

TOWN OF PLYMOUTH, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

FISCAL YEAR ENDED JUNE 30, 2006

TOWN OF PLYMOUTH, MASSACHUSETTS
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JUNE 30, 2006

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Plymouth, 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 Plymouth, Massachusetts, as of and for the fiscal year ended June 30, 2006 (except for the Plymouth Contributory Retirement System which is as of and for the year ended December 31, 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 Plymouth, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Plymouth, Massachusetts, as of June 30, 2006 (except for the Plymouth Contributory Retirement System which is as of December 31, 2005), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal 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 May 30, 2007, on our consideration of the Town of Plymouth, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the financial statements, are not a required part of the financial statements but are 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.

May 30, 2007

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Plymouth, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Plymouth's basic financial statements. These basic financial statements comprise 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 financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

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

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

The government-wide financial statements include not only the Town of Plymouth itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Plymouth is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows 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-side 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 of Plymouth adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer, airport and solid waste activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance activities and employee benefit programs. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Governmental assets exceeded liabilities by \$211 million at the close of FY2006.

Governmental net assets of \$153 million (72%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 net assets \$4 million (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$54 million (26%) may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities net assets increased by \$9.2 million during the current fiscal year which reflects the general fund's results of operation and a commitment to maintain the Town's financial position. The increase is primarily the result of \$5.3 million in capital grants and the acquisition of capital assets that were funded by current revenues.

Also during fiscal year 2006 in accordance with GASB #34 the Town recorded a beginning balance adjustment to retroactively report \$28,204,013 of general government infrastructure assets.

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

Condensed financial data for fiscal years 2006 and 2005 is presented below.

	FY2006		FY2005
	Governmental		Governmental
	Activities		Activities
Assets:			
Current assets.....	\$ 67,572,525	\$	57,001,741
Noncurrent assets (excluding capital).....	13,899,926		14,678,984
Capital assets.....	183,021,590		149,396,530
Total assets.....	<u>264,494,041</u>		<u>221,077,255</u>
Liabilities:			
Current liabilities (excluding debt).....	7,116,812		4,449,778
Noncurrent liabilities (excluding debt).....	1,684,800		2,248,200
Current debt.....	12,810,424		5,060,027
Noncurrent debt.....	32,034,683		37,726,240
Total liabilities.....	<u>53,646,719</u>		<u>49,484,245</u>
Net Assets:			
Capital assets net of related debt.....	152,855,467		121,978,152
Restricted.....	3,918,584		3,350,010
Unrestricted.....	54,073,271		46,264,848
Total net assets.....	<u>210,847,322</u>		<u>171,593,010</u>

Program revenues:		
Charges for services.....	8,447,493	7,021,174
Operating grants and contributions.....	37,080,179	35,136,583
Capital grants and contributions.....	5,323,910	1,956,147
General Revenues:		
Real estate and personal property taxes.....	92,859,399	87,066,320
Tax liens.....	562,822	422,155
Motor vehicle and other excise taxes.....	7,569,680	7,535,647
Community preservation tax.....	1,191,608	1,088,026
Grants and contributions not restricted to specific programs.....	5,077,006	4,752,930
Unrestricted investment income.....	1,496,077	1,279,566
Gain/(loss) on sale of capital assets.....	-	523,725
Other.....	81,205	52,667
Total revenues.....	<u>159,689,379</u>	<u>146,834,940</u>
Expenses:		
General government.....	(6,951,535)	(6,172,095)
Public safety.....	(24,715,262)	(23,324,495)
Education.....	(99,554,201)	(93,454,097)
Public works.....	(11,425,220)	(9,347,267)
Human services.....	(1,360,111)	(1,589,172)
Culture and recreation.....	(3,034,915)	(2,977,824)
Community preservation.....	(47,596)	(240,595)
Interest.....	(1,833,376)	(1,942,900)
Total expenses.....	<u>(148,922,216)</u>	<u>(139,048,445)</u>
Transfers.....	<u>(1,554,163)</u>	<u>(855,590)</u>
Change in net assets.....	<u>\$ 9,213,000</u>	<u>\$ 6,930,905</u>

Business-type Activities

Business-type assets exceeded liabilities by \$58.7 million at June 30, 2006. Capital assets net of related debt of \$53.0 million (90%) reflects the enterprise funds investment in capital assets. The remaining balance of *unrestricted* net assets of \$5.7 (10%) million may be used to meet the enterprise funds' ongoing obligations.

There was an increase of \$2.6 million in net assets reported in connection with the water, sewer, airport, and solid waste business-type activities attributable to budgeting revenues sufficient to cover current operational costs and to acquire capital assets without the need to borrow long-term. Most of the change is due to intergovernmental capital grants and debt subsidy revenues of \$2.7 million.

This is the first year the Town has elected to report the solid waste fund as a business-type activity. Trend information will be reported in subsequent fiscal years. At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets for its business-type activities except for solid waste.

Condensed financial data for the fiscal years 2006 and 2005 are presented below.

	FY06	FY05
	Business-type	Business-type
	Activities	Activities
Assets:		
Current assets.....	\$ 29,192,018	\$ 27,991,716
Noncurrent assets (excluding capital).....	8,353,752	8,853,852
Capital assets.....	<u>62,121,023</u>	<u>62,712,920</u>
Total assets.....	99,666,793	99,558,488
Liabilities:		
Current liabilities (excluding debt).....	776,855	798,331
Noncurrent liabilities (excluding debt).....	726,000	783,900
Current debt.....	3,161,462	2,590,899
Noncurrent debt.....	<u>36,238,059</u>	<u>37,391,548</u>
Total liabilities.....	40,902,376	41,564,678
Net Assets:		
Capital assets net of related debt.....	53,037,272	51,485,747
Unrestricted.....	<u>5,727,145</u>	<u>6,508,063</u>
Total net assets.....	58,764,417	57,993,810
Program revenues:		
Charges for services.....	10,163,983	9,594,129
Capital grants and contributions.....	3,267,597	3,926,020
General Revenues:		
Unrestricted investment income.....	<u>129,777</u>	<u>58,471</u>
Total revenues.....	13,561,357	13,578,620
Expenses:		
Water.....	(3,288,261)	(3,284,298)
Sewer.....	(5,179,072)	(4,981,580)
Airport.....	(2,732,103)	(1,686,020)
Solid waste.....	<u>(1,308,178)</u>	<u>(1,226,139)</u>
Total expenses.....	(12,507,614)	(11,178,037)
Transfers.....	1,554,163	855,590
Change in net assets.....	\$ 2,607,906	\$ 3,256,173

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$39,969,915 a decrease of (\$5,553,678) in comparison with the prior year. This decrease is primarily attributable to the expenditures exceeding revenues in the Community Preservation Fund of approximately \$3.1 million; this fund has short-term debt in the amount of \$4.3 million that provided spendable cash that will be permanently financed in fiscal year 2008. Also expenditures of the non-major funds exceeded revenues by approximately \$1.7 million.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$13.5 million, while total fund balance was \$27 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. Unreserved fund balance represents 7% of total general fund expenditures, while total fund balance represents 20% of that same amount.

The reserve for stabilization fund within the general fund has accumulated a fund balance \$8.9 million which represents 7% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval. Please refer to the notes for additional information.

General Fund Budgetary Highlights

The \$5.4 million between the original budget and the final amended budget was mainly due to an increase of \$2 million for the general government budget of which \$1.7 million related to the Town Managers Office's energy negotiations, \$500,000 for the DPW budget which was related to the engineering budget for various Town projects and \$2.3 million for the employee benefits budget.

Financial Analysis of Proprietary Funds

The water enterprise net assets decreased by (\$231,000) during the current fiscal year. This was mostly attributable to depreciation expense exceeding the principal payments on bonds.

The sewer enterprise net assets increased by \$772,000 during the current fiscal year. Most of the change is attributable to the principal payments on long-term debt exceeding depreciation by approximately \$736,000 as well as good overall collections with a conservative increase in the operating budget.

The airport enterprise net assets increased by \$1.6 million during the current fiscal year. The increase is mostly attributable to a capital grant of approximately \$1.3 million.

The solid waste enterprise net assets increased by \$486,000 during the current fiscal year. The increase is mostly attributable to a general fund subsidy of approximately \$330,000.

The Internal Service Governmental Fund provides for health insurance coverage for the Towns employees. Results of operations show a decrease in net assets of (\$145,000) in FY2006 and the fund has accumulated net assets of \$1.2 million.

Capital Asset and Debt Administration

In conjunction with the operating budget, 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.

Outstanding governmental long-term debt, as of June 30, 2006, totaled \$36.2 million, of which approximately \$24.8 million relates to various School construction projects, leaving a balance of approximately \$11.4 million for CIP related projects.

The enterprise funds have \$35.2 million in sewer debt, \$2.1 million in water debt, and \$1.7 million in solid waste debt that are mostly supported by the rates, but require general fund subsidies.

The Town's major capital project relates to school renovation projects, Town technology upgrades, a sewer treatment plant, and infrastructure management. These projects will continue through fiscal year 2007.

Please refer to the notes for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Plymouth'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 Director of Municipal Finance, Town Hall, 11 Lincoln Street, Plymouth, Massachusetts 02360.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2006

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and short-term investments.....	\$ 35,368,852	\$ 1,129,175	\$ 36,498,027
Investments.....	19,436,207	4,825,413	24,261,620
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,073,484	-	1,073,484
Real estate tax deferrals.....	141,834	-	141,834
Tax liens.....	413,776	-	413,776
Motor vehicle excise taxes.....	1,218,448	-	1,218,448
User fees.....	-	2,406,434	2,406,434
Departmental and other.....	789,629	-	789,629
Intergovernmental.....	7,747,612	935,852	8,683,464
Tax foreclosures.....	1,175,383	-	1,175,383
Working capital deposit.....	207,300	-	207,300
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	13,899,926	8,353,752	22,253,678
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	88,176,414	19,895,144	108,071,558
Depreciable.....	94,845,176	62,121,023	156,966,199
TOTAL ASSETS.....	264,494,041	99,666,793	364,160,834
LIABILITIES			
CURRENT:			
Warrants payable.....	1,931,576	543,854	2,475,430
Health claims payable.....	2,102,225	-	2,102,225
Tax refunds payable.....	232,000	-	232,000
Accrued interest.....	318,189	199,001	517,190
Payroll withholdings.....	466	-	466
Abandoned property.....	397,220	-	397,220
Other liabilities.....	1,947,936	-	1,947,936
Landfill closure.....	-	30,000	30,000
Compensated absences.....	187,200	4,000	191,200
Bonds and notes payable.....	12,810,424	3,161,462	15,971,886
NONCURRENT:			
Landfill closure.....	-	690,000	690,000
Compensated absences.....	1,684,800	36,000	1,720,800
Bonds and notes payable.....	32,034,683	36,238,059	68,272,742
TOTAL LIABILITIES.....	53,646,719	40,902,376	94,549,095
NET ASSETS			
Invested in capital assets, net of related debt.....	152,855,467	53,037,272	205,892,739
Restricted for:			
Permanent funds:			
Expendable.....	106,023	-	106,023
Nonexpendable.....	1,110,658	-	1,110,658
Other purposes.....	2,701,903	-	2,701,903
Unrestricted.....	54,073,271	5,727,145	59,800,416
TOTAL NET ASSETS.....	\$ 210,847,322	\$ 58,764,417	\$ 269,611,739

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2006

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
General government.....	\$ 6,951,535	\$ 2,150,875	\$ 2,352,703	\$ -	\$ (2,447,957)	
Public safety.....	24,715,262	3,537,209	319,189	-	(20,858,864)	
Education.....	99,554,201	1,780,241	31,853,310	80,178	(65,840,472)	
Public works.....	11,425,220	4,773	765,947	1,752,452	(8,902,048)	
Human services.....	1,360,111	368,644	765,759	-	(225,708)	
Culture and recreation.....	3,034,915	605,751	196,381	-	(2,232,783)	
Community preservation.....	47,596	-	-	3,491,280	3,443,684	
Interest.....	1,833,376	-	826,890	-	(1,006,486)	
Total Governmental Activities.....	148,922,216	8,447,493	37,080,179	5,323,910	(98,070,634)	
<i>Business-Type Activities:</i>						
Water.....	3,288,261	2,967,334	-	19,751	(301,176)	
Sewer.....	5,179,072	3,613,604	-	1,438,385	(127,083)	
Airport.....	2,732,103	2,549,261	-	1,293,047	1,110,205	
Solid waste.....	1,308,178	1,033,784	-	516,414	242,020	
Total Business-Type Activities.....	12,507,614	10,163,983	-	3,267,597	923,966	
Total Primary Government.....	\$ 161,429,830	\$ 18,611,476	\$ 37,080,179	\$ 8,591,507	\$ (97,146,668)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ <u>(98,070,634)</u>	\$ <u>923,966</u>	\$ <u>(97,146,668)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	92,859,399	-	92,859,399
Tax liens.....	562,822	-	562,822
Motor vehicle and other excise taxes.....	7,569,680	-	7,569,680
Community preservation tax.....	1,191,608	-	1,191,608
Grants and contributions not restricted to specific programs.....	5,077,006	-	5,077,006
Unrestricted investment income.....	1,496,077	129,777	1,625,854
Miscellaneous.....	81,205	-	81,205
<i>Transfers, net</i>	<u>(1,554,163)</u>	<u>1,554,163</u>	<u>-</u>
Total general revenues and transfers.....	<u>107,283,634</u>	<u>1,683,940</u>	<u>108,967,574</u>
Change in net assets.....	9,213,000	2,607,906	11,820,906
<i>Net Assets:</i>			
Beginning of year (as restated).....	<u>201,634,322</u>	<u>56,156,511</u>	<u>257,790,833</u>
End of year.....	<u>\$ 210,847,322</u>	<u>\$ 58,764,417</u>	<u>\$ 269,611,739</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2006

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments.....	\$ 20,471,615	\$ 2,219,612	\$ 9,734,898	\$ 32,426,125
Investments.....	8,073,283	3,025,313	6,902,896	18,001,492
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,073,484	-	-	1,073,484
Real estate tax deferrals.....	141,834	-	-	141,834
Tax liens.....	409,300	4,476	-	413,776
Motor vehicle excise taxes.....	1,218,448	-	-	1,218,448
Departmental and other.....	138,395	19,546	-	157,941
Intergovernmental.....	15,528,984	2,394,650	3,723,904	21,647,538
Tax foreclosures.....	1,175,383	-	-	1,175,383
TOTAL ASSETS.....	\$ 48,230,726	\$ 7,663,597	\$ 20,361,698	\$ 76,256,021
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 1,354,483	\$ 8,712	\$ 567,160	\$ 1,930,355
Tax refunds payable.....	232,000	-	-	232,000
Payroll withholdings.....	466	-	-	466
Abandoned property.....	397,220	-	-	397,220
Other liabilities.....	13,427	-	-	13,427
Deferred revenues.....	19,223,831	2,418,672	3,430,135	25,072,638
Notes payable.....	-	4,300,000	4,340,000	8,640,000
TOTAL LIABILITIES.....	21,221,427	6,727,384	8,337,295	36,286,106
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	4,640,232	-	-	4,640,232
Stabilization.....	8,895,465	-	-	8,895,465
Rate stabilization.....	-	-	6,702,240	6,702,240
Perpetual permanent funds.....	-	-	1,110,658	1,110,658
Unreserved:				
Designated for subsequent year's expenditures.....	4,284,089	-	-	4,284,089
Undesignated, reported in:				
General fund.....	9,189,513	-	-	9,189,513
Special revenue funds.....	-	936,213	5,840,641	6,776,854
Capital projects funds.....	-	-	(1,735,159)	(1,735,159)
Permanent funds.....	-	-	106,023	106,023
TOTAL FUND BALANCES.....	27,009,299	936,213	12,024,403	39,969,915
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 48,230,726	\$ 7,663,597	\$ 20,361,698	\$ 76,256,021

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2006

Total governmental fund balances.....	\$ 39,969,915
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	183,021,590
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	25,072,638
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	1,178,476
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(318,189)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable.....	(36,205,108)
Compensated absences.....	(1,872,000)
Net effect of reporting long-term liabilities.....	(38,077,108)
Net assets of governmental activities.....	<u>\$ 210,847,322</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2006

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 93,027,828	\$ -	\$ -	\$ 93,027,828
Tax liens.....	383,864	3,773	-	387,637
Motor vehicle and other excise taxes.....	7,266,767	-	-	7,266,767
Community preservation tax.....	-	1,191,608	-	1,191,608
Intergovernmental.....	31,110,776	2,102,220	8,677,183	41,890,179
Departmental and other.....	4,630,482	-	5,438,645	10,069,127
Contributions.....	-	-	42,088	42,088
Investment income.....	1,161,750	143,332	128,167	1,433,249
TOTAL REVENUES.....	137,581,467	3,440,933	14,286,083	155,308,483
EXPENDITURES:				
Current:				
General government.....	4,330,055	-	1,190,351	5,520,406
Public safety.....	16,514,459	-	355,728	16,870,187
Education.....	66,146,696	-	9,445,625	75,592,321
Public works.....	6,579,732	-	3,827,018	10,406,750
Human services.....	636,648	-	970,931	1,607,579
Culture and recreation.....	1,799,009	-	451,517	2,250,526
Community preservation.....	-	6,535,596	-	6,535,596
Pension benefits.....	10,992,196	-	-	10,992,196
Employee benefits.....	22,339,263	-	-	22,339,263
State and county charges.....	830,368	-	-	830,368
Debt service:				
Principal.....	4,697,018	-	-	4,697,018
Interest.....	1,865,788	-	-	1,865,788
TOTAL EXPENDITURES.....	136,731,232	6,535,596	16,241,170	159,507,998
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	850,235	(3,094,663)	(1,955,087)	(4,199,515)
OTHER FINANCING SOURCES (USES):				
Proceeds from bonds and notes.....	-	-	200,000	200,000
Transfers in.....	1,387,262	-	1,024,815	2,412,077
Transfers out.....	(2,947,739)	-	(1,018,501)	(3,966,240)
TOTAL OTHER FINANCING SOURCES (USES).....	(1,560,477)	-	206,314	(1,354,163)
NET CHANGE IN FUND BALANCES.....	(710,242)	(3,094,663)	(1,748,773)	(5,553,678)
FUND BALANCES AT BEGINNING OF YEAR (as restated).....	27,719,541	4,030,876	13,773,176	45,523,593
FUND BALANCES AT END OF YEAR.....	\$ 27,009,299	\$ 936,213	\$ 12,024,403	\$ 39,969,915

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds.....	\$ (5,553,678)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	10,602,869
Depreciation expense.....	<u>(5,181,822)</u>

Net effect of reporting capital assets.....	5,421,047
---	-----------

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....

4,318,067

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Capital lease financing.....	17,876
Proceeds from bonds and notes.....	(200,000)
Debt service principal payments.....	<u>4,687,018</u>

Net effect of reporting long-term debt.....	4,514,894
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	626,000
Net change in accrued interest on long-term debt.....	<u>32,412</u>

Net effect of recording long-term liabilities and amortizing deferred losses.....	658,412
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Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....	<u>(145,742)</u>
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Change in net assets of governmental activities.....	\$ <u>9,213,000</u>
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See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

JUNE 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Airport	Solid Waste	Total	
ASSETS						
CURRENT:						
Cash and short-term investments.....	\$ -	\$ 148,988	\$ 775,295	\$ 204,892	\$ 1,129,175	\$ 2,942,727
Investments.....	3,399,472	1,425,941	-	-	4,825,413	1,434,715
Receivables, net of allowance for uncollectibles:						
User fees.....	1,313,480	1,092,954	-	-	2,406,434	-
Departmental and other.....	-	-	-	-	-	631,688
Intergovernmental.....	8,456	492,886	-	17,782	517,124	-
Working capital deposit.....	-	-	-	-	-	207,300
Total current assets.....	4,719,408	3,160,769	775,295	222,674	8,878,146	5,216,430
NONCURRENT:						
Receivables, net of allowance for uncollectibles:						
Intergovernmental.....	147,145	8,206,607	-	418,728	8,772,480	-
Capital assets, net of accumulated depreciation.....	36,852,794	36,885,973	8,297,400	-	82,016,167	-
Total noncurrent assets.....	36,999,939	45,072,580	8,297,400	418,728	90,788,647	-
TOTAL ASSETS.....	41,719,347	48,233,349	9,072,695	641,402	99,666,793	5,216,430
LIABILITIES						
CURRENT:						
Warrants payable.....	47,424	167,306	235,750	93,374	543,854	1,221
Health claims payable.....	-	-	-	-	-	2,102,225
Accrued interest.....	9,302	181,688	-	8,011	199,001	-
Other liabilities.....	-	-	-	-	-	1,934,508
Landfill closure.....	-	-	-	30,000	30,000	-
Compensated absences.....	1,900	1,200	900	-	4,000	-
Bonds and notes payable.....	502,253	2,549,290	-	109,919	3,161,462	-
Total current liabilities.....	560,879	2,899,484	236,650	241,304	3,938,317	4,037,954
NONCURRENT:						
Landfill closure.....	-	-	-	690,000	690,000	-
Compensated absences.....	17,100	10,800	8,100	-	38,000	-
Bonds and notes payable.....	1,708,124	32,920,721	-	1,611,214	36,238,059	-
Total noncurrent liabilities.....	1,723,224	32,931,521	8,100	2,301,214	36,964,059	-
TOTAL LIABILITIES.....	2,284,103	35,831,005	244,750	2,542,518	40,902,376	4,037,954
NET ASSETS						
Invested in capital assets, net of related debt.....	34,844,417	10,095,455	8,297,400	-	53,037,272	-
Unrestricted.....	4,790,827	2,306,889	530,545	(1,901,116)	5,727,145	1,178,476
TOTAL NET ASSETS.....	\$ 39,435,244	\$ 12,402,344	\$ 8,827,945	\$ (1,901,116)	\$ 58,764,417	\$ 1,178,476

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Airport	Solid Waste	Total	
OPERATING REVENUES:						
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,127,683
Employer contributions	-	-	-	-	-	20,245,396
Charges for services	2,987,334	3,613,604	46,488	1,033,784	7,661,210	-
Fuel Sales	-	-	2,314,087	-	2,314,087	-
Rentals	-	-	171,369	-	171,369	-
Other	-	-	17,317	-	17,317	-
TOTAL OPERATING REVENUES	2,987,334	3,613,604	2,549,261	1,033,784	10,163,983	24,373,079
OPERATING EXPENSES:						
Cost of services and administration	2,212,582	2,398,767	2,405,558	1,216,737	8,233,644	-
Depreciation	977,280	983,411	326,545	-	2,287,236	-
Employee benefits	-	-	-	-	-	24,581,649
TOTAL OPERATING EXPENSES	3,189,862	3,382,178	2,732,103	1,216,737	10,520,880	24,581,649
OPERATING INCOME (LOSS)	(222,528)	231,426	(182,842)	(182,953)	(356,897)	(208,570)
NONOPERATING REVENUES (EXPENSES):						
Investment income/(loss)	102,127	22,582	3,713	1,355	129,777	62,828
Interest expense	(98,399)	(1,796,894)	-	(91,441)	(1,986,734)	-
Intergovernmental	19,751	1,438,385	1,293,047	516,414	3,267,597	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	23,479	(335,927)	1,296,760	426,328	1,410,640	62,828
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(199,049)	(104,501)	1,113,918	243,375	1,053,743	(145,742)
TRANSFERS:						
Transfers in	142,766	982,528	468,044	329,586	1,922,924	-
Transfers out	(175,154)	(106,197)	-	(87,410)	(368,761)	-
TOTAL TRANSFERS	(32,388)	876,331	468,044	242,176	1,554,163	-
CHANGE IN NET ASSETS	(231,437)	771,830	1,581,962	485,551	2,607,906	(145,742)
NET ASSETS AT BEGINNING OF YEAR (as restated)	39,666,681	11,630,514	7,245,983	(2,386,667)	56,156,511	1,324,218
NET ASSETS AT END OF YEAR	\$ 39,435,244	\$ 12,402,344	\$ 8,827,945	\$ (1,901,116)	\$ 58,764,417	\$ 1,178,476

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Airport	Solid Waste	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users.....	\$ 3,059,364	\$ 3,531,054	\$ 2,549,411	\$ 1,033,784	\$ 10,173,813	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	23,741,391
Payments to vendors.....	(1,420,009)	(1,860,958)	(2,067,409)	(822,403)	(6,170,779)	-
Payments to employees.....	(924,745)	(514,615)	(315,392)	(386,476)	(2,141,228)	-
Payments for interfund services used.....	-	-	-	-	-	(22,399,294)
NET CASH FROM OPERATING ACTIVITIES.....	714,610	1,155,481	166,610	(175,095)	1,861,606	1,342,097
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in.....	142,766	982,528	468,044	329,586	1,922,924	-
Transfers out.....	(175,154)	(106,197)	-	(87,410)	(368,761)	-
Intergovernmental grants.....	-	-	-	79,904	79,904	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(32,388)	876,331	468,044	322,080	1,634,067	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from the issuance of bonds and notes.....	100,000	320,000	-	-	420,000	-
Acquisition and construction of capital assets.....	(284,032)	(235,878)	(1,385,377)	-	(1,805,287)	-
Principal payments on bonds and notes.....	(392,695)	(1,719,160)	-	(108,009)	(2,219,864)	-
Interest expense.....	(79,676)	(539,438)	-	(91,587)	(710,701)	-
Intergovernmental grants.....	-	39,772	1,293,047	-	1,332,819	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(656,403)	(2,134,704)	(92,330)	(199,596)	(3,083,033)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Net proceeds from purchase/sales of investments.....	(2,418,037)	(248,069)	-	-	(2,666,106)	18,875
Investment income/(loss).....	102,127	22,582	3,713	1,355	129,777	62,828
NET CASH FROM INVESTING ACTIVITIES.....	(2,315,910)	(225,487)	3,713	1,355	(2,536,329)	81,703
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	(2,290,091)	(328,379)	546,037	(61,256)	(2,123,689)	1,423,800
CASH AND SHORT-TERM INVESTMENTS						
AT BEGINNING OF YEAR (as restated).....	2,290,091	477,367	229,258	256,148	3,252,864	1,518,927
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR.....	\$ -	\$ 148,988	\$ 775,295	\$ 204,892	\$ 1,129,175	\$ 2,942,727
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ (222,528)	\$ 231,426	\$ (182,842)	\$ (182,953)	\$ (356,897)	\$ (208,570)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	977,280	983,411	326,545	-	2,287,236	-
Changes in assets and liabilities:						
User fees.....	92,030	(82,550)	-	-	9,480	-
Departmental and other.....	-	-	-	-	-	(631,668)
Intergovernmental.....	-	-	150	-	150	-
Working capital deposit.....	-	-	-	-	-	(44,600)
Warrants payable.....	(115,172)	29,194	30,757	37,858	(17,363)	(70,778)
Accrued liabilities.....	-	-	-	(30,000)	(30,000)	-
Health claims payable.....	-	-	-	-	-	363,225
Other liabilities.....	-	-	-	-	-	1,934,508
Accrued compensated absences.....	(17,000)	(6,000)	(8,000)	-	(31,000)	-
Total adjustments.....	937,138	924,055	349,452	7,858	2,218,503	1,550,667
NET CASH FROM OPERATING ACTIVITIES.....	\$ 714,610	\$ 1,155,481	\$ 166,610	\$ (175,095)	\$ 1,861,606	\$ 1,342,097

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Pension Trust Fund (as of December 31, 2005)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and short-term investments.....	\$ 1,667,361	\$ 85,045	\$ 1,455,653
Investments.....	98,763,673	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	6,649	-	-
TOTAL ASSETS.....	100,437,683	85,045	1,455,653
LIABILITIES			
Warrants payable.....	101,724	-	57,157
Liabilities due depositors.....	-	-	1,398,496
TOTAL LIABILITIES.....	101,724	-	1,455,653
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 100,335,959	\$ 85,045	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2006

	Pension Trust Fund (as of December 31, 2005)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 5,441,192	\$ -
Employee.....	2,685,872	-
Miscellaneous.....	2,433	-
Total contributions.....	8,129,497	-
Net investment income (loss):		
Net change in fair value of investments.....	5,463,624	-
Interest.....	2,138,865	2,155
Total investment income (loss).....	7,602,489	2,155
Less: investment expense.....	(687,853)	-
Net investment income (loss).....	6,914,636	2,155
Intergovernmental.....	484,129	-
Transfers from other systems.....	431,303	-
TOTAL ADDITIONS.....	15,959,565	2,155
DEDUCTIONS:		
Administration.....	337,305	-
Transfers to other systems.....	269,029	-
Retirement benefits and refunds.....	9,245,854	-
TOTAL DEDUCTIONS.....	9,852,188	-
CHANGE IN NET ASSETS.....	6,107,377	2,155
NET ASSETS AT BEGINNING OF YEAR.....	94,228,582	82,890
NET ASSETS AT END OF YEAR.....	\$ 100,335,959	\$ 85,045

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Plymouth, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town of Plymouth, Massachusetts is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Blended Component Units – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Plymouth Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Town Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Finance Director (ex-officio), two members elected by the System's participants and two members appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 10 Cordage Park Circle, Suite 240, Plymouth, Massachusetts, 02360.

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

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the water, sewer and airport enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation fund* is used to account for funds received in accordance with the Massachusetts Community Preservation Act (the "CPA"). Funds are received under the CPA through a surcharge of up to 3% of the real property tax levy and matching state grants. These funds are spent for the acquisition, creation and preservation of open space, historic resources and affordable housing.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *airport enterprise fund* is used to account for the airport activities.

The *solid waste enterprise fund* is used to account for the disposal activities of the Town.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to health insurance and employee benefit programs.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity by the Town for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town/City's educational scholarship trusts are accounted for in this fund.

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments*Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Accounts Receivable*Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed during the year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

Water and Sewer

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-50
Buildings.....	30-50
Machinery and equipment.....	5-20
Infrastructure.....	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Other specific purposes" represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Stabilization" represents the amount accumulated for general and/or capital purposes upon Town Meeting approval.

"Rate stabilization" represents the amount accumulated for offsetting the loss of revenue resulting from deregulation of the electric utility industry.

"Perpetual permanent funds" represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2007 operating budget.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds and the internal service fund is retained within the respective fund.

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 90% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2006, this expense/expenditure totaled approximately \$6,666,000. There were approximately 1000 participants eligible to receive benefits at June 30, 2006.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

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

Q. Individual Fund Deficits

There are several individual fund deficits within the Special Revenue and Capital Project Funds. These deficits will be funded through grants, bond proceeds and available fund balance.

The solid waste enterprise fund has an accumulated deficit of (\$1,901,116). This deficit will be funded in future fiscal years through user charges and general fund subsidies.

R. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Short-term Investments". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At fiscal year-end, the

carrying amount of deposits totaled \$24,017,891 and the bank balance totaled \$30,957,980. Of the bank balance, \$678,978 was covered by Federal Depository Insurance, and \$30,279,002 was uninsured and uncollateralized.

At December 31, 2005, the carrying amount of deposits for the System totaled \$363,648 and the bank balance totaled \$630,230 all of which was covered by Federal Depository Insurance.

Investments

As of June 30, 2006, the Town of Plymouth had the following investments:

Investment Type	Fair Value	Maturity	
		Under 1 Year	1-5 Years
<u>Debt Securities</u>			
U.S. Government Agencies.....	\$ 24,261,620	\$ 10,005,038	\$ 14,256,582
<u>Other Investments</u>			
Money Market Mutual Funds.....	13,901,176		
MMDT.....	119,658		
Total Investments.....	\$ 38,282,454		

As of December 31, 2005, the Retirement System had the following investments:

Investment Type	Maturity			
	<u>Fair Value</u>	<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt Securities</u>				
Bond Mutual Funds*.....	\$ 23,442,132	\$ <u> - </u>	\$ <u> - </u>	\$ <u>23,442,132</u>
*Average life 7.2 years.				
<u>Other Investments</u>				
Equity Securities.....	25,195,455			
Equity Mutual Funds.....	28,728,993			
PRIT Pooled Real Estate Funds.....	8,810,345			
Money Market Mutual Funds.....	1,303,713			
International Equity Funds.....	<u>12,586,748</u>			
Total Investments.....	\$ 100,067,386			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the Town's

investments of \$24,261,620 in U.S. Government Agencies, the Town has a custodial credit risk exposure of \$24,261,620 because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

The Retirement System's investments are not subject to custodial credit risk as all of the securities are insured or registered, and held by its agents in the name of the Plymouth Contributory Retirement System.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System investment policy states that the duration of all fixed income securities shall be maintained within a range of +/- fifteen percent of the duration of the fixed income benchmark designated within the "Manager Specific Guidelines". Also, when managing assets the System at all times must be in accordance with the provisions of the Public Employee Retirement Administration Commission (PERAC), the Employee Retirement Income Security Act (ERISA), and Department of Labor regulations.

Credit Risk

The Town has not adopted a formal policy related to credit risk. At June 30, 2006 the Town's investments in U.S. Government Agencies are rated AAA. The money market mutual funds and MMDT are unrated.

The System's policy states that all fixed income investments shall be maintained at a quality rating of A or better, unless "Manager Specific Guidelines" allow further diversification. At June 30, 2006, the System does not have any rated investments.

Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer.

Investments exceeding 5% of the total Town's Investments

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Federal National Mortgage.....	31%
Federal Home Loans.....	32%

The System places a five percent maximum investment in any one issuer. There were no individual investments that exceeded five percent of the total investments at June 30, 2006.

NOTE 3 – RECEIVABLES

At June 30, 2006, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,123,911	\$ (50,427)	\$ 1,073,484
Real estate tax deferrals.....	141,834	-	141,834
Tax liens.....	413,776	-	413,776
Motor vehicle and other excise taxes.....	1,813,218	(594,770)	1,218,448
Departmental and other.....	157,941	-	157,941
Intergovernmental.....	21,647,538	-	21,647,538
Total.....	\$ <u>25,298,218</u>	\$ <u>(645,197)</u>	\$ <u>24,653,021</u>

At June 30, 2006, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 1,313,480	\$ -	\$ 1,313,480
Water intergovernmental.....	153,601	-	153,601
Sewer user fees.....	1,092,954	-	1,092,954
Sewer intergovernmental.....	8,699,493	-	8,699,493
Solid Waste Intergovernmental.....	436,510	-	436,510
Total.....	\$ <u>11,696,038</u>	\$ <u>-</u>	\$ <u>11,696,038</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Community Preservation Funds	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>				
Real estate and personal property taxes.....	\$ 611,487	\$ -	\$ -	\$ 611,487
Real estate tax deferrals.....	141,834	-	-	141,834
Tax liens.....	409,300	4,476	-	413,776
Motor vehicle and other excise taxes.....	1,218,448	-	-	1,218,448
Departmental and other.....	138,395	19,546	-	157,941
Intergovernmental.....	15,528,984	2,394,650	3,430,135	21,353,769
Tax foreclosures.....	1,175,383	-	-	1,175,383
	<u>\$ 19,223,831</u>	<u>\$ 2,418,672</u>	<u>\$ 3,430,135</u>	<u>\$ 25,072,638</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 81,384,416	\$ 6,488,000	\$ -	\$ 87,872,416
Construction in progress.....	-	303,998	-	303,998
Total capital assets not being depreciated.....	81,384,416	6,791,998	-	88,176,414
<u>Capital assets being depreciated:</u>				
Land improvements.....	6,214,789	930,877	-	7,145,666
Buildings.....	89,240,993	-	-	89,240,993
Machinery and equipment.....	27,607,887	1,091,627	-	28,699,514
Infrastructure.....	61,833,006	1,373,053	-	63,206,059
Vehicles.....	1,663,742	415,314	-	2,079,056
Total capital assets being depreciated.....	186,560,417	3,810,871	-	190,371,288
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,322,284)	(310,154)	-	(1,632,438)
Buildings.....	(34,052,847)	(1,886,182)	-	(35,939,029)
Machinery and equipment.....	(23,036,102)	(979,329)	-	(24,015,431)
Infrastructure.....	(31,605,459)	(1,738,223)	-	(33,343,682)
Vehicles.....	(327,598)	(267,934)	-	(595,532)
Total accumulated depreciation.....	(90,344,290)	(5,181,822)	-	(95,526,112)
Total capital assets being depreciated, net.....	96,216,127	(1,370,951)	-	94,845,176
Total governmental activities capital assets, net.....	\$ 177,600,543	\$ 5,421,047	\$ -	\$ 183,021,590

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 19,633,192	\$ -	\$ -	\$ 19,633,192
Construction in progress.....	52,004	209,948	-	261,952
Total capital assets not being depreciated.....	19,685,196	209,948	-	19,895,144
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,513,162	1,385,377	-	4,898,539
Buildings.....	31,611,270	-	-	31,611,270
Machinery and equipment.....	1,302,148	-	-	1,302,148
Vehicles.....	227,293	141,663	-	368,956
Infrastructure.....	67,162,019	168,299	-	67,330,318
Total capital assets being depreciated.....	103,815,892	1,695,339	-	105,511,231
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,462,025)	(198,041)	-	(1,660,066)
Buildings.....	(2,221,904)	(697,575)	-	(2,919,479)
Machinery and equipment.....	(443,461)	(71,060)	-	(514,521)
Vehicles.....	(56,934)	(45,026)	-	(101,960)
Infrastructure.....	(36,918,648)	(1,275,534)	-	(38,194,182)
Total accumulated depreciation.....	(41,102,972)	(2,287,236)	-	(43,390,208)
Total capital assets being depreciated, net.....	62,712,920	(591,897)	-	62,121,023
Total business-type activities capital assets, net.....	\$ 82,398,116	\$ (381,949)	\$ -	\$ 82,016,167

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

Governmental Activities:

General government.....	\$	239,181
Public safety.....		657,899
Education.....		1,818,594
Public works.....		2,258,026
Human services.....		31,491
Culture and recreation.....		176,631

Total depreciation expense - governmental activities..... \$ 5,181,822

Business-Type Activities:

Water.....	\$	977,280
Sewer.....		983,411
Airport.....		326,545

Total depreciation expense - business-type activities..... \$ 2,287,236

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2006, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:						Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Airport Enterprise Fund	Solid Waste Enterprise Fund	
General Fund.....	\$ -	\$ 1,024,815	\$ 142,766	\$ 982,528	\$ 468,044	\$ 329,586	\$ 2,947,739
Nonmajor Governmental Funds.....	1,018,501	-	-	-	-	-	1,018,501
Water Enterprise Fund.....	175,154	-	-	-	-	-	175,154
Sewer Enterprise Fund.....	106,197	-	-	-	-	-	106,197
Solid Waste Enterprise Fund.....	87,410	-	-	-	-	-	87,410
	<u>\$ 1,387,262</u>	<u>\$ 1,024,815</u>	<u>\$ 142,766</u>	<u>\$ 982,528</u>	<u>\$ 468,044</u>	<u>\$ 329,586</u>	<u>\$ 4,335,001</u>

Transfers represent amounts voted to fund the fiscal year 2006 operating budget as well as amounts that represent general fund subsidies to the water, sewer, airport and solid waste enterprise funds for debt service.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).

- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds.

Details related to the short-term debt activity for the fiscal year ended June 30, 2006, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2005	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2006
BAN	School.....	2.90	10/19/05	\$ 255,000	\$ -	\$ (255,000)	\$ -
BAN	Land acquisition.....	4.35	12/12/06	-	4,000,000	-	4,000,000
BAN	DPW Infrastructure IV.....	4.00	07/26/07	-	1,300,000	-	1,300,000
BAN	DPW Infrastructure V.....	4.00	07/26/07	-	1,000,000	-	1,000,000
BAN	Information Technology.....	4.00	07/26/07	-	800,000	-	800,000
BAN	Departmental Equipment.....	4.00	07/26/07	-	240,000	-	240,000
BAN	Fire Trucks.....	4.00	07/26/07	-	600,000	-	600,000
BAN	Land acquisition.....	4.00	07/26/07	-	300,000	-	300,000
BAN	Planning.....	4.00	07/26/07	-	70,000	-	70,000
BAN	Sewer Planning Bonds.....	4.00	07/26/07	-	250,000	-	250,000
BAN	Water Department Equipment.....	4.00	07/26/07	-	100,000	-	100,000
BAN	School Roof Repairs.....	4.00	07/26/07	-	100,000	-	100,000
BAN	School HVAC.....	4.00	07/26/07	-	300,000	-	300,000
Total.....				\$ 255,000	\$ 9,060,000	\$ (255,000)	\$ 9,060,000

On December 12, 2006, the Town paid down \$850,000 of the short-term debt outstanding at June 30, 2006 and renewed \$3,150,000 at an interest rate of 4.10%, payable on June 30, 2007.

NOTE 7 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2006, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2005	Issued	Redeemed	Outstanding at June 30, 2006
Municipal Purpose.....	3.40 - 5.20	\$ 1,160,000	\$ -	\$ 290,000	\$ 870,000
Carver High School.....	0.00	67,042	-	33,498	33,544
Heat Restoration.....	6.50 - 6.75	8,900	-	8,900	-
Town Hall Remodeling.....	4.15 - 5.75	735,000	-	95,000	640,000
Fire Station Bonds.....	4.15 - 5.75	680,000	-	85,000	595,000
Memorial Hall Remodeling.....	4.10 - 5.00	2,700,000	-	300,000	2,400,000
Recreational Facilities Bonds.....	4.10 - 5.00	1,840,000	-	230,000	1,610,000
Wastewater Treatment Facility.....	4.10 - 5.00	135,000	-	15,000	120,000
Beach Restoration Bonds.....	4.10 - 5.00	110,000	-	15,000	95,000
Loan Program - MWPAT.....	4.00	133,206	-	11,100	122,106
Title V - MWPAT.....	4.94	185,254	-	9,525	175,729
Municipal Purpose.....	4.75-6.00	27,300,000	-	1,805,000	25,495,000
Title V Septic Loan - MWPAT.....	0.00	145,854	-	9,190	136,664
Infrastructure.....	3.25 - 3.50	325,000	-	325,000	-
Infrastructure 2.....	3.25 - 3.50	520,000	-	260,000	260,000
School Planning.....	3.25 - 3.50	125,000	-	125,000	-
Senior Center.....	3.25 - 3.88	140,000	-	20,000	120,000
Library - Refunding.....	2.50	698,767	-	378,876	319,891
Beach Restoration.....	3.25 - 3.88	75,000	-	15,000	60,000
School Roofs - Refunding.....	2.50	168,102	-	85,929	82,173
Computer Hardware.....	3.50	2,000,000	-	225,000	1,775,000
Infrastructure - Streets.....	3.35	1,300,000	-	325,000	975,000
Beach Restoration.....	3.40	150,000	-	30,000	120,000
Community Septic Management Program - MWPAT....	0.00	-	200,000	-	200,000
Total Governmental Bonds Payable.....		\$ 40,702,125	\$ 200,000	\$ 4,697,018	\$ 36,205,107

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

GOVERNMENTAL FUNDS, DEBT SERVICE PAYMENTS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007..... \$	4,170,424	\$ 1,661,624	\$ 5,832,048
2008.....	3,484,819	1,500,414	4,985,233
2009.....	3,479,816	1,347,766	4,827,582
2010.....	3,189,815	1,201,335	4,391,150
2011.....	3,159,816	1,058,569	4,218,385
2012.....	2,604,815	906,714	3,511,529
2013.....	2,573,571	774,293	3,347,864
2014.....	2,154,599	652,706	2,807,305
2015.....	1,839,600	550,988	2,390,588
2016.....	1,840,074	451,519	2,291,593
2017.....	1,765,074	348,576	2,113,650
2018.....	1,753,974	254,260	2,008,234
2019.....	1,753,973	167,050	1,921,023
2020.....	1,754,870	77,672	1,832,542
2021.....	589,867	16,697	606,564
2022.....	20,000	1,250	21,250
2023.....	20,000	750	20,750
2024.....	15,000	375	15,375
2025.....	15,000	125	15,125
2026.....	10,000	-	10,000
2027.....	10,000	-	10,000
Total..... \$	<u>36,205,107</u>	<u>\$ 10,972,683</u>	<u>\$ 47,177,790</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for interest costs for \$131,067. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$287,236. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2006 interest subsidy totaled approximately \$15,000.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the School Building Assistance Bureau, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2006, approximately \$1,553,000 of such assistance was received. Approximately \$20,448,000 will be received in future fiscal years. Of this amount, approximately \$5,769,000 represents reimbursement of long-term interest costs, and approximately \$14,679,000 represents reimbursement of approved construction costs. Accordingly, a \$14,679,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2005	Issued	Redeemed	Outstanding at June 30, 2006
Sewer Projects.....	3.40 - 5.20	\$ 160,000	\$ -	\$ 40,000	\$ 120,000
Sewer Projects - MWPAT.....	2.35 - 5.50	774,366	-	206,699	567,667
Sewer Projects - MWPAT (Refunding).....	4.64	1,764,000	-	187,000	1,577,000
Wastewater Treatment.....	4.10 - 5.00	180,000	-	20,000	160,000
Sewer Projects.....	4.75 - 6.00	1,020,000	-	95,000	925,000
Wastewater Treatment - MWPAT (Refunding).....	5.10	23,984,035	-	1,215,703	22,768,332
Wastewater Treatment - MWPAT (Refunding).....	5.02	9,129,946	-	409,622	8,720,324
Wastewater Treatment - MWPAT.....	3.00 - 5.00	462,884	-	151,196	311,688
Sub-Total sewer bonds payable.....		37,475,231	-	2,325,220	35,150,011
Water.....	3.40 - 5.20	420,000	-	105,000	315,000
Water.....	3.40 - 5.20	260,000	-	65,000	195,000
Water Well and Tank Bonds.....	4.75 - 6.00	220,000	-	20,000	200,000
Water Well and Tank Bonds.....	3.25 - 3.88	680,000	-	100,000	580,000
Water.....	3.25 - 3.88	245,000	-	35,000	210,000
North Plymouth Water Well (Refunding).....	5.09	589,086	-	28,644	560,442
Kingsbridge - Refunding.....	2.50	85,125	-	41,103	44,022
Cedar Bushes - Refunding.....	2.50	8,005	-	4,092	3,913
Sub-Total water bonds payable.....		2,507,216	-	398,839	2,108,377
Landfill Bonds.....	4.10 - 5.00	200,000	-	25,000	175,000
State revolving fund - Landfill 1 (Refunding).....	5.31	1,345,930	-	68,387	1,277,543
State Revolving Fund - Landfill 2 (Refunding).....	5.32	283,212	-	14,622	268,590
Sub-Total solid waste bonds payable.....		1,829,142	-	108,009	1,721,133
Total Enterprise Bonds Payable.....		\$ 41,811,589	\$ -	\$ 2,832,068	\$ 38,979,521

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

Sewer Enterprise Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007..... \$	2,229,290	\$ 1,694,860	\$ 3,924,150
2008.....	2,274,126	1,600,113	3,874,239
2009.....	2,206,792	1,508,107	3,714,899
2010.....	2,103,798	1,424,845	3,528,643
2011.....	2,163,703	1,321,255	3,484,958
2012.....	2,226,053	1,210,498	3,436,551
2013.....	2,182,889	1,177,312	3,360,201
2014.....	2,360,658	914,145	3,274,803
2015.....	2,152,714	832,348	2,985,062
2016.....	2,221,085	712,331	2,933,416
2017.....	2,204,863	590,133	2,794,996
2018.....	2,273,234	466,161	2,739,395
2019.....	2,350,108	335,016	2,685,124
2020.....	2,413,886	181,177	2,595,063
2021.....	2,457,257	115,200	2,572,457
2022.....	645,628	51,535	697,163
2023.....	659,407	18,457	677,864
2024.....	24,520	875	25,395
Total..... \$	<u>35,150,011</u>	<u>\$ 14,154,368</u>	<u>\$ 49,304,379</u>

Water Enterprise Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007..... \$	402,253	\$ 86,173	\$ 488,426
2008.....	355,008	70,938	425,946
2009.....	350,911	56,192	407,103
2010.....	182,040	45,715	227,755
2011.....	183,165	38,346	221,511
2012.....	185,000	30,737	215,737
2013.....	55,000	21,946	76,946
2014.....	55,000	18,961	73,961
2015.....	60,000	16,816	76,816
2016.....	60,000	13,435	73,435
2017.....	40,000	10,591	50,591
2018.....	45,000	7,961	52,961
2019.....	45,000	4,881	49,881
2020.....	45,000	2,250	47,250
2021.....	45,000	1,125	46,125
Total..... \$	<u>2,108,377</u>	<u>\$ 426,066</u>	<u>\$ 2,534,443</u>

Solid Waste Enterprise Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007..... \$	109,919	\$ 86,394	\$ 196,313
2008.....	111,924	80,117	192,041
2009.....	113,979	76,519	190,498
2010.....	116,368	70,423	186,791
2011.....	118,943	64,789	183,732
2012.....	120,000	58,229	178,229
2013.....	120,000	48,304	168,304
2014.....	105,000	44,768	149,768
2015.....	105,000	38,982	143,982
2016.....	110,000	32,908	142,908
2017.....	110,000	27,025	137,025
2018.....	115,000	20,745	135,745
2019.....	120,000	14,835	134,835
2020.....	120,000	9,314	129,314
2021.....	125,000	3,281	128,281
Totals..... \$	<u>1,721,133</u>	<u>\$ 676,633</u>	<u>\$ 2,397,766</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$9,289,603 and interest costs for \$10,830,970. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$28,138,679. The principal subsidies are guaranteed and therefore intergovernmental receivables and corresponding revenues of \$8,699,493, \$153,601, and \$436,510 have been reported in the Sewer Enterprise, Water Enterprise, and Solid Waste Enterprise Funds, respectively.

Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2006 principal and interest subsidies totaled approximately \$1,738,000, \$26,000 and \$80,000, respectively. The Town has approximately \$1,614,000 of authorized and unissued debt for construction of a sewage treatment and disposal plant, which the Town expects to finance through MWPAT bonds.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2006, the Town had the following authorized and unissued debt:

Purpose	Amount
Wastewater facility.....	\$ 1,613,684
Beach improvements.....	2,727,000
Landfill closing.....	31,938
North Plymouth well.....	72,509
School Roof Repairs.....	1,600,000
Title V Septic Replacement Loan - III.....	241,386
School HVAC Repair.....	5,000,000
Infrastructure Management Plan - III.....	2,600,000
Bradford Well.....	1,600,000
Information Technology.....	1,101,000
Water Dept. Generators.....	720,000
Sewer Planning Bonds.....	350,000
Various Vehicles.....	2,674,532
Land Acquisition.....	4,300,000
Planning.....	70,000
Septic System.....	200,000
School HVAC.....	8,425,000
Replace Exterior Doors.....	86,400
DPW Infrastructure.....	1,300,000
Technology 2.....	1,097,000
Various Field Renovations.....	350,703
Various Tank and Wells.....	2,300,000
Electronic Sticker Scanner.....	123,650
Sewer Truck.....	260,000
Total.....	<u>\$ 38,844,802</u>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2006, the following changes occurred in long-term liabilities:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Current Portion
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 40,702,125	\$ 200,000	\$ (4,697,018)	\$ 36,205,107	\$ 4,170,424
Compensated Absences.....	2,498,000	-	(626,000)	1,872,000	187,200
Capital Leases.....	17,876	-	(17,876)	-	-
Total governmental activity long-term liabilities.....	<u>\$ 43,218,001</u>	<u>\$ 200,000</u>	<u>\$ (5,340,894)</u>	<u>\$ 38,077,107</u>	<u>\$ 4,357,624</u>
Business-Type Activities:					
Compensated Absences.....	\$ 71,000	\$ -	\$ (31,000)	\$ 40,000	\$ 4,000
Landfill Closure.....	750,000	-	(30,000)	720,000	30,000
Long-Term Bonds and Notes.....	<u>41,811,589</u>	<u>-</u>	<u>(2,832,068)</u>	<u>38,979,521</u>	<u>2,741,462</u>
Total business-type activity long-term liabilities.....	<u>\$ 42,632,589</u>	<u>\$ -</u>	<u>\$ (2,893,068)</u>	<u>\$ 39,739,521</u>	<u>\$ 2,775,462</u>

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds.

NOTE 8 - STABILIZATION FUNDS

At June 30, 2006, \$8,895,465 has been set aside in a stabilization fund, which is classified in the General Fund. During fiscal year 2006, the Town transferred \$2,690,130 from the approved operating budget into the fund. The Town transferred \$2,750,000 from the fund for the approved operating budget in fiscal year 2006. The Town also transferred \$250,000 from this fund to the rate stabilization fund. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

At June 30, 2006, \$6,702,240 has been set aside in a rate stabilization fund, which is classified as a component of the non-major governmental funds financial statements. The rate stabilization fund may be used for any purpose to offset the loss of revenue resulting from deregulation of the electric utility industry.

NOTE 9 – RISK FINANCING

The Town is self insured for its' health and dental insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

(a) *Health and Dental Insurance*

The estimate of Incurred But Not Reported (IBNR) claims is based on 10% of claims paid average. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$125,000. At June 30, 2006, the amount of the liability for health and dental insurance claims totaled \$2,102,225. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2004, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2005.....	\$ 2,497,000	\$ 18,339,368	\$ (19,097,368)	\$ 1,739,000
Fiscal Year 2006.....	1,739,000	24,944,874	(24,581,649)	2,102,225

NOTE 10 - PENSION PLAN

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$5,692,000 for the fiscal year ended June 30, 2006, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Plymouth Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 10 Cordage Park Circle, Suite 240, Plymouth, Massachusetts, 02360.

At December 31, 2005, the System's membership consists of the following:

Active members.....	1,070
Inactive members.....	156
Disabled members.....	72
Retirees and beneficiaries currently receiving benefits.....	<u>425</u>
Total.....	<u>1,723</u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 97%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2006, 2005, and 2004 were \$5,439,421, \$4,558,159, and \$4,347,851, respectively, which equaled its required contribution for each fiscal year. At June 30, 2006, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return and projected salary increases of 5.5% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2006, was 23 years.

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/05	\$ 94,010	\$ 154,190	\$ 60,180	61.0%	\$ 30,061	200.2%
01/01/03	77,285	124,140	46,855	62.3%	28,957	161.8%
01/01/01	85,389	114,181	28,792	74.8%	27,445	104.9%
01/01/99	71,201	98,269	27,068	72.5%	25,721	105.2%
01/01/97	59,974	89,541	29,567	67.0%	23,767	124.4%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The Town is responsible for approximately 98% of the unfunded liability.

NOTE 11 - COMMITMENTS

The Town has entered into a long-term contract with South Eastern Massachusetts Partnership (SEMASS) to provide solid waste disposal services. Total charges are based on a formula of tipping and transport fees with costs rising gradually through fiscal year 2007 when the contract expires. Actual expenditures under this contract for fiscal year 2006 were approximately \$452,000.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$38,845,000 for construction of a sewage treatment and disposal plant, for post-closure care costs associated with the Town's landfill, for various beach improvements, for improvements of the North Plymouth well, for school roof and HVAC repairs, for various school technology upgrades, for infrastructure management, and for the Title V septic replacement loans.

NOTE 12 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2006, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2006, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2006.

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2006, the following GASB pronouncements were implemented:

The GASB issued Statement #42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, which is required to be implemented in Fiscal 2006. This pronouncement did not significantly impact the basic financial statements.

The GASB issued Statement #44, Economic Condition Reporting: The Statistical Section, which was implemented in Fiscal 2006. This new GASB establishes and modifies requirements related to supplementary information presented in a statistical section. The presentation of a statistical section is not required by this pronouncement. This pronouncement did not significantly impact the basic financial statements.

The GASB issued Statement # 46, Net Assets Restricted by Legislation an amendment of GASB Statement No. 34. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. It requires governments to disclose the portion of total net assets that is restricted by enabling legislation. This statement was implemented in FY2006. This pronouncement did not significantly impact the basic financial statements.

The GASB issued Statement # 47, Accounting for Termination Benefits. The Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The Statement requires that similar forms of termination benefits be accounted for in the same manner and is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements. This statement was implemented in FY2006. This pronouncement did not significantly impact the basic financial statements.

Other Future GASB Pronouncements:

The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in Fiscal 2008. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement will not impact the basic financial statements.

The GASB issued Statement #45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in Fiscal 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

NOTE 14 – RESTATEMENTS AND RECLASSIFICATIONS

The following beginning fund balances have been restated to reflect the reporting of a new major governmental fund and the reclassification of an enterprise fund which was previously reported as a non-major governmental fund.

Fund financial statements

	June 30, 2005 Previously Reported Balances	Reclass to Other Funds	To Report Enterprise Funds On Accrual Basis	June 30, 2005 Restated Balances
Community Preservation Fund..... \$	-	\$ 4,030,876	\$ -	\$ 4,030,876
Nonmajor Governmental Funds.....	18,004,684	(4,231,508)	-	13,773,176
Solid Waste Enterprise.....	-	200,632	(2,587,299)	(2,386,667)
Total.....	\$ 18,004,684	\$ -	\$ (2,587,299)	\$ 15,417,385

The beginning balance of governmental capital assets, net of accumulated depreciation, has been restated to include infrastructure assets previously not reported in accordance with GASB Statement #34. An increase of \$28,214,203 to beginning net assets and capital assets was made. In addition, a decrease of \$2,386,667 was the result of the previously noted reclassification of the solid waste enterprise fund.

Government-wide financial statements

	June 30, 2005 Previously Reported Balances	Reclass to Other Funds	Record Infrastructure Capital Assets	June 30, 2005 Restated Balances
Governmental Activities.....	\$ 171,043,642	\$ 2,386,667	\$ 28,204,013	\$ 201,634,322
Business-Type Activities.....	58,543,178	(2,386,667)	-	56,156,511
Total.....	<u>\$ 229,586,820</u>	<u>\$ -</u>	<u>\$ 28,204,013</u>	<u>\$ 257,790,833</u>

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts							
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget	
REVENUES:								
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 89,934,056	\$ 89,934,056	\$ 89,934,056	\$ 93,145,828	\$ -	\$ 3,211,772	
Tax liens.....	-	-	-	-	383,864	-	383,864	
Motor vehicle and other excise taxes.....	-	6,136,431	6,136,431	6,136,431	7,268,767	-	1,130,336	
Intergovernmental.....	-	23,853,101	23,853,101	23,853,101	25,396,345	-	1,543,244	
Departmental and other.....	-	5,854,605	5,854,605	5,854,605	4,630,482	-	(1,224,123)	
Investment income.....	-	479,654	479,654	479,654	948,472	-	468,818	
TOTAL REVENUES.....	-	126,257,847	126,257,847	126,257,847	131,771,758	-	5,513,911	
EXPENDITURES:								
Current:								
General government.....	650,731	4,028,298	4,679,020	6,478,506	4,342,255	1,982,661	163,390	
Public safety.....	211,166	16,496,847	16,708,013	17,024,672	16,514,459	167,955	342,258	
Education.....	361,350	66,331,033	66,892,383	67,022,260	66,234,472	867,383	(79,595)	
Public works.....	1,896,214	5,250,606	7,146,620	7,739,712	6,597,080	1,434,796	(292,164)	
Human services.....	88,045	673,057	759,112	763,242	636,648	56,507	70,087	
Culture and recreation.....	123,814	1,853,749	1,977,563	1,953,266	1,799,009	130,730	33,527	
Pension benefits.....	-	5,305,025	5,305,025	5,305,025	5,300,196	-	4,829	
Employee benefits.....	-	20,486,547	20,486,547	22,864,676	22,339,263	-	625,313	
State and county charges.....	-	775,741	775,741	775,741	830,368	-	(54,627)	
Debt service:								
Principal.....	-	4,647,493	4,647,493	4,697,493	4,697,018	-	475	
Interest.....	-	2,280,262	2,280,262	2,230,262	1,843,357	-	386,905	
TOTAL EXPENDITURES.....	3,329,320	128,128,668	131,457,888	136,864,755	131,134,125	4,640,232	1,090,398	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...	(3,329,320)	(1,870,821)	(5,200,141)	(10,606,908)	637,633	(4,640,232)	6,604,309	
OTHER FINANCING SOURCES (USES):								
Transfers in.....	-	3,606,714	3,606,714	4,137,262	4,137,262	-	-	
Transfers out.....	-	(5,363,054)	(5,363,054)	(5,363,054)	(5,367,869)	-	(24,815)	
TOTAL OTHER FINANCING SOURCES (USES).....	-	(1,756,340)	(1,756,340)	(1,225,792)	(1,250,607)	-	(24,815)	
NET CHANGE IN FUND BALANCE.....	(3,329,320)	(3,627,161)	(6,956,481)	(11,832,700)	(612,974)	(4,640,232)	6,579,494	
BUDGETARY FUND BALANCE, Beginning of year.....	-	18,487,691	18,487,691	18,487,691	18,487,691	-	-	
BUDGETARY FUND BALANCE, End of year.....	\$ (3,329,320)	\$ 14,860,530	\$ 11,531,210	\$ 6,654,991	\$ 17,874,717	\$ (4,640,232)	\$ 6,579,494	

See notes to basic financial statements.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Finance Committee (the "Committee") and the Board of Selectmen (the "Board"). The Committee and the Board present an annual budget to the representative Town meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The representative town meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires a vote at a special Town meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Town meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2006 approved budget authorized approximately \$136,821,000 in appropriations and other amounts to be raised. During fiscal year 2006, the Town meeting also approved supplemental appropriations totaling approximately \$5,400,000.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2006, is presented below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$	(612,974)
<u>Perspective difference:</u>		
Stabilization Fund recorded in the General Fund for GAAP.....		(199,449)
<u>Basis of accounting differences:</u>		
Additional liabilities.....		117,324
Recognition of market value adjustment.....		102,857
Net change in recording tax refunds payable.....		(80,000)
Net change in recording 60-day receipts accrual.....		(38,000)
Recognition of revenue for on-behalf payments.....		5,692,000
Recognition of expenditures for on-behalf payments.....		<u>(5,692,000)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	\$	<u>(710,242)</u>

C. Appropriation Deficits

During fiscal year 2006, expenditures exceeded budgeted appropriations for education, public works, and state and county charges. These deficits will be funded through grants and tax levy in fiscal year 2007.