

TOWN OF DOUGLAS, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS  
WITH ACCOMPANYING INFORMATION  
YEAR ENDED JUNE 30, 2005  
AND  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



TOWN OF DOUGLAS, MASSACHUSETTS

BASIC FINANCIAL STATEMENTS  
WITH ACCOMPANYING INFORMATION

YEAR ENDED JUNE 30, 2005

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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, 2005, 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, 2005, 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 August 16, 2006, 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  
August 16, 2006

## 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, 2005. 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.

#### **Financial Highlights:**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$41,839,732 (*net assets*). Of this amount, \$2,216,820 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$952,548 in fiscal year 2005. Net assets of governmental activities decreased by \$1,304,203 and net assets of business-type activities increased by \$351,655.
- The total cost of all Town's services for fiscal 2005 was \$23,741,627, \$22,825,711 of which was for governmental services, and \$915,916 of which was for business-type activities.
- At June 30, 2005, the Town's governmental funds reported a combined ending fund balance of \$5,747,510. The combined governmental funds balance decreased by \$2,077,959 from the prior year's ending fund balance. A total of \$1,292,189 or 22.5% of the \$5,747,510 fund balance is considered unreserved at June 30, 2005.
- The Town's general fund reported a fund balance of \$2,811,364 at the end of fiscal 2005. The unreserved fund balance for the general fund was \$1,292,189 or 6.7% of total general fund expenditures and transfers to other funds. There was a \$883,734 decrease in total general fund balance for the year. A total of \$1,192,000 of the general fund balance is designated for funding the fiscal year 2006 budget.
- The Town's total bonded debt had a net increase of \$5,471,318 or 16% during the year. The key factors in this increase were issuance of general obligation bonds for sewer construction.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Statements:** The *government-wide financial 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.

## TOWN OF DOUGLAS, MASSACHUSETTS

### Management's Discussion and Analysis

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 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.

## **TOWN OF DOUGLAS, MASSACHUSETTS**

### **Management's Discussion and Analysis**

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-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.



# TOWN OF DOUGLAS, MASSACHUSETTS

## Management's Discussion and Analysis

### 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, 2005 by \$41,839,732 (presented as "net assets"). Of this amount, \$2,216,820 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 \$1,019,968 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.

	<u>Governmental</u>	<u>Activities</u>	<u>Business Type</u>	<u>Activities</u>	<u>Total</u>	
	2004	2005	2004	2005	Primary	Government
<b>Assets</b>						
Current and Other Assets	\$ 41,393,892	\$ 38,835,004	\$ 1,247,037	\$ 3,684,988	\$ 42,640,929	\$ 42,519,992
Capital Assets	32,726,724	33,178,185	2,788,925	7,434,018	35,515,649	40,612,203
Total Assets	74,120,616	72,013,189	4,035,962	11,119,006	78,156,578	83,132,195
<b>Liabilities</b>						
Current Liabilities	2,664,446	16,386,413	337,029	692,918	3,001,475	17,079,331
Noncurrent Liabilities	30,903,539	16,378,348	1,459,284	7,834,784	32,362,823	24,213,132
Total Liabilities	33,567,985	32,764,761	1,796,313	8,527,702	35,364,298	41,292,463
<b>Net Assets</b>						
Invested in capital assets, net of related debt	141,746	1,810,838	1,227,391	(790,870)	1,369,137	1,019,968
Restricted	37,274,103	35,738,271	513,744	2,864,673	37,787,847	38,602,944
Unrestricted	3,136,782	1,699,319	498,514	517,501	3,635,296	2,216,820
Total Net Assets	\$ 40,552,631	\$ 39,248,428	\$ 2,239,649	\$ 2,591,304	\$ 42,792,280	\$ 41,839,732

# TOWN OF DOUGLAS, MASSACHUSETTS

## Management's Discussion and Analysis

### Town of Douglas, Massachusetts Summary Statement of Activities For the Year Ended June 30, 2005

	<u>Governmental</u>	<u>Activities</u>	<u>Business-Type</u>	<u>Activities</u>	<u>Total</u>	
	2004	2005	2004	2005	2004	2005
<b><u>Revenues:</u></b>						
Program Revenues:						
Charges for Services	\$ 1,338,369	\$ 1,402,519	\$ 865,455	\$ 997,249	\$ 2,203,824	\$ 2,399,768
Operating Grants and Contributions	8,268,620	9,754,059	570,110	285,028	8,838,730	10,039,087
General Revenues:						
Property and Excise Taxes	10,293,862	10,143,546	-	-	10,293,862	10,143,546
Investment Income	521,161	199,208	5,474	7,468	526,635	206,676
Miscellaneous	-	2	-	-	-	2
Transfers	-	22,174	-	(22,174)	-	-
Total Revenues	20,422,012	21,521,508	1,441,039	1,267,571	21,863,051	22,789,079
<b><u>Expenses:</u></b>						
General Government	1,093,458	1,191,039	-	-	1,093,458	1,191,039
Public Safety	1,666,574	1,652,019	-	-	1,666,574	1,652,019
Public Works	901,407	1,435,927	-	-	901,407	1,435,927
Health and Human Services	138,594	132,730	-	-	138,594	132,730
Culture and Recreation	205,459	213,496	-	-	205,459	213,496
Education	12,006,608	13,904,555	-	-	12,006,608	13,904,555
Interest of Long-term Debt	812,560	1,162,112	-	-	812,560	1,162,112
Employee Pensions	913,191	1,038,750	-	-	913,191	1,038,750
Insurance	1,472,557	1,565,333	-	-	1,472,557	1,565,333
Water and Sewer Department	-	-	499,166	659,116	499,166	659,116
Transfer Station	-	-	248,477	256,800	248,477	256,800
Capital Outlay	82,012	160,024	-	-	82,012	160,024
State and County Charges	365,408	369,726	-	-	365,408	369,726
Total Expenses	19,657,828	22,825,711	747,643	915,916	20,405,471	23,741,627
Change in Net Assets	764,184	(1,304,203)	693,396	351,655	1,457,580	(952,548)
Net Assets - Beginning	39,788,447	40,552,631	1,546,253	2,239,649	41,334,700	42,792,280
Net Assets - Ending	\$ 40,552,631	\$ 39,248,428	\$ 2,239,649	\$ 2,591,304	\$ 42,792,280	\$ 41,839,732

## **TOWN OF DOUGLAS, MASSACHUSETTS**

### **Management's Discussion and Analysis**

#### **Statement of changes in Net Assets**

The Town's total net assets decreased by \$952,548 in fiscal year 2005, of which the governmental activities net assets decreased \$1,304,203 and the business-type activities increased by \$351,655.

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.

#### **Total Revenues**

Total governmental activities revenues for the Town are comprised of general revenue of \$10,364,930, charges for services of \$1,402,519, and operating grants and contributions of \$9,754,059.

The Town's revenues increased by \$926,028 or **4.2%** over the prior fiscal year, substantially related to governmental activities.

#### **General**

Real estate and personal property tax revenues are the Town's largest revenue source at \$9,105,116 for fiscal 2005, representing 88% of general revenues. The assessed tax valuation base is \$825 million, up from \$561 million assessed in the prior year, showing a 47% increase due to revaluation.

Grants and contributions not restricted to specific programs are \$687,185, representing 7 % of general revenues.

#### **Program**

Charges for services are \$1,402,519, an increase of \$64,150 from FY04, representing a variety of department revenues.

#### **Expenses**

For fiscal year ended June 30, 2005 expenses for governmental activities totaled \$22,825,711, which cover a range of services. This represents an increase of \$3,167,883 over fiscal 2004.

Education continues to be one of the Town's highest priorities with expenditures representing \$13,904,555, or 61% of total governmental expenses. This includes both grant and general operating expenses.

## **TOWN OF DOUGLAS, MASSACHUSETTS**

### **Management's Discussion and Analysis**

#### **Business-type Activities**

Business-type activities increased net assets by \$351,655.

#### **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 \$5,747,510, a decrease of \$2,077,959, due to a drawdown of Capital Projects fund balances and use of free cash to balance the general government budget. Of this amount, \$236,577 is reserved for encumbrances, \$2,269,075 is reserved for other purposes and \$1,192,000 is reserved for subsequent year. This leaves and unreserved/undesignated fund balance of \$2,049,858

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 \$1,292,189 while the total fund balance was \$2,811,364. 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 6.7% 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 \$517,501 with an investment in capital assets, net of related debt of \$(790,870).

#### **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 FY2005.

## 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
	2005	2005	
Land	2,187,346	389,384	2,576,730
Buildings and Improvements	31,634,290	480,007	32,114,297
Machinery and Equipment	4,147,180	15,400	4,162,580
Infrastructure	-	2,006,225	2,006,225
Construction in Progress	-	5,343,172	5,343,172
Totals	37,968,816	8,234,188	46,203,004

As of June 30, 2005 the Town of Douglas's capital assets for its governmental and business-type activities amounted to \$40,612,203 (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 \$1,090,200 in the governmental activities and \$4,706,565 in the business-type activities.

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

- Acquisition of land.
- Construction of a new Wastewater Treatment Facility.

##### **Debt**

At year-end, the Town had \$38,954,696 million in outstanding bonds and notes, compared to \$33,483,378 last year. This is a net increase of \$5,471,318, or 16.3%.

During the year, the Town borrowed \$6,562,636 in General Obligation bonds to finance to continued sewer construction.

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 2%.

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, 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, 2005**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Equivalents	\$ 6,310,792	\$ 1,098,699	\$ 7,409,491
Receivables	931,243	105,914	1,037,157
Due from Other Governmental Agencies	310,019	2,480,375	2,790,394
Total current assets	<u>7,552,054</u>	<u>3,684,988</u>	<u>11,237,042</u>
<b>Noncurrent Assets:</b>			
Due from Other Governmental Agencies	31,282,950	-	31,282,950
Capital assets, net of accumulated depreciation	33,178,185	7,434,018	40,612,203
Total noncurrent assets	<u>64,461,135</u>	<u>7,434,018</u>	<u>71,895,153</u>
Total Assets	<u>72,013,189</u>	<u>11,119,006</u>	<u>83,132,195</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued expenses	576,483	195,840	772,323
Performance bonds	402,893	-	402,893
Notes payable	14,000,000	-	14,000,000
Accrued interest	265,038	106,974	372,012
Current portion of landfill postclosure care costs	9,000	-	9,000
Current portion of capital lease obligations	126,581	-	126,581
Current portion of bonds payable	1,006,418	390,104	1,396,522
Total current liabilities	<u>16,386,413</u>	<u>692,918</u>	<u>17,079,331</u>
<b>Noncurrent Liabilities:</b>			
Bonds payable, net of current portion	15,723,390	7,834,784	23,558,174
Landfill postclosure care costs, net of current portion	144,000	-	144,000
Capital lease obligations, net of current portion	510,958	-	510,958
Total noncurrent liabilities	<u>16,378,348</u>	<u>7,834,784</u>	<u>24,213,132</u>
Total Liabilities	<u>32,764,761</u>	<u>8,527,702</u>	<u>41,292,463</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,810,838	(790,870)	1,019,968
Restricted for:			
Capital projects	(308,220)	2,282,102	1,973,882
Debt Service	31,282,950	-	31,282,950
Other purposes	4,763,541	582,571	5,346,112
Unrestricted	1,699,319	517,501	2,216,820
Total net assets	<u>\$ 39,248,428</u>	<u>\$ 2,591,304</u>	<u>\$ 41,839,732</u>

See accompanying notes to financial statements.

**Town of Douglas, Massachusetts**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 1,191,039	\$ 311,254	\$ 1,121,815	\$ -	\$ 242,030	\$ -	\$ 242,030
Public Safety	1,652,019	203,960	43,379	-	(1,404,680)	-	(1,404,680)
Public Works	1,435,927	5,600	540,684	-	(889,643)	-	(889,643)
Health and Human Services	132,730	58,056	8,177	-	(66,497)	-	(66,497)
Culture and Recreation	213,496	48	11,171	-	(202,277)	-	(202,277)
Education	13,904,555	823,601	7,507,194	-	(5,573,760)	-	(5,573,760)
Interest on Long-term debt	1,162,112	-	-	-	(1,162,112)	-	(1,162,112)
Employee Pensions	1,038,750	-	521,639	-	(517,111)	-	(517,111)
Insurance	1,565,333	-	-	-	(1,565,333)	-	(1,565,333)
State and County Charges	369,726	-	-	-	(369,726)	-	(369,726)
Capital Outlay	160,024	-	-	-	(160,024)	-	(160,024)
Total governmental activities	22,825,711	1,402,519	9,754,059	-	(11,669,133)	-	(11,669,133)
Business-type activities							
Water & Sewer Enterprise	659,116	736,320	-	285,028	-	362,232	362,232
Transfer Station Enterprise	256,800	260,929	-	-	-	4,129	4,129
Total business-type activities	915,916	997,249	-	285,028	-	366,361	366,361
Total primary government	\$ 23,741,627	2,399,768	\$ 9,754,059	\$ 285,028	(11,669,133)	366,361	(11,302,772)
<b>General revenues:</b>							
Property and excise taxes					10,143,546	-	10,143,546
Investment earnings					199,208	7,468	206,676
Miscellaneous					2	-	2
Transfers					22,174	(22,174)	-
Total general revenues, special items, and transfers					10,364,930	(14,706)	10,350,224
Change in net assets					(1,304,203)	351,655	(952,548)
Net assets - beginning					40,552,631	2,239,649	42,792,280
Net assets - ending					\$ 39,248,428	\$ 2,591,304	\$ 41,839,732

See accompanying notes to financial statements



**Town of Douglas, Massachusetts**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,684,665	\$ 2,178,477	\$ (308,220)	\$ 755,870	\$ 6,310,792
Taxes receivable, net	931,243	-	-	-	931,243
Receivable from other governments	31,282,950	-	-	310,019	31,592,969
Other receivables	-	-	-	-	-
Total assets	<u>\$ 35,898,858</u>	<u>\$ 2,178,477</u>	<u>\$ (308,220)</u>	<u>\$ 1,065,889</u>	<u>\$ 38,835,004</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 567,933	\$ -	\$ -	\$ -	\$ 567,933
Performance bonds	402,893	-	-	-	402,893
Deferred revenue	32,108,118	-	-	-	32,108,118
Temporary loans	-	-	-	-	-
Other payables	8,550	-	-	-	8,550
Total liabilities	<u>33,087,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,087,494</u>
<b>Fund balances:</b>					
Reserved for:					
Deficits	(157,887)	-	-	-	(157,887)
Encumbrances and appropriations	236,577	-	-	-	236,577
Perpetual permanent funds	-	-	-	-	-
Other purposes	248,485	2,178,477	-	-	2,426,962
Unreserved	1,292,189	-	-	-	1,292,189
Designated for subsequent year	1,192,000	-	-	-	1,192,000
Unreserved, reported in non-major:					
Special revenue funds	-	-	-	954,310	954,310
Capital projects funds	-	-	(308,220)	-	(308,220)
Permanent Endowment Fund	-	-	-	111,579	111,579
Total fund balances	<u>2,811,364</u>	<u>2,178,477</u>	<u>(308,220)</u>	<u>1,065,889</u>	<u>5,747,510</u>
Total liabilities and fund balances	<u>\$ 35,898,858</u>	<u>\$ 2,178,477</u>	<u>\$ (308,220)</u>	<u>\$ 1,065,889</u>	<u>\$ 38,835,004</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, 2005**

Total fund balance, governmental funds	\$	5,747,510
--	----	-----------

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.		33,178,185
---	--	------------

In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in Governmental Funds, interest is not reported until due.		(265,038)
--	--	-----------

Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		32,108,118
--	--	------------

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.		(31,520,347)
--	--	--------------

Net Assets of Governmental Activities in the Statement of Net Assets	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">39,248,428</div>
--	----	---

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, 2005**

	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes and assessments	\$ 10,096,837	\$ -	\$ -	\$ 3,023	\$ 10,099,860
Fees and fines	151,633	-	-	98,219	249,852
Licenses and permits	95,384	-	-	-	95,384
Intergovernmental	7,518,282	-	-	1,882,088	9,400,370
Charges for services	53,185	-	-	1,035,657	1,088,842
Investment earnings	154,410	42,561	-	2,237	199,208
Miscellaneous	12,633	-	199,223	-	211,856
Contributions and donations	-	-	-	71,679	71,679
<b>Total revenues</b>	<b>18,082,364</b>	<b>42,561</b>	<b>199,223</b>	<b>3,092,903</b>	<b>21,417,051</b>
<b>EXPENDITURES</b>					
General government	1,128,407	-	-	21,121	1,149,528
Public safety	1,559,433	-	-	161,060	1,720,493
Public works	916,734	-	-	485,794	1,402,528
Health and human services	132,657	-	-	73	132,730
Culture and recreation	183,973	-	-	22,205	206,178
Education	10,113,037	-	-	2,414,636	12,527,673
Employee pensions	1,038,750	-	-	-	1,038,750
Insurance	1,565,333	-	-	-	1,565,333
Debt service:					
Principal	985,536	-	-	-	985,536
Interest and other charges	999,088	-	-	-	999,088
State and county charges	369,726	-	-	-	369,726
Capital outlay	160,024	-	1,281,597	-	1,441,621
<b>Total Expenditures</b>	<b>19,150,698</b>	<b>-</b>	<b>1,281,597</b>	<b>3,104,889</b>	<b>23,517,184</b>
Excess (deficiency) of revenues over expenditures	(1,068,334)	42,561	(1,082,374)	(11,986)	(2,100,133)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from long-term debt, net	-	-	-	-	-
Transfers in	189,961	5,361	-	22,174	217,496
Transfers out	(5,361)	-	(60,659)	(129,302)	(195,322)
<b>Total other financing sources and uses</b>	<b>184,600</b>	<b>5,361</b>	<b>(60,659)</b>	<b>(107,128)</b>	<b>22,174</b>
<b>Net change in fund balances</b>	<b>(883,734)</b>	<b>47,922</b>	<b>(1,123,033)</b>	<b>(119,114)</b>	<b>(2,077,959)</b>
Fund balances - beginning	3,895,098	2,130,555	814,813	1,165,003	7,825,469
<b>Fund balances - ending</b>	<b>\$ 2,811,364</b>	<b>\$ 2,178,477</b>	<b>\$ (308,220)</b>	<b>\$ 1,045,889</b>	<b>\$ 5,747,510</b>

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, 2005**

Net change in fund balances - total governmental funds: \$ (2,077,959)

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 (\$1,636,580) exceeded depreciation (\$1,185,119) in the current period. 451,461

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. 43,688

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. 441,631

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 (163,024)

Change in net assets of governmental activities \$ (1,304,203)

See accompanying notes to financial statements.

**Town of Douglas, Massachusetts**  
**Budget and Actual (with Variances)**  
**General Fund**  
**For the year ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes and assessments	\$ 9,677,431	\$ 9,822,252	\$ 10,096,837	\$ 274,585
Fees and fines	115,000	115,000	151,633	36,633
Licenses and permits	60,000	60,000	95,384	35,384
Intergovernmental	6,910,379	6,910,379	6,981,619	71,240
Charges for services	60,000	60,000	53,185	(6,815)
Investment earnings	51,000	51,000	154,410	103,410
Miscellaneous	-	-	12,635	12,635
Total revenues	16,873,810	17,018,631	17,545,703	527,072
<b>EXPENDITURES</b>				
General government	1,169,550	1,173,669	1,089,084	84,585
Public safety	1,632,533	1,632,533	1,553,447	79,086
Public works	724,771	724,771	898,222	(173,451)
Health and human services	151,302	151,302	133,700	17,602
Culture and recreation	185,901	185,901	185,013	888
Education	10,006,356	10,119,968	10,109,619	10,349
Debt service	1,951,925	1,983,114	1,984,624	(1,510)
Employee pensions	535,477	535,477	517,111	18,366
Insurance	1,640,665	1,651,555	1,565,333	86,222
Capital outlay	96,124	182,324	179,532	2,792
State and county charges	373,406	373,406	369,726	3,680
Total Expenditures	18,468,010	18,714,020	18,585,411	128,609
Excess (deficiency) of revenues over expenditures	(1,594,200)	(1,695,389)	(1,039,708)	655,681
<b>OTHER FINANCING SOURCES (USES)</b>				
Available funds	1,474,806	1,544,806	1,544,806	-
Proceeds from long-term borrowing	-	-	-	-
Transfers in	147,374	178,563	184,598	6,035
Transfers out	-	-	-	-
Total other financing sources and uses	1,622,180	1,723,369	1,729,404	6,035
Net change in fund balances	27,980	27,980	689,696	661,716
Fund balances - beginning	1,944,016	1,779,016	1,779,016	-
Fund balances - ending	\$ 1,971,996	\$ 1,806,996	\$ 2,468,712	\$ 661,716

See accompanying notes to financial statements

**Town of Douglas, Massachusetts**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	<b>Enterprise Funds</b>		
	<u><b>Water &amp; Sewer Enterprise Fund</b></u>	<u><b>Transfer Station Enterprise Fund</b></u>	<u><b>Total</b></u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,030,810	\$ 67,889	\$ 1,098,699
User fees receivable, net	105,914	-	105,914
Due from other governmental agencies	2,480,375	-	2,480,375
Total current assets	3,617,099	67,889	3,684,988
Non-current assets:			
Capital assets, net of accumulated depreciation	7,434,018	-	7,434,018
Total non-current assets	7,434,018	-	7,434,018
Total assets	11,051,117	67,889	11,119,006
<b>LIABILITIES</b>			
Current Liabilities:			
Accrued payables	195,840	-	195,840
Accrued interest	106,974	-	106,974
USDA loan payable	-	-	-
Current portion of bonds payable	390,104	-	390,104
Total current liabilities	692,918	-	692,918
Non-current liabilities:			
Bonds payable, net of current portion	7,834,784	-	7,834,784
Total non-current liabilities	7,834,784	-	7,834,784
Total liabilities	8,527,702	-	8,527,702
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(790,870)	-	(790,870)
Designated for subsequent year	257,109	-	257,109
Restricted for capital projects	2,282,102	-	2,282,102
Restricted for other purposes	306,500	18,962	325,462
Unrestricted	468,574	48,927	517,501
Total net assets	\$ 2,523,415	\$ 67,889	\$ 2,591,304

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, 2005**

	<b>Enterprise Funds</b>		
	<b><u>Water &amp; Sewer</u></b>	<b><u>Transfer Station</u></b>	
	<b><u>Enterprise Fund</u></b>	<b><u>Enterprise Fund</u></b>	<b><u>Total</u></b>
<b>REVENUES</b>			
Charges for services	\$ 735,320	\$ 260,929	\$ 996,249
Miscellaneous	1,000	-	1,000
Total operating revenues	<u>736,320</u>	<u>260,929</u>	<u>997,249</u>
<b>OPERATING EXPENSES</b>			
Personal services	226,350	37,138	263,488
Contractual services	37,498	212,522	250,020
Utilities	54,063	2,073	56,136
Repairs and Maintenance	9,785	-	9,785
Fringe benefits	3,077	-	3,077
Other supplies and expenses	95,516	5,067	100,583
Depreciation	61,472	-	61,472
Total Operating Expenses	<u>487,761</u>	<u>256,800</u>	<u>744,561</u>
Operating income (loss)	<u>248,559</u>	<u>4,129</u>	<u>252,688</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	7,468	-	7,468
Operating grants and contributions	285,028	-	285,028
Interest expense	(171,355)	-	(171,355)
Total non-operating revenue (expenses)	<u>121,141</u>	<u>-</u>	<u>121,141</u>
Income (loss) before contributions and transfers	369,700	4,129	373,829
Transfers in	-	-	-
Transfers out	(22,174)	-	(22,174)
Change in net assets	347,526	4,129	351,655
Total net assets - beginning	<u>2,175,889</u>	<u>63,760</u>	<u>2,239,649</u>
Total net assets - ending	<u>\$ 2,523,415</u>	<u>\$ 67,889</u>	<u>\$ 2,591,304</u>

See accompanying notes to financial statements

**Town of Douglas, Massachusetts**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**June 30, 2005**

	<u>Water &amp; Sewer</u> <u>Enterprise Fund</u>	<u>Transfer Station</u> <u>Enterprise Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers and users	\$ 734,283	\$ 260,929	\$ 995,212
Payments to vendors	(199,939)	(219,662)	(419,601)
Payments to employees	(226,350)	(37,138)	(263,488)
Net cash from operating activities	<u>307,994</u>	<u>4,129</u>	<u>312,123</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Net transfers out	(22,174)	-	(22,174)
Net cash from noncapital financing activities	<u>(22,174)</u>	<u>-</u>	<u>(22,174)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from issuance of bonds and notes	4,082,261	-	4,082,261
Acquisition and construction of capital assets	(4,510,725)	-	(4,510,725)
Principal payments on bonds and notes	(105,782)	-	(105,782)
Operating grants	493,782	-	-
Interest expense	(92,660)	-	-
Net cash from capital and related financing activities	<u>(133,124)</u>	<u>-</u>	<u>(534,246)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment income	7,468	-	-
Net cash from investing activities	<u>7,468</u>	<u>-</u>	<u>-</u>
Net Change in Cash	160,164	4,129	(244,297)
Cash, beginning of year	870,646	63,760	934,406
Cash, end of year	<u>\$ 1,030,810</u>	<u>\$ 67,889</u>	<u>\$ 690,109</u>

**Reconciliation of Operating income to Net Cash**

**Provided by (used for) Operating Activities:**

Operating income	\$ 248,559	\$ 4,129	\$ 252,688
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	61,472	-	61,472
Changes in assets and liabilities:			
User fees receivable	(2,037)	-	(2,037)
Net Cash Provided by (used for) Operating Activities	<u>\$ 307,994</u>	<u>\$ 4,129</u>	<u>\$ 312,123</u>

See accompanying notes to financial statements



**Town of Douglas, Massachusetts**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2005**

	<u>Private Purpose</u> <u>Trust Fund -</u> <u>Simple</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 51,112	\$ 67,634
Total assets	<u>51,112</u>	<u>67,634</u>
<b>LIABILITIES</b>		
Accounts payable	-	-
Due to student groups	-	67,634
Total liabilities	<u>-</u>	<u>67,634</u>
<b>NET ASSETS</b>		
Held in trust for benefits and other purposes	<u>\$ 51,112</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, 2005**

	<u>Private Purpose</u> <u>Trust Fund -</u> <u>Simple</u>
<b>ADDITIONS</b>	
Contributions	\$ -
Investment earnings	732
Total additions	<u>732</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>250</u>
Total deductions	<u>250</u>
Change in net assets	482
Net assets - beginning	<u>50,630</u>
Net assets - ending	<u><u>\$ 51,112</u></u>

See accompanying notes to financial statements

## INDEX TO NOTES TO FINANCIAL STATEMENTS

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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.

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.

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.



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	\$(1,039,708)
Adjustment of property tax revenues to modified accrual basis	15,024
Beginning of year adjustment for encumbrances recognized as expenditures	(280,227)
End of year adjustment for encumbrances not recognized as expenditures	<u>236,577</u>
Excess of revenues and other sources over expenditures and other uses - GAAP basis	\$(1,068,334)
	=====

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, 2005. 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	\$ 342,447	\$ -	\$ 6,158,817	\$ 6,501,264	\$ 5,867,550
Total	\$ 342,447	\$ -	\$ 6,158,817	\$ 6,501,264	\$ 5,867,550
	=====	=====	=====	=====	=====

Investments

The following summary presents the amount of investments at June 30, 2005. 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>			Not Categorized	Fair Value
	<u>Category</u>				
	<u>1</u>	<u>2</u>	<u>3</u>		
MMDT	\$ -	\$ -	\$ -	\$1,660,687	\$1,660,687
	=====	=====	=====	=====	=====

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 8.3% 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 2005, the Town's annual pension cost of \$370,477 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>
2003	\$272,038	100%
2004	332,502	100%
2005	370,477	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 \$561,639 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, 2005, there were 63 retirees receiving benefits and the approximate cost to the Town was \$130,607.

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 2005 were \$9,675.

## 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, 2005:

<u>Year Ending</u> <u>June 30,</u>	<u>General Long-Term</u> <u>Obligations Account Group</u>
2006	\$ 127,690
2007	127,066
2008	127,066
2009	85,086
2010	79,192
2011	79,192
2012	<u>79,193</u>
Minimum lease payments for all capital leases	704,485
Less: Amount representing interest at the Town's incremental borrowing rate of interest	<u>66,946</u>
Present value of minimum lease payments	\$ 637,539 =====

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	\$ 154,782
Revolving accounts	441,477
Other Trust funds	111,579
Ambulance fund	<u>358,051</u>
	\$1,065,889 =====

## TOWN OF DOUGLAS, MASSACHUSETTS

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

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 2,187,346	\$ 1,090,200	\$ (248,052)	\$ 3,029,494
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	<u>2,187,346</u>	<u>1,090,200</u>	<u>(248,052)</u>	<u>3,029,494</u>
Capital assets, being depreciated				
Buildings	31,634,290	-	-	31,634,290
Equipment	<u>4,147,180</u>	<u>830,785</u>	<u>(74,396)</u>	<u>4,903,569</u>
Total capital assets, being depreciated	<u>35,781,470</u>	<u>830,785</u>	<u>(74,396)</u>	<u>36,537,859</u>
Less accumulated depreciation for:				
Buildings	3,626,988	573,802	-	4,200,790
Equipment	<u>1,615,104</u>	<u>611,317</u>	<u>(38,043)</u>	<u>2,188,378</u>
Total accumulated depreciation	<u>5,242,092</u>	<u>1,185,119</u>	<u>(38,043)</u>	<u>6,389,168</u>
Total capital assets, being depreciated, net	<u>30,539,378</u>	<u>(354,334)</u>	<u>(36,353)</u>	<u>30,148,691</u>
Governments activities capital assets, net	<u>\$ 32,726,724</u>	<u>\$ 735,866</u>	<u>\$ (284,405)</u>	<u>\$ 33,178,185</u>
	=====	=====	=====	=====
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 389,384	\$ -	\$ -	\$ 389,384
Construction in Progress	<u>636,607</u>	<u>4,706,565</u>	<u>-</u>	<u>5,343,172</u>
Total capital assets, not being depreciated	<u>1,025,991</u>	<u>4,706,565</u>	<u>-</u>	<u>5,732,556</u>
Capital assets, being depreciated				
Buildings	480,007	-	-	480,007
Equipment	15,400	-	-	15,400
Infrastructure	<u>2,006,225</u>	<u>-</u>	<u>-</u>	<u>2,006,225</u>
Total capital assets, being depreciated	<u>2,501,632</u>	<u>-</u>	<u>-</u>	<u>2,501,632</u>
Less accumulated depreciation for:				
Buildings	377,550	12,040	-	389,590
Equipment	15,400	-	-	15,400
Infrastructure	<u>345,748</u>	<u>49,432</u>	<u>-</u>	<u>395,180</u>
Total accumulated depreciation	<u>738,698</u>	<u>61,472</u>	<u>-</u>	<u>800,170</u>
Total capital assets, being depreciated, net	<u>1,762,934</u>	<u>61,472</u>	<u>-</u>	<u>1,701,462</u>
Business-type activities capital assets, net	<u>\$ 2,788,925</u>	<u>\$ 4,645,093</u>	<u>\$ -</u>	<u>\$ 7,434,018</u>
	=====	=====	=====	=====



## 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	\$ 27,879
Public safety	138,555
Public works	42,399
Education	968,968
Culture and recreation	<u>7,318</u>
Total depreciation expense - governmental activities	\$1,185,119 =====
Business-type activities:	
Water and sewer	\$ 61,472
Transfer station	<u>-</u>
Total depreciation expense - business-type activities	\$ 61,472 =====

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 2024, bearing interest rate of 2.0%	\$ -	\$ 7,142,636
School construction, serial issue maturities through 2022, bearing interest rates of 3.0% to 4.5%	8,945,000	-
Cafetorium, serial issue maturities through 2011, bearing interest rates of 3.5% to 4.25%	140,000	-
Municipal purpose, serial issue maturities through 2010, bearing interest rates of 4.3% to 7.0%	320,000	-
New well project, serial issue maturities through 2014, bearing interest rate of 5.2%	-	534,460
New well project, serial issue maturities through 2034, bearing interest rate of 5.12%	-	94,824
Old Town Hall renovation, serial issue maturities through 2017, bearing interest rate of 5.25%	224,808	-
Sewer design, serial issue maturities through 2011, bearing interest rates of 3.5% to 4.25%	-	250,000
Refunded municipal purpose, serial issue maturities through 2018, bearing interest rates of 4.25% to 6.0%	1,080,000	-

## 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%	4,630,000	-
Fire/EMS, serial issue maturities through 2010, bearing interest rates of 4.3% to 7.0%	50,000	-
School Land Acquisition, serial issue maturities through 2011, bearing interest rates of 3.5% to 4.25%	610,000	-
School construction, bond anticipation note, due April 2006, bearing interest rate of 3.0%	14,000,000	-
Water, serial issue maturities through 2033, bearing interest rate of 4.25%	-	202,968
Land, bond anticipation note, due July 2004, bearing interest at 1.8%	500,000	-
Police station, serial issue maturities through 2013, bearing interest rate of 5.63%	<u>230,000</u>	<u>-</u>
	\$30,729,808	\$ 8,224,888
	=====	=====

Transactions for the year ended June 30, 2005 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	\$ 31,715,344	\$ -	\$ 985,536	\$ 30,729,808	\$ 1,006,418
Landfill postclosure care-costs	162,000	-	9,000	153,000	9,000
Capital lease obligations	<u>84,634</u>	<u>616,809</u>	<u>63,904</u>	<u>637,539</u>	<u>126,581</u>
Total governmental activities	<u>31,961,978</u>	<u>616,809</u>	<u>1,058,440</u>	<u>31,520,347</u>	<u>1,141,999</u>
<u>Business Type Activities</u>					
General Obligation Bonds	<u>1,768,034</u>	<u>6,562,636</u>	<u>105,782</u>	<u>8,224,888</u>	<u>390,104</u>
Total business-type activities	<u>1,768,034</u>	<u>6,562,636</u>	<u>105,782</u>	<u>8,224,888</u>	<u>390,104</u>
Total government	\$ 33,730,012	\$ 7,179,445	\$ 1,164,222	\$ 39,745,235	\$ 1,532,103
	=====	=====	=====	=====	=====

## 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, 2005 are as follows:

General Obligation Bonds

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 1,006,418	\$ 685,998	\$ 390,104	\$ 217,793	\$ 2,300,313
2007	1,012,345	648,747	358,713	247,647	2,267,452
2008	1,028,321	609,507	363,533	236,038	2,237,399
2009	974,349	569,230	373,609	224,369	2,141,557
2010	985,430	528,328	384,104	212,264	2,110,126
2011-2015	4,382,945	2,043,864	1,957,265	849,413	9,233,487
2016-2020	4,385,000	1,103,475	1,948,146	462,459	7,899,080
2021-2025	2,455,000	191,900	2,310,967	107,129	5,064,996
2026-2030	-	-	67,107	25,718	92,825
2031-2035	-	-	71,340	9,092	80,432
	16,229,808	6,381,049	8,224,888	2,591,922	33,427,667
Bond anticipation notes	<u>14,500,000</u>	<u>437,250</u>	-	-	<u>14,937,250</u>
	\$30,729,808	\$ 6,818,299	\$ 8,224,888	\$ 2,591,922	\$48,364,917
	=====	=====	=====	=====	=====

## 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, 2005 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
Land purchase	250,000
Land purchase	767,200
Wastewater Treatment Facility	<u>557,364</u>
	\$ 8,698,877
	=====

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, 2005 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  
August 16, 2006

TOWN OF DOUGLAS, MASSACHUSETTS

SCHEDULE OF TREASURER'S CASH

JUNE 30, 2005

Non-Interest bearing accounts:

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

Fleet Bank	207,025
Milford National Bank	102,519
Commerce Bank	39,972
Unibank For Savings	<u>5,515,459</u>

5,864,975

Pooled Investments:

Massachusetts Municipal Depository Trust	<u>1,660,687</u>
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Petty cash	<u>100</u>
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Total treasurer's cash	\$ 7,528,237 =====
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See accompanying auditor's report on accompanying information



TOWN OF DOUGLAS, MASSACHUSETTS  
INDEPENDENT AUDITOR'S REPORTS PURSUANT  
TO GOVERNMENTAL AUDITING STANDARDS  
AND OMB CIRCULAR A-133  
YEAR ENDED JUNE 30, 2005

TOWN OF DOUGLAS, MASSACHUSETTS

INDEPENDENT AUDITOR'S REPORTS PURSUANT TO GOVERNMENTAL  
AUDITING STANDARDS AND OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2005

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**BORGATTI  
HARRISON  
& CO.**

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of Selectmen  
Town of Douglas, Massachusetts

We have audited the financial statements of the Town of Douglas, Massachusetts for the year ended June 30, 2005 and have issued our report thereon dated August 16, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Douglas, Massachusetts's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Town of Douglas, Massachusetts's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Certified Public Accountants*

One Framingham Center, Five Edgell Road, Suite 38, Framingham, Massachusetts 01701 (508) 620-7911 FAX (508) 620-7608

This report is intended for the information and use of the audit committee, management, others within the organization, Board of Selectmen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Borgatti Harrison + Co.*

Borgatti Harrison & Co.

Framingham, Massachusetts  
August 16, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Board of Selectmen  
Town of Douglas, Massachusetts

Compliance

We have audited the compliance of the Town of Douglas, Massachusetts with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The Town of Douglas, Massachusetts's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Douglas, Massachusetts's management. Our responsibility is to express an opinion on Town of Douglas, Massachusetts's compliance based on our audit.

We conducted our audit compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Douglas, Massachusetts's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Douglas, Massachusetts's compliance with those requirements.

In our opinion, Town of Douglas, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of the Town of Douglas, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Douglas, Massachusetts' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Town of Douglas, Massachusetts as of and for the year ended June 30, 2005, and have issued our report thereon dated August 16, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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.

This report is intended for the information and use of the audit committee, management, others within the organization, Board of Selectmen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Borgatti Harrison & Co.*

Borgatti Harrison & Co.

Framingham, Massachusetts  
August 16, 2006

ACCOMPANYING INFORMATION

## SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2005

<u>Federal Grantor</u> <u>Pass-through Grantor</u> <u>Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Award</u> <u>Amount</u>	<u>Balance</u> <u>July 1</u>	<u>Revenue</u> <u>Recognized</u>	<u>Federal</u> <u>Expenditures</u>	<u>Balance</u> <u>June 30</u>
<u>U.S. Department of Education</u>						
Passed through the Commonwealth of						
Massachusetts - Department of Education						
Title 1 - 2005	84.010	\$ 124,515	\$ -	\$ 124,515	\$ 110,586	\$ 13,929
Title V - 2005	84.151	5,192	-	5,192	4,785	407
SPED Electronic Portfolio - 2005	84.027	1,200	-	1,200	1,050	150
Title VI - 2002	84.151	5,206	617	-	617	-
SPED Early Child - 2005	84.173	10,782	-	10,782	10,782	-
P.L. 94-142; Title VIB - 2004	84.027	208,421	3,180	-	3,180	-
- 2005	84.027	255,238	-	255,238	224,255	30,983
SPED Professional Develop - 2003	84.027	15,126	1,309	-	1,309	-
SPED Program Improve. - 2004	84.027	11,493	3,802	-	-	3,802
- 2005	84.027	8,448	-	8,448	8,448	-
Enhanced Ed - 2005	84.318	3,701	-	3,701	2,782	919
National School Lunch Program	10.553	N/A	-	45,539	45,539	-
Drug Free Schools - 2005	84.186	6,006	-	6,006	1,010	4,996
Teacher Quality - 2004	84.367	34,021	7,825	8,505	5,866	10,464
- 2005	84.367	31,937	-	31,937	28,732	3,205
<u>U.S. Department of Agriculture</u>						
Rural Utilities Service - Treatment Plant	10.760	631,000	-	285,028	285,028	-
<u>U.S. Department of Agriculture, Forest Service</u>						
Passed through the Commonwealth of						
Massachusetts - Dept. of Environmental Mgt.						
Volunteer Fire Assistance Program		2,000	38	1,954	1,992	-
<u>U.S. Department of Homeland Security</u>						
Passed through the Commonwealth of						
Massachusetts - Office of Public Safety						
Public Assistance Program	97.036	55,040	-	55,040	55,040	-
Local Preparedness Grant - 2005	97.067	12,000	-	12,000	12,000	-
<u>U.S. Department of Justice</u>						
Passed through the Commonwealth of						
Massachusetts - Dept. of Fire Services						
Student Awareness of Fire Education		1,134	99	-	99	-
<u>U.S. Department of Justice</u>						
Police Vests	16.579	3,399	-	3,399	3,399	-
Police Block - 2002	16.579	9,059	4,511	-	4,511	-
			\$ 21,381	\$ 858,484	\$ 811,010	\$ 68,855
			=====	=====	=====	=====

See accompanying notes to schedule



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Douglas, Massachusetts.
2. No reportable conditions relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Town of Douglas, Massachusetts were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs is reported in the report on compliance with requirements applicable to each major program and internal control over compliance.
5. The auditor's report on compliance for the major award programs for the Town of Douglas, Massachusetts expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the Town of Douglas, Massachusetts.
7. The programs tested as major programs include: USDA RUS Grants, CFDA# 10.760 and Dept. of Ed., Title V, CFDA #84.027.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Douglas, Massachusetts was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

TOWN OF DOUGLAS, MASSACHUSETTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance of the Town of Douglas, Massachusetts. The Town reporting entity is defined in Note 1 to the Town's financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Town's financial statements.

3 - Relationship to Federal Financial Reports

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.