for its proportionate share of debt of the Blackstone Valley Vocational Regional School District.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, 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.

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - RESTRICTED NET ASSETS

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

Included in restricted net assets is a reserve for debt service in the amount of \$31,282,950 representing anticipated future receipts from School Building Assistance Bureau (SBAB).

ACCOMPANYING INFORMATION



INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

The Honorable Board of Selectmen
Town of Douglas, Massachusetts

Our report on our audit of the financial statements of the Town of Douglas for June 30, 2004 appears on pages 1 and 2. That audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of treasurer's cash is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Borgatti Harrison & Co.

Borgatti Harrison & Co.

Framingham, Massachusetts
December 16, 2004

TOWN OF DOUGLAS, MASSACHUSETTS

SCHEDULE OF TREASURER'S CASH

JUNE 30, 2004

Non-Interest bearing accounts:

State Street Bank	\$ <u>2,475</u>
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Interest bearing bank accounts:

Fleet Bank	203,702
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Milford National Bank	101,747
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Commerce Bank	35,271
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Unibank For Savings	<u>3,408,762</u>
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3,749,482

Pooled Investments:

Massachusetts Municipal Depository Trust	<u>6,231,678</u>
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Total treasurer's cash

\$ 9,983,635

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See accompanying auditor's report on accompanying information