

**TOWN OF HALIFAX, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

TOWN OF HALIFAX, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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Basic Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Halifax, 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 Halifax, Massachusetts, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions 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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Halifax, Massachusetts as of June 30, 2007, and the respective changes in financial position thereof and respective budgetary comparison for the General Fund and Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, on the accompanying pages, 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.

Thevenin, Lynch, Bienvenue, LLP

August 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF HALIFAX, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2007

As management of the Town of Halifax (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007.

Financial Highlights:

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$38.8 million (net assets). Of this amount, approximately \$3.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total cost of all Town services for fiscal year 2007 was \$18.4 million.
- As of the end of the current fiscal year, unreserved fund balance for the general fund was \$1,469,701 or approximately 8.4% of general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary comparison statements, and 4) notes to financial statements.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

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

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Solid Waste Fund, both of which are considered to be major funds. The remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

Proprietary funds: The Town of Halifax maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The town uses a proprietary fund to account for its water activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water operations.

The basic proprietary fund financial statements can be found in the accompanying pages of this report.

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's programs.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

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. The notes to the financial statements follow the basic financial statements described above.

TOWN OF HALIFAX, MASSACHUSETTS

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Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Halifax, assets exceeded liabilities by \$28.9 and over \$9.8 million for the governmental and business-type activities, respectively, at the close of the most recent fiscal year. It should be noted the fiscal year 2006 capital assets balances were restated due to the recognition and valuation of infrastructure assets in accordance with GASB 34. The following tables demonstrate the net assets of the Town:

	FY 2007 Governmental Activities	FY 2006 (restated) Governmental Activities	Percent Change
Current assets	\$ 9,687,653	\$ 9,308,527	4.07%
Capital assets	<u>27,266,429</u>	<u>27,122,476</u>	.50%
Total assets	36,954,082	36,431,003	1.40%
Current liabilities	2,850,636	1,555,176	83.30%
Long-term liabilities	<u>5,202,080</u>	<u>7,016,402</u>	(25.86)%
Total liabilities	8,052,716	8,571,578	(6.05)%
Net assets:			
Capital Assets, net of related debt	23,761,028	23,096,674	2.80%
Restricted	2,591,994	1,704,516	52.07%
Unrestricted	<u>2,548,344</u>	<u>3,058,235</u>	(16.67)%
Total net assets	<u>\$28,901,366</u>	<u>\$27,859,425</u>	3.70%

Included within the governmental activity current assets are \$6,268,018 in cash, \$1,359,706 in future year school construction reimbursement grants and \$1,006,917 in state highway construction grants.

Governmental activity long term liabilities include \$3.0 million in general obligation bonds, the balance of bonds is classified as current because it is due within fiscal year 2008. In addition, other items included as long-term liabilities are \$1.2 million for landfill closure and monitoring and \$1.0 million for compensated absences.

	FY 2007 Business-type Activities	FY 2006 (restated) Business-type Activities	Percent Change
Current assets	\$ 1,143,642	\$ 1,056,641	8.23%
Capital assets	<u>9,690,646</u>	<u>9,902,347</u>	(2.14)%
Total assets	10,834,288	10,958,988	(1.14)%
Current liabilities	89,991	91,088	(1.20)%
Long-term liabilities	<u>890,000</u>	<u>955,000</u>	(6.81)%
Total liabilities	979,991	1,046,088	(6.32)%
Net assets:			
Invested in capital assets, net of related debt	8,790,646	8,927,346	(1.53)%
Unrestricted	<u>1,063,651</u>	<u>985,554</u>	7.92%

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

Total net assets	<u>\$ 9,854,297</u>	<u>\$ 9,912,900</u>	(0.59)%
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It should be noted the fiscal year 2006 capital assets balances were restated due to the recognition and valuation of infrastructure assets in accordance with GASB 34.

Business-type activities long-term liabilities include \$825,000 in bonds payable and a \$55,000 liability for compensated absences. Remaining bonds payable of \$75,000 is classified as current because it is due during fiscal year 2008.

The largest portion of the Town's net assets (84%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (7%) represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net assets (\$3.6 million) or (9%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets.

Governmental activities increased the Town's net assets by \$980,541 or 3.5% during fiscal year 2007. Business-type activities decreased net assets by \$58,603 or less than 1%. A summary of revenues and major functional expenditures is presented below.

Key elements of this increase are as follows:

Revenues:

- ◆ Property taxes represent approximately 60.6% of the Town's revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth. Total Property taxes levied for fiscal year 2007 were within \$2,775 of the maximum allowable levy.
- ◆ Operating grants and contributions make up the second largest revenue representing approximately 16% of the Town's revenue. Included in this amount are intergovernmental revenues from the Commonwealth of Massachusetts and the federal government classified as program revenues. These revenue sources decreased from the prior fiscal year due to a drop in distributions and reimbursements from the Commonwealth of Massachusetts.

Expenses:

- ◆ Increases in employee wages averaged approximately 2.5%, resulting from negotiated step and general wage increases.
- ◆ Public works expenditures decreased by 59.8% primarily because of a re-valuation in the estimated cost of capping the landfill and post-closure monitoring obligations.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

- ♦ the cost of education services increased by 6.4%, due to negotiated wage settlements, employee health insurance cost increases, special education cost increases, and rising school enrollment.

	FY 2007 Governmental <u>Activities</u>	FY 2006 Governmental <u>Activities</u>	Percent <u>Change</u>
Revenues:			
Charges for services	\$ 1,027,137	\$ 1,033,169	(.58)%
Operating grants and Contributions	2,986,429	3,482,063	(14.2)%
Capital grants and Contributions	285,000	45,559	525.56%
General revenues:			
Property taxes	11,284,563	10,371,849	8.80%
Excise taxes	814,359	893,739	(8.88)%
Penalties and interest	135,862	69,875	94.44%
Grants and contributions not restricted	1,891,668	1,559,834	21.27%
Investment income	107,589	32,602	230.01%
Loss on disposal of assets	-	(3,637)	N/A
Miscellaneous	<u>60,795</u>	<u>62,373</u>	(2.50)%
Total revenues	18,593,402	17,547,426	5.90%
Expenses:			
General government	3,270,609	2,922,452	11.91%
Public safety	2,184,619	2,092,586	4.30%
Education	10,390,811	9,762,159	6.40%
Public works	766,764	1,909,524	(59.80)%
Health and human services	340,475	315,198	8.02%
Culture and recreation	370,181	386,911	(4.30)%
Interest on long-term debt	158,187	128,328	23.20%
State and county charges	<u>131,215</u>	<u>120,704</u>	8.71%
Total expenses	<u>17,612,861</u>	<u>17,637,862</u>	(.10)%
Change in net assets	<u>\$ 980,541</u>	<u>\$ (90,436)</u>	984.20%
	FY 2007 Business-Type <u>Activities</u>	FY 2006 Business-Type <u>Activities</u>	Percent <u>Change</u>
Revenues:			
Charges for services	\$ 690,073	\$ 703,358	(1.89)%
Operating grants and contributions	<u>25,856</u>	<u>4,252</u>	508.09%
Total revenues	715,929	707,610	1.18%
Expenses:			
Water	<u>774,532</u>	<u>589,839</u>	31.31%
Total expenses	<u>774,532</u>	<u>589,839</u>	31.31%
Change in net assets	<u>\$ (58,603)</u>	<u>\$ 117,771</u>	(149.70)%

TOWN OF HALIFAX, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2007

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4.1 million. Approximately 82% of this total amount (\$3.3 million) constitutes unreserved fund balance, which is available for spending at the government's discretion or as provided for in the terms and conditions of several applicable grant or custodial agreements or for capital projects. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$753,380).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,469,701 while total fund balance approximated \$2.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. General fund unreserved fund balance represents 8.4% of total general fund expenditures, while total fund balance represents 12.7% of that same amount.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. During 2002 the Government Finance Officers Association (GFOA) issued a recommendation that at a minimum, general purpose governments, regardless of size maintain unreserved fund balance in their general fund of no less than five to fifteen percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures. The Town's general fund unreserved fund balance of 1,469,701 is 8.4% of general fund revenue.

The total general fund balance of the Town increased by \$337,011 during the current fiscal year.

TOWN OF HALIFAX, MASSACHUSETTS
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General Fund Budgetary Highlights

The Town adopts an annual budget for its general fund and solid waste fund. A budgetary comparison statement has been provided for the general fund and solid waste fund to demonstrate compliance with the budget.

The difference between the original expenditure budget of \$17.7 million and the final amended budget of \$17.3 million can be briefly summarized as follows:

- \$753,380 is reduced from the original budget figure for continuing appropriations (warrant articles) into future periods.
- \$370,315 was added to the budget at special town meetings and from the special education circuit breaker account

Capital Asset and Debt Administration

The Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Capital assets - The Town's investment in capital assets for governmental activities as of June 30, 2007 amounts to \$27.3 million, which is net of accumulated depreciation of \$17.4 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment. Historical infrastructure for the governmental activities has been valued this year and the fiscal year 2006 balances have been restated to reflect this valuation.

The Town's investment in capital assets for business-type activities as of June 30, 2007, amounts to \$9.7 million, which is net of accumulated depreciation of \$3.6 million. The investment in capital assets for fiscal year 2006 was restated (see note 14). Capital asset investment includes land; machinery and equipment and infrastructure.

The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in thousands):

Capital assets	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2007</u>	<u>2006 (restated)</u>	<u>2007</u>	<u>2006 (restated)</u>
Land	\$ 3,478	\$ 3,483	\$ 626	\$ 626
Buildings and related improvements	6,479	6,813	22	23
Improvements other than buildings	781	107		
Equipment, machinery, vehicles	889	494	154	174
Infrastructure	<u>15,639</u>	<u>16,287</u>	<u>8,889</u>	<u>9,079</u>
	<u>\$ 27,266</u>	<u>\$ 27,184</u>	<u>\$ 9,691</u>	<u>\$ 9,691</u>

The Town's major additions to governmental activities capital assets during 2007 consisted of purchases of a fire truck and capping of the Town's landfill.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$3.505 million and \$900 thousand for the governmental and business-type activities, respectively. This is compared to \$4.026 million and \$975 thousand respectively, last year. All debt is a general obligation of the Town.

The Town maintains an A2 rating from Moody's Investor Service.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Halifax, Attn: Town Accountant, 499 Plymouth St., Halifax, MA 02338-1338.

BASIC FINANCIAL STATEMENTS

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Assets

June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,268,018	\$ 794,712	\$ 7,062,730
Receivables, net of allowance for uncollectibles	3,416,350	348,930	3,765,280
Deferred bond costs	3,285		3,285
Capital assets, net of accumulated depreciation	27,266,429	9,690,646	36,957,075
Total assets	<u>\$ 36,954,082</u>	<u>\$ 10,834,288</u>	<u>\$ 47,788,370</u>
<u>LIABILITIES</u>			
Warrants payable	\$ 491,044	\$	\$ 491,044
Accrued interest payable	36,869	14,991	51,860
Notes payable	1,275,000		1,275,000
Provision for refund of paid taxes	518,397		518,397
Agency and other payables	3,926		3,926
Noncurrent liabilities			
Due within one year	525,400	75,000	600,400
Due in more than one year	5,202,080	890,000	6,092,080
Total liabilities	8,052,716	979,991	9,032,707
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	23,761,028	8,790,646	32,551,674
Restricted	2,591,994		2,591,994
Unrestricted	2,548,344	1,063,651	3,611,995
Total net assets	<u>28,901,366</u>	<u>9,854,297</u>	<u>38,755,663</u>
Total liabilities and net assets	<u>\$ 36,954,082</u>	<u>\$ 10,834,288</u>	<u>\$ 47,788,370</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			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	Totals
Primary government							
Governmental activities							
General government	\$ 3,270,609	\$ 153,876	\$ 14,842	\$ 285,000	\$ (3,101,891)	\$	\$ (3,101,891)
Public safety	2,184,619	344,876	29,554		(1,525,189)		(1,525,189)
Education	10,390,811	170,686	2,828,824		(7,391,301)		(7,391,301)
Public works	766,764	225,223	372,761		(168,780)		(168,780)
Health and human services	340,475	70,098	25,935		(244,442)		(244,442)
Culture and recreation	370,181	62,378	35,370		(272,433)		(272,433)
Interest on long-term debt	158,187		(320,857)		(479,044)		(479,044)
State and county charges	131,215				(131,215)		(131,215)
Total governmental activities	17,612,861	1,027,137	2,986,429	285,000	(13,314,295)		(13,314,295)
Business-type activities							
Water	774,532	690,073	21,592			(62,867)	(62,867)
Total business-type activities	774,532	690,073	21,592			(62,867)	(62,867)
Total primary government	\$ 18,387,393	\$ 1,717,210	\$ 3,008,021	\$ 285,000	(13,314,295)		(13,314,295)
General revenues							
Property taxes and payments in lieu					11,284,563		11,284,563
Excise taxes					814,359		814,359
Penalties and interest on taxes					135,862		135,862
Grants and contributions not restricted to specific programs					1,891,668		1,891,668
Investment income					107,589	4,264	111,853
Miscellaneous					60,795		60,795
Total general revenues, special items and transfers					14,294,836	4,264	14,299,100
Change in net assets					980,541	(58,603)	921,938
Net assets - beginning of year (restated see note 14)					27,920,825	9,912,900	37,833,725
Net assets - end of year					\$ 28,901,366	\$ 9,854,297	\$ 38,755,663

The accompanying notes are an integral part of these financial statements.

TOWN OF HALIFAX, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2007

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Road Repair Fund</u>	<u>Landfill Capping Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 3,082,084	\$ 519,485	\$ 30,706	\$ 532,847	\$ 2,102,896	\$ 6,268,018
Receivables, net	2,525,916		969,532		\$ 194,969	3,690,417
Deferred bond costs	3,285					3,285
Total assets	<u>\$ 5,611,285</u>	<u>\$ 519,485</u>	<u>\$ 1,000,238</u>	<u>\$ 532,847</u>	<u>\$ 2,297,865</u>	<u>\$ 9,961,720</u>
<u>LIABILITIES</u>						
Warrants payable	\$ 491,044	\$	\$	\$	\$	\$ 491,044
Notes payable				1,275,000		1,275,000
Provision for refund of paid taxes	518,397					518,397
Deferred revenue	2,374,837		969,532		194,969	3,539,338
Agency and other payables	3,926					3,926
Total liabilities	<u>3,388,204</u>		<u>969,532</u>	<u>1,275,000</u>	<u>194,969</u>	<u>5,827,705</u>
<u>FUND BALANCES</u>						
Reserved for						
Encumbrances and continued appropriations	753,380					753,380
Unreserved						
General Fund	1,469,701					1,469,701
Special revenue funds		519,485	30,706		1,976,383	2,526,574
Capital projects funds				(742,153)	126,513	(615,640)
Total fund balances	<u>2,223,081</u>	<u>519,485</u>	<u>30,706</u>	<u>(742,153)</u>	<u>2,102,896</u>	<u>4,134,015</u>
Total liabilities and fund balances	<u>\$ 5,611,285</u>	<u>\$ 519,485</u>	<u>\$ 1,000,238</u>	<u>\$ 532,847</u>	<u>\$ 2,297,865</u>	<u>\$ 9,961,720</u>
Amounts reported for governmental activities in the statement of net assets are different because:						
Total fund balances of governmental funds						\$ 4,134,015
Capital assets used in governmental activities are not financial resources and not reported in funds.						27,266,429
Other long-term assets are not available to pay for current-period expenditures and are deferred in funds.						3,539,338
Reporting of assets on a full accrual basis requires an estimate for uncollectable accounts.						(274,067)
Long-term liabilities are not due and payable in the current period and are not included in funds.						(5,727,480)
Reporting of liabilities on full accrual basis requires associated interest be accrued, reported net of subsidies.						(36,869)
Net assets of governmental activities						<u>\$ 28,901,366</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	<u>General</u>	<u>Solid Waste Fund</u>	<u>Road Repair Fund</u>	<u>Landfill Capping Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Property taxes and payments in lieu	\$ 11,361,823	\$	\$	\$	\$	\$ 11,361,823
Excise taxes	839,670					839,670
Licenses and permits	183,556				78,740	262,296
Penalties and interest	135,862				6,162	142,024
Investment income	77,408	26,795			57,904	162,107
Charges for services	180,698	204,873			298,668	684,239
Contributions					40,041	40,041
Departmental and other	105,361				12,524	117,885
Intergovernmental	4,683,811				736,679	5,420,490
Total revenues	17,568,189	231,668			1,230,718	19,030,575
Expenditures						
Current:						
General government	3,186,886				42,753	3,229,639
Public safety	2,093,082				330,832	2,423,914
Education	10,212,259				224,369	10,436,628
Public works	741,942	413,166		722,727	20,979	1,898,814
Human services	264,856				52,664	317,520
Culture and recreation	298,991				94,428	393,419
State and county assessments	131,215					131,215
Debt service:						
Principal	500,000				20,400	520,400
Interest and other charges	127,517					127,517
Total expenditures	17,556,748	413,166		722,727	786,425	19,479,066
Revenues over (under) expenditures	11,441	(181,498)		(722,727)	444,293	(448,491)
Other financing sources (uses)						
Transfers in from other funds	330,967	600			4,797	336,364
Transfers out to other funds	(5,397)	(6,267)			(324,700)	(336,364)
Bond Proceeds						
Total other financing sources (uses)	325,570	(5,667)			(319,903)	
Revenues and other financing sources over (under) expenditures and other financing uses	337,011	(187,165)		(722,727)	124,390	(448,491)
Fund balance, beginning of year	1,886,070	706,650	30,706	(19,426)	1,978,506	4,582,506
Fund balance, end of year	\$ 2,223,081	\$ 519,485	\$ 30,706	\$ (742,153)	\$ 2,102,896	\$ 4,134,015

The accompanying notes are an integral part of these financial statements.

TOWN OF HALIFAX, MASSACHUSETTS
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
To Statement of Activities
For the Fiscal Year Ended June 30, 2007

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (448,491)
Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlays during the fiscal year, net of disposals	1,276,638
Depreciation recorded for the fiscal year	(1,194,085)
Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.	
Net change in deferred revenue	(397,300)
Net change in allowance for uncollectible accounts	(34,872)
The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.	
Principal payments on long-term debt	520,401
The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt when incurred and revenue on subsidies when earned.	
Net change in accrued interest expense	(30,670)
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:	
Landfill closure and monitoring liability	987,000
Compensated absences	301,920
Change in net assets of governmental activities	<u>\$ 980,541</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
General Fund - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 11,113,900	\$ 11,113,900	\$ 11,316,555	\$ 202,655
Excise taxes	827,500	827,500	839,670	12,170
Licenses, fees and permits	220,000	220,000	183,556	(36,444)
Penalties and interest	60,000	60,000	135,862	75,862
Investment interest	27,500	27,500	77,408	49,908
Charges for services	185,000	185,000	180,698	(4,302)
Departmental and other	52,500	52,500	105,361	52,861
Intergovernmental	<u>3,916,316</u>	<u>3,916,316</u>	<u>3,988,069</u>	<u>71,753</u>
Total revenues	16,402,716	16,402,716	16,827,179	424,463
Expenditures				
General government	2,916,559	2,756,486	2,496,811	259,675
Public safety	2,060,774	2,108,939	2,093,082	15,857
Education	9,925,267	10,335,001	10,212,259	122,742
Public works	1,422,213	750,000	741,942	8,058
Human services	285,471	275,671	264,856	10,815
Culture and recreation	303,342	303,863	298,991	4,872
State and county assessments	112,651	112,651	131,215	(18,564)
Debt service	<u>652,925</u>	<u>652,925</u>	<u>627,517</u>	<u>25,408</u>
Total expenditures	<u>17,679,202</u>	<u>17,295,536</u>	<u>16,866,673</u>	<u>428,863</u>
Revenues over (under) expenditures	(1,276,486)	(892,820)	(39,494)	853,326
Other financing sources (uses)				
Transfers in from other funds	45,779	331,034	336,634	5,600
Transfers out to other funds		(203)	(5,397)	(5,194)
Total other financing sources (uses)	<u>45,779</u>	<u>330,831</u>	<u>331,237</u>	<u>406</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,230,707)	(561,989)	291,743	<u>853,732</u>
Fund balance, beginning of year			<u>2,133,151</u>	
Fund balance, end of year			<u>\$ 2,424,894</u>	
Other budget items				
Free cash appropriations	677,380	716,737		
Overlay surplus appropriations	30,315	75,621		
Carryover encumbrances	<u>523,012</u>	<u>(230,369)</u>		
Total other budget items	<u>1,230,707</u>	<u>561,989</u>		
Net budget	<u>\$</u>	<u>\$</u>		

The accompanying notes are an integral part of these financial statements.

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis Solid Waste Fund - Budget and Actual For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 5,667	\$ 5,667	\$ 204,873	\$ 199,206
Investment interest			26,795	26,795
Total revenues	<u>5,667</u>	<u>5,667</u>	<u>231,668</u>	<u>226,001</u>
Expenditures				
Public works	<u>433,079</u>	<u>433,079</u>	<u>413,166</u>	<u>19,913</u>
Revenues over (under) expenditures	(427,412)	(427,412)	(181,498)	245,914
Other financing sources (uses)				
Transfers in from other funds			600	600
Transfers out to other funds	<u>(5,667)</u>	<u>(5,667)</u>	<u>(6,267)</u>	<u>(600)</u>
Total other financing sources (uses)	<u>(5,667)</u>	<u>(5,667)</u>	<u>(5,667)</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	(433,079)	(433,079)	(187,165)	<u>\$ 245,914</u>
Fund balance, beginning of year			<u>706,650</u>	
Fund balance, end of year			<u>\$ 519,485</u>	
Other budget items				
Solid Waste Retained Earnings	<u>433,079</u>	<u>433,079</u>		
Total other budget items	<u>433,079</u>	<u>433,079</u>		
Net budget	<u>\$</u>	<u>\$</u>		

The accompanying notes are an integral part of these financial statements.

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Assets - Proprietary Funds

June 30, 2007

	<u>Business-Type Activities</u>
	<u>Water</u>
	<u>Enterprise/Totals</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 794,712
Receivables, net of allowance for uncollectibles	348,930
Capital assets, net of accumulated depreciation	<u>9,690,646</u>
Total assets	<u>\$ 10,834,288</u>
<u>LIABILITIES</u>	
Accrued interest payable	\$ 14,991
Noncurrent liabilities:	
Due within one year	75,000
Due in more than one year	<u>890,000</u>
Total liabilities	979,991
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	8,790,646
Unrestricted	<u>1,063,651</u>
Total net assets	<u>9,854,297</u>
Total liabilities and net assets	<u>\$ 10,834,288</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2007

	<u>Business-Type Activities</u>
	<u>Water</u>
	<u>Enterprise/Totals</u>
Operating revenues	
Charges for service	\$ 654,138
Departmental and other	<u>35,935</u>
Total operating revenues	690,073
Operating expenses	
Salaries, wages and employee benefits	303,302
Expenses	217,726
Depreciation and amortization	<u>211,701</u>
Total operating expenses	<u>732,729</u>
Operating income	(42,656)
Non operating revenues (expenses)	
Investment income	4,264
Other income	21,592
Interest expense	<u>(41,803)</u>
Total non operating revenue (expenses), net	<u>(15,947)</u>
Change in net assets	(58,603)
Net assets at beginning of year (restated see note 14)	<u>9,912,900</u>
Net assets at end of year	<u>\$ 9,854,297</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2007

	<u>Business-Type Activities</u>
	<u>Water</u>
	<u>Enterprise/Totals</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 652,187
Payments to vendors	(210,962)
Payments to employees, including fringe benefits	(293,302)
Payments for interfund services used	(5,667)
Net cash provided by operating activities	142,256
Cash flows from noncapital financing activities	
Water tower lease	21,592
Cash flows from capital and related financing activities	
Principal payments on bonds and notes	(75,000)
Interest expense	(43,997)
Net cash used for capital and related financing activities	(118,997)
Cash flows from investing activities	
Investment income	4,264
Net change in cash and cash equivalents	49,115
Cash and cash equivalents at beginning of year	745,597
Cash and cash equivalents at end of year	\$ 794,712
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (42,656)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	211,701
Changes in assets and liabilities:	
User fees receivable, net of allowance for collectibles	(37,886)
Accrued interest payable	1,097
Accrued compensated absences	10,000
Total adjustments	184,912
Net cash provided by operating activities	\$ 142,256

The accompanying notes are an integral part of the financial statements.

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Assets - Fiduciary Funds

June 30, 2007

	Private Purpose Trust Funds	Agency Accounts
<u>ASSETS</u>		
Cash and cash equivalents	\$ 7,197	\$ 30,462
Total assets	<u>\$ 7,197</u>	<u>\$ 30,462</u>
<u>LIABILITIES</u>		
Accounts payable and other current liabilities	\$	\$ 30,462
Total liabilities		30,462
<u>NET ASSETS</u>		
Held in trust	<u>7,197</u>	
Total liabilities and net assets	<u>\$ 7,197</u>	<u>\$ 30,462</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Changes in Net Assets - Fiduciary Funds
For the Year Ended June 30, 2007

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest and dividends	\$ 242
Deductions	
Scholarships and awards	250
Change in net assets	(8)
Net assets at beginning of year	7,205
Net assets at end of year	<u>\$ 7,197</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Note 1. Organization and Reporting Entity

A. Organization

The Town of Halifax, Massachusetts (the "Town"), was incorporated in 1734. The Town operates under a Town Meeting form of government. The Town's major operations include education, police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water system, and a recycling facility.

B. Reporting Entity

General

The accompanying financial statements present the Town of Halifax (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town of Halifax did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment paid by the Town. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in the joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2007 Assessment</u>
Silver Lake Regional School District 130 Pembroke Street, Kingston, MA	To provide secondary education	\$ 4,089,270

The Silver Lake Regional School District (the District) is governed by an elected School Committee. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs.

Related Organizations

Board members for the Halifax Housing Authority are elected by Town voters; thus, the Town has no accountability for this organization.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's education, police and fire protection, parks, library and recreation, public works, schools, and general administrative services are classified as governmental activities. The Town's water operations are classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts—invested in capital assets (net of related debt); restricted net assets, and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, state assessments, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
- Permanent funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statement

June 30, 2007

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

B. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

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

C. Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" include all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in these Notes.

D. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

E. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle and boat excise three years or more years old as uncollectible for financial reporting purposes. The Town estimates 3% of outstanding water and 50% of ambulance charges within three years old to be uncollectible. Additionally, the Town considers ambulance charges three years or more years old as uncollectible for financial reporting purposes. Outstanding real estate taxes and septic betterments are secured by tax liens, and therefore considered to be fully collectable.

F. Capital Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Governmental funds' infrastructure assets prior to July 1, 2002, are not capitalized. The Town has elected an alternative date provided for under the provisions of GASB No. 34 to implement reporting of governmental funds historical infrastructure assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings	40 years
➤ Building and land improvements	20 years
➤ Machinery and Equipment	5 - 10 years
➤ Infrastructure	50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

G. Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, and post closure monitoring costs for municipal landfills.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

H. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

I. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Permanent fund balances are classified as reserved and are further classified between expendable and non-expendable portions. Proprietary fund equity is classified the same as in the government-wide statements.

J. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

K. Total columns

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

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

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Note 3. Stewardship, Compliance and Accountability

A. Property tax calendar and limitations

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 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 lien, 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.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

B. Budgetary basis of accounting

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 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Statements of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2007, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$ 16,827,179	\$ 16,866,673	\$ 331,237
Adjustment of property tax revenues to modified accrual basis	45,268		
State funded teacher's pension	695,742	695,742	
Indirect costs of other funds recorded as operating transfers on budgetary basis, net of interfund charges	-	(5,667)	(5,667)
As reported on a GAAP basis	<u>\$ 17,568,189</u>	<u>\$ 17,556,748</u>	<u>\$ 325,570</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

There are no differences between the budgetary-basis and GAAP-basis results for the Solid Waste Fund for the fiscal year ended June 30, 2007.

C. Fund equities

Operations of the various Town funds for the year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either reserved or unreserved fund balance. Unreserved fund balance is further broken down between designated and undesignated.

Fund balance reserved for encumbrances and continued appropriations consists of the budgeted amounts carried over to the next fiscal year for operating costs committed at June 30 and the balance of appropriations for capital expenditures and longer term projects which are continued until completion of the authorized project. Encumbrances outstanding at year-end are reported as a reservation of fund balance and do not constitute expenditures or liabilities.

Fund balance designated for expenditure consists of available funds (free cash) and other available funds from unreserved fund equity appropriated by Town Meeting action to be used in funding next year's operations.

Deficit fund equity consists of the excess of expenditures over appropriations, in the General Fund. Bond Anticipation Note proceeds are not permanent funding and therefore do not represent a funding source for capital projects. Capital Project Fund deficits will occur and will be funded in future years through the issuance of long-term debt.

At June 30, 2007 the Town had the following general fund equities in the fund financial statements:

Reserved for encumbrances and continued appropriations	\$ 753,380
Unreserved:	
Undesignated	884,303
Snow and ice deficit	(1,182)
Designated for expenditure	<u>586,580</u>
Total unreserved	<u>1,469,701</u>
Total General Fund Equities	<u>\$ 2,223,081</u>

All other governmental fund balances are reported on the fund basis Balance Sheet as Unreserved Fund Balance, reported in their respective fund types, except for Capital Project Funds, which are reported separately as part of the Unreserved Fund Balance.

D. Restricted Net Assets

Certain net assets reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's Stabilization Fund and receipts reserved for appropriation from proceeds of sale of real estate and insurance reimbursements are classified as unrestricted net assets because they are available for appropriation to fund the general operations of the Town.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Restricted net assets on the government-wide statement of net assets consist of the following:

Capital Project Fund Balances	\$ 659,360
Special Revenue Fund Balances:	
Solid Waste fund	519,485
Septic grant/loan programs	543,515
Expendable cemetery funds	236,269
Expendable youth and recreation fund	104,421
Other special revenue funds	<u>528,944</u>
Total restricted net assets	<u>\$2,591,994</u>

Note 4. Cash, Cash Equivalents and Investments

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2007, deposits totaled \$7,235,003. The carrying amounts of these deposits at June 30, 2007 were \$7,100,389. Of the deposit amounts \$2,839,635 was exposed to custodial credit risk at June 30, 2007 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

The Town does not have a formal investment policy, however, the Town's only investments consist of \$102,346 invested in a money market mutual fund which is classified as a cash equivalent.

Note 5. Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Assets and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net Assets.

The Town includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate and personal property taxes	\$ 352,892	\$ -	\$ 352,892	\$ 201,813
Tax liens, deferrals and foreclosures	175,620		175,620	175,620
Motor vehicle and boat excise	82,097		82,097	82,097
Charges for service – ambulance fees	548,134	274,067	274,067	548,134
Septic betterments	157,584		157,584	157,584
Intergovernmental:				
School Building Assistance	1,359,706		1,359,706	1,359,706
Commonwealth highway awards	1,006,917		1,006,917	1,006,917
Commonwealth – other	7,467		7,467	7,467
Totals on a governmental fund basis	<u>3,690,417</u>	<u>-</u>	<u>-</u>	<u>\$3,539,338</u>
Totals on an entity wide basis	<u>\$ 3,690,417</u>	<u>\$ 247,067</u>	<u>\$3,416,350</u>	

Receivables for the Town's business-type activities consist of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 243,730	\$ -	\$ 243,730
Unbilled water rates	116,000		116,000
Allowance for uncollectible	<u>-</u>	<u>(10,800)</u>	<u>(10,800)</u>
Totals	<u>\$ 359,730</u>	<u>(\$10,800)</u>	<u>\$ 348,930</u>

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Restated Beginning Balances (See Note 14)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 3,483,170	\$ -	\$ (5,000)	\$ 3,478,170
Capital assets being depreciated:				
Buildings and related improvements	12,025,141			12,025,141
Improvements other than buildings	209,573	722,827		932,400
Equipment, machinery & vehicles	2,013,318	558,811		2,572,129
Infrastructure	<u>25,650,460</u>	<u>-</u>	<u>-</u>	<u>25,650,460</u>
Sub-total	39,898,492	1,281,638		41,180,130
Less accumulated depreciation:				
Buildings and related improvements	5,211,746	334,582		5,546,328
Improvements other than buildings	104,702	46,620		151,322
Equipment, machinery & vehicles	1,518,033	165,232		1,683,265
Infrastructure	<u>9,363,305</u>	<u>647,651</u>	<u>-</u>	<u>10,010,956</u>
Sub-total	<u>16,197,786</u>	<u>1,194,085</u>	<u>-</u>	<u>17,391,871</u>
Governmental capital assets, net	<u>\$ 27,183,876</u>	<u>\$ 87,553</u>	<u>\$ (5,000)</u>	<u>\$ 27,266,429</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Business-type activities

Capital assets not being depreciated:				
Land	\$ 626,301	\$ -	\$ -	\$ 626,301
Capital assets being depreciated:				
Buildings and related improvements	47,853			47,853
Equipment, machinery & vehicles	304,637			304,637
Infrastructure	<u>12,300,994</u>	<u>-</u>	<u>-</u>	<u>12,300,994</u>
Sub-total	12,653,484	-	-	12,653,484
Less accumulated depreciation:				
Buildings and related improvements	25,362	957		26,319
Equipment, machinery & vehicles	130,009	20,858		150,867
Infrastructure	<u>3,222,067</u>	<u>189,886</u>	<u>-</u>	<u>3,411,953</u>
Sub-total	<u>3,377,438</u>	<u>211,701</u>	<u>-</u>	<u>3,589,139</u>
Business-type activities capital assets, net	<u>\$ 9,902,347</u>	<u>\$ (211,701)</u>	<u>\$ -</u>	<u>\$ 9,690,646</u>

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

Governmental activities:	
General government	\$ 7,619
Public safety	193,276
Education	182,258
Public works	760,295
Health and human services	16,677
Culture and recreation	<u>9,285</u>
Total depreciation expense – governmental activities	<u>\$ 1,194,085</u>
Business-type activities:	
Water/Total	<u>\$ 211,701</u>

Note 7. Interfund balances and activity

There are no amounts due to or from governmental funds.

Interfund transfers, for the fiscal year ended June 30, 2007, consisted of the following:

	General Fund	Solid Waste Fund	Other Governmental Funds	Business-type Enterprise Fund
Amounts transferred from Receipts Reserved for Appropriation and Revolving Funds to fund FY 2007 operating budget	\$ 324,700	\$ -	\$ (324,700)	\$ -
Transfer boat excise revenue to waterways fund	(1,394)		1,394	
Reserve fund transfer to Solid Waste fund	(600)	600		
Transfer to other funds per STM votes	(3,403)		3,403	
Amounts transferred from other Funds to fund indirect costs appropriated in general fund	<u>6,267</u>	<u>(6,267)</u>	<u>-</u>	<u>-</u>
Totals on governmental fund basis	325,570	(5,667)	(319,903)	
Amounts transferred from Enterprise Funds to fund indirect costs appropriated in general fund	<u>5,667</u>	<u>-</u>	<u>-</u>	<u>(5,667)</u>
Totals on budgetary basis	<u>\$ 331,237</u>	<u>\$ (5,667)</u>	<u>\$ (319,903)</u>	<u>\$ (5,667)</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Note 8. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2007:

<u>Purpose</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Current Portion</u>
Governmental activities:					
Massachusetts Water Pollution Abatement Trust, Septic Betterment, subsidized interest, matures 2021	\$ 155,802	\$ -	\$ 10,401	\$ 145,401	\$ 10,400
Massachusetts Water Pollution Abatement Trust, Pool Program, 0% , matures 2025	200,000	-	10,000	190,000	10,000
School Refurbishment Refunding Bond, 2.8% - 4.0%, matures 2012	2,320,000	-	365,000	1,955,000	350,000
Police Station Construction, 4.0% - 4.7%, matures 2016	<u>1,350,000</u>	<u>-</u>	<u>135,000</u>	<u>1,215,000</u>	<u>135,000</u>
Total bonds payable	4,025,802		520,401	3,505,401	505,400
Landfill closure and monitoring liability	2,200,000		987,000	1,213,000	20,000
Compensated absences	<u>1,311,000</u>	<u>-</u>	<u>302,000</u>	<u>1,009,000</u>	<u>-</u>
Total governmental activities noncurrent Liabilities	<u>\$7,536,802</u>	<u>\$ -</u>	<u>\$ 1,809,401</u>	<u>\$ 5,727,401</u>	<u>\$ 525,400</u>
Business-type activities:					
Water bond, 4.53%, matures 2016	<u>975,000</u>	<u>-</u>	<u>75,000</u>	<u>900,000</u>	<u>75,000</u>
Total bonds payable	975,000		75,000	900,000	75,000
Compensated absences	<u>55,000</u>	<u>10,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Total business-type activities noncurrent liabilities	<u>\$ 1,030,000</u>	<u>\$ 10,000</u>	<u>\$ 75,000</u>	<u>\$ 965,000</u>	<u>\$ 75,000</u>

Long-term debt

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that approximately 33.7 % of the debt service payments relating to the septic bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MWPAT (and MWPAT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide financial statements; however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2007, including interest, are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 505,400	\$ 120,410	\$ 625,810	\$ 75,000	\$ 39,975	\$ 114,975
2009	495,400	105,542	600,942	75,000	36,975	111,975
2010	485,400	88,132	573,532	75,000	33,900	108,900
2011	475,400	70,184	545,584	75,000	30,750	105,750
2012	465,400	52,635	518,035	75,000	27,600	102,600
2013 – 2017	947,000	85,976	1,032,976	375,000	88,125	463,125
2018 – 2022	91,400	4,409	95,809	150,000	10,763	160,763
2022 – 2026	40,001	-	40,001	-	-	-
Totals	<u>\$ 3,505,401</u>	<u>\$ 527,288</u>	<u>\$ 4,032,689</u>	<u>\$ 900,000</u>	<u>\$ 268,088</u>	<u>\$ 1,168,088</u>

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 5% and 10%, 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. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Unissued debt authorizations consist of the following at June 30, 2007

<u>Purpose</u>	<u>Year(s) Authorized</u>	<u>Amount</u>
Landfill Capping	2005, 2007	<u>\$1,475,000</u>

The Town pays assessments, which include debt service payments to other local governmental units providing services on behalf of the Town (commonly referred to as overlapping debt.) The Town is indirectly liable, through its assessments to these governments, for this debt. However, the debt is not considered against the Town's debt limits or reported on the Town's Statement of Net Assets. The Town pays assessments to the Silver Lake Regional School District and to Plymouth County that may include indirect debt service payments.

Lease obligations

A. Operating leases

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payments for non-cancelable operating leases are immaterial as of June 30, 2007.

B. Capital leases

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The Town does not have any material capital lease obligation outstanding as of June 30, 2007.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Note 9. Temporary borrowings

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

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- 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 that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund.

Changes in the Town's short-term debt for the year ended June 30, 2007 are as follows:

<u>Type/ Date Issued</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2007</u>
BAN, 3/20/06	Landfill Closing	3.9%	9/20/06	\$ 29,900	\$ -	\$ 29,900	\$ -
BAN, 9/20/06	Landfill Closing	3.9%	9/20/07	-	29,900	-	29,900
BAN, 10/18/06	Landfill Closing	4.0%	9/20/07	-	507,550	-	507,550
BAN, 9/20/06	Landfill Closing	3.9%	9/20/07	-	737,550	-	737,550
Total BANs Payable				<u>\$ 29,900</u>	<u>\$1,275,000</u>	<u>\$ 29,900</u>	<u>\$1,275,000</u>

Proceeds from bond anticipation notes are not considered permanent funding sources; the Town may have deficit fund balances in the Capital Projects Fund. Deficits, if any, will be funded through long-term borrowing.

Note 10. Employee Benefits

A. Retirement Benefits

Plan Description

The Town of Halifax, Massachusetts contributes for eligible employees to the Plymouth County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement System. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five member board. The Association issues an annual report which is available to the public and may be obtained by contacting the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (PERAC), One Ashburton Place, Boston, MA 02108.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The Town's current year contribution is \$471,682 which equaled its required contribution for the year. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the System for the years ending June 30, 2006 and 2005 were \$422,594 and \$376,452 respectively, which were equal to the required contributions for each year.

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Assets for both governmental and business-type activities.

C. Other Post Employment Benefits

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays at least 50% of the health and life insurance premiums for approximately 74 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expense as premiums are paid. For 2007, those costs totaled approximately \$219,517.

Note 11. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town will be placing a final cover on its landfill.

As of June 30, 2007, \$1,213,000 has been reported on the Town's statement of net assets as an estimated liability for placing a final cover on the landfill and for post-closure monitoring costs of the landfill. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 12. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, unemployment claims and natural disasters. The Town carries commercial insurance for all risk except health insurance and unemployment claims.

The Town belongs to the Plymouth County Health Claims Trust Fund (the Fund), formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Town both pay premiums to the Fund based upon a 50% (Town) and 50% (Employee). The Town budgets, annually, in the general fund for its estimated share of contributions. The fund reinsures itself for claims in excess of \$150,000/ per person annually.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

The Town is self insured for unemployment compensation. The liability for the unemployment compensation program was not material at June 30, 2007.

Note 13. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. 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.

Note 14. Prior period adjustments

The Town has restated capital asset balances at the beginning of the year in conjunction with phased in infrastructure reporting provided for under GASB 34. The adjustments resulted from a retroactive reporting of infrastructure assets in both the governmental activities and the business-type activities statement of net assets. The total adjustments net of accumulated depreciation are illustrated in the following table.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets, July 1, 2006	\$11,459,425	\$2,092,960
Additional infrastructure assets, net of accumulated depreciation added as of June 30, 2006	<u>16,481,400</u>	<u>7,819,940</u>
Restated Net Assets, July 2, 2006	<u>\$27,920,825</u>	<u>\$9,912,900</u>