

NOTICE OF SALE and OFFICIAL STATEMENT DATED SEPTEMBER 1, 2004

In the opinion of Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes.

**\$300,000
TOWN OF ACTON
Massachusetts
GENERAL OBLIGATION SCHOOL REMODELING BONDS**

Dated: November 1, 2004

Due: November 1, 2005-2014

The Bonds will be dated November 1, 2004 and will bear interest payable annually on the unpaid balance of principal on November 1, commencing on November 1, 2005, at the rates of interest applicable to each installment of principal determined upon their sale in accordance with the official Notice of Sale of the Town dated September 1, 2004. The Bonds shall bear a final maturity date of November 1, 2014, with 1/10th of the principal paid to the purchaser on the payment date of November 1 in each of the years 2005 through 2014, inclusive. The Bonds are not subject to redemption prior to their stated dates of maturity.

The Bonds are issuable only as fully registered Bonds without coupons, and, when issued, will be registered in the name of purchaser. The Bonds will be issued in denominations of \$1,000.

The legality of the Bonds will be approved by Palmer & Dodge LLP of Boston, Massachusetts, Bond Counsel to the Town. UniBank Fiscal Advisory Services, Inc. serves as financial advisor to the Town.

THE BONDS ARE BEING OFFERED FOR SALE DIRECTLY TO THE PUBLIC ON OCTOBER 14, 2004 AT 7:30 P.M. (E.D.S.T.) AT THE ACTON MEMORIAL LIBRARY, 486 MAIN STREET, ACTON, MASSACHUSETTS. REFERENCE IS MADE TO THE OFFICIAL NOTICE OF SALE, DATED SEPTEMBER 1, 2004 FOR THE CONDITIONS OF SUCH SALE.

The Bonds will be certified as to genuineness by the Unibank Fiscal Advisory Services, Inc., and are offered subject to the final approving opinion of Palmer & Dodge LLP, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. Bonds in definitive form will be delivered and available to be picked up at the Office of the Town Treasurer on November 1, 2004.

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

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NOTICE OF SALE

**TOWN OF ACTON
Massachusetts**

**\$300,000
GENERAL OBLIGATION SCHOOL REMODELING BONDS**

The Town of Acton, Massachusetts will offer for sale on Thursday, October 14, 2004, at the time and location noted below \$300,000 School Remodeling Bonds.

The Bonds will be dated November 1, 2004 and will bear interest payable annually on the unpaid balance of principal on November 1, commencing on November 1, 2005, at the rates of interest applicable to each installment of principal determined upon their sale in accordance with the official Notice of Sale of the Town dated September 1, 2004. The Bonds will be issued in registered form, payable to the purchaser in denominations of \$1,000. The Bonds shall bear a final maturity date of November 1, 2014, with 1/10th of the principal paid to the purchaser on the payment date of November 1 in each of the years 2005 through 2014, inclusive. The Bonds are not subject to redemption prior to their stated maturities.

Principal and interest payments with respect to the Bonds (other than the principal and interest payment due November 1, 2014), will be payable by check or draft mailed to the Registered Owner, determined as of the close of business on the applicable record date, at his or her address as shown on the registration books of the Town maintained by the Town Treasurer, acting as paying agent and bond registrar. The principal and interest payments with respect to the Bonds due November 1, 2014 shall be payable, upon presentation and surrender of the Bonds, at the office of the Town Treasurer. The record date for payment of principal and interest is the fifteenth day of the month preceding the date on which the principal and interest is to be paid.

The right is reserved to reject any or all subscriptions and to withdraw the Bonds from sale prior to their issue at the sole discretion of the Town. The full purchase price will be promptly refunded to any subscriber whose subscription for Bonds is rejected by the Town or who withdraws his or her subscription as provided below.

The legality of the Bonds will be approved by Palmer & Dodge LLP, Boston, Massachusetts, whose opinion (with the exception of its date) will be printed on the Bonds. The opinion will be dated and given as of and will speak only as of November 1, 2004, the date of the original delivery of the Bonds and will be substantially in the form presented in Appendix C to the Preliminary Official Statement dated September 1, 2004. The original opinion of Bond Counsel and copies of the supporting documents incident to the Bonds will be filed with UniBank Fiscal Advisory Services, Inc., where they may be inspected.

The Bonds will be sold at par value. The Bonds will be offered for sale beginning at 7:30 p.m. on Thursday, October 14, 2004 at the Acton Memorial Library, 486 Main Street, Acton, Massachusetts, on a first-come, first-served basis. Persons wishing to purchase Bonds will be required to complete a subscription form and to pay for the Bonds by certified or bank check. Bonds will be offered for sale at the above-described location at 7:30 p.m. until all Bonds have been sold. Subscriptions will be accepted without limit as to amount per subscriber. Bonds are offered for delivery when, as and if issued. All subscribers will be permitted a period of two days from the date of subscription to withdraw their subscriptions for the purchase of Bonds.

The Town has not contracted for the issuance of any policy of municipal bond insurance for the Bonds.

The documents incident to the Bonds to be filed with UniBank Fiscal Advisory Services, Inc. will include (a) a certificate in form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them and (b) a certificate of the Town Treasurer and Finance Director to the effect that, to the best of their knowledge and belief, as of the date of delivery of the Bonds, the Official Statement referred to below does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

The subscription form will be available on September 30, 2004 at the Office of the Town Treasurer in Town Hall. The interest rates for the Bonds will be determined on September 27, 2004 and will be indicated on the subscription form referred to above. The interest rates on the Bonds are subject to the approval of the Board of Selectman of the Town prior to the availability of subscription forms on September 30, 2004.

All Bonds will be delivered and available to be picked up at the Office of the Town Treasurer on Monday, November 1, 2004, beginning at 8:30 a.m. Purchasers will be required to present the receipt portion of their subscription form and appropriate identification to pick up their Bonds. Bonds which are not picked up on Monday, November 1, 2004 will be available to be picked up at the Office of the Town Treasurer during regular business hours until the end of business on Monday, November 15, 2004. After that date, purchasers wishing to pick up Bonds will be required to give the Office of the Town Treasurer 48 hours notice prior to doing so.

Additional information concerning the Town of Acton and the Bonds is contained in the Official Statement dated September 1, 2004, to which prospective purchasers are directed. The Official Statement is provided for informational purposes only and is not part of this Notice of Sale. Copies of the Official Statement may be obtained from the Treasurer's Office, Town of Acton, Town Hall, Acton, Massachusetts 01720 (Telephone: 978-264-9617).

/s/ John Murray, III
Town Treasurer

Dated: September 1, 2004

OFFICIAL STATEMENT

**TOWN OF ACTON
MASSACHUSETTS**

**\$300,000
GENERAL OBLIGATION SCHOOL REMODELING BONDS**

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Acton, Massachusetts (the "Town") in connection with the sale of \$300,000 aggregate principal amount of General Obligation School Remodeling Bonds (the "Bonds") of the Town. The information contained herein has been furnished by the Town, except as to information attributable to another governmental agency or official as the source.

The Bonds are being offered for sale directly to the public on October 14, 2004 beginning at 7:30 p.m. at the Acton Memorial Library, 486 Main Street, Acton, Massachusetts, and a Notice of Sale dated September 1, 2004 has been furnished to prospective purchasers. Reference is hereby made to the Notice of Sale for the terms and conditions of sale.

PART I
THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated November 1, 2004 and will bear interest payable annually on the unpaid balance of principal on November 1, commencing on November 1, 2005, at the rates of interest applicable to each installment of principal determined upon their sale in accordance with the official Notice of Sale of the Town dated September 1, 2004. The Bonds shall bear a final maturity date of November 1, 2014, with 1/10th of the principal paid to the purchaser on the payment date of November 1 in each of the years 2005 through 2014, inclusive.

The Bonds are not subject to redemption prior to their stated maturities.

The Bonds will be issued in the form of registered Bonds in denominations of \$1,000.

AUTHORIZATION AND USE OF PROCEEDS

The Bonds are authorized pursuant to Massachusetts General Laws, Chapter 44, s. 7(3A) as amended and a vote of the Town on April 7, 2004 for repairs to the heating system at the Douglas Elementary School.

The proceeds of the Bonds will be used to complete the financing of the project.

SECURITY AND REMEDIES

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" (see "Serial Bonds and Notes" below) and setoffs of state distributions (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for (and) all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in any municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit. **The Town has voted to exempt debt service on \$31,185,000 of previously issued bonds from the limitations of Proposition 2 ½.**

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made,

however, for borrowing to pay judgments, subject to the General Debt Limit. (See Debt Limits below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. In the opinion of Bond Counsel, Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law (see "Tax Limitations" below). In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, sewer, and parking meter and ferry passenger fee receipts may be used only for water, gas and electric, sewer, parking, mitigation of ferry service impacts and related purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. Also, the annual allowance for depreciation of a gas and electric plant is restricted to use for plant renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (see "Serial Bonds and Notes" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (the "MBTA") or a regional transit authority) of which it is a member or for costs of the Massachusetts Water Resources Authority (the "MWRA") or the Metropolitan District Commission (the "MDC") if the city or town is within the territory served by either of those entities, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater treatment or collection services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the

deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be changed (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

OPINION OF BOND COUNSEL

A copy of the legal opinion of the firm of Palmer & Dodge LLP, of Boston, Massachusetts (see Appendix C) will be printed on the Bonds. The opinion will be dated and given as of and will speak only as of November 1, 2004, the date of original delivery of the Bonds.

The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth as their opinion and they make no representation that they have independently verified the same.

TAX EXEMPTION

In the opinion of Palmer & Dodge LLP, Bond Counsel to the Town (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income there from under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Town has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal

gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that any pending, proposed or future legislation, including amendments to the Code, if enacted into law, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective holders of the Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a holder of the Bonds. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the holder or the holder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and holders of the Bonds should consult with their own tax advisors with respect to such consequences.

RATINGS

The Town has not applied for a rating on the Bonds. Outstanding general obligation bonds of the Town have been rated Aa1 and AA+ by Moody's Investors Service and Standard & Poor's, respectively. The Town was last rated in February 2004.

PART II
THE TOWN

Acton, incorporated as a Town in 1735, is governed by the open town meeting form of government.

CONSTITUTIONAL STATUS and FORM OF GOVERNMENT

Massachusetts cities and towns are subject to the plenary legislative power of the Commonwealth. As stated by the Supreme Judicial Court:

A Town is not an independent sovereignty. It is merely a subordinate agency of the State Government. It is a creature of the Commonwealth, from which are derived all its powers and those of its voters and officers.

Cities and towns provide general governmental services at the local level. Municipalities were traditionally authorized to exercise only those powers granted by the State legislature, but Massachusetts adopted a Home Rule Amendment to its Constitution in 1966, under which a city or town may exercise by ordinance or by-law any power which the State legislature could confer upon it, provided that the ordinance or by-law is consistent with the laws enacted by the State legislature. Certain powers are excluded from home rule and may still be exercised only when authorized by State law; these powers include the power to levy taxes, the power to borrow money, and the power to enact private or civil law governing civil relationships except as an incident to the exercise of an independent municipal power. Under the Home Rule Amendment the State legislature may enact general laws relating to a class of two or more municipalities but (except in limited circumstances) may enact a special law relating to a particular city or town only on request of the city or town or on recommendation of the Governor and passage by a two-thirds vote of both houses of the legislature.

An amendment to the State Constitution provides that any law imposing additional costs on two or more cities or towns by regulating aspects of municipal employment will not be effective within a city or town until the city council or town meeting accepts the law. Local acceptance will not be required if the legislature has either passed the law by a two-thirds vote or provided that the additional costs would be assumed by the State.

Cities and towns may change their form of government by adopting home rule charters or amending existing charters. A town of less than 12,000 population may not change to a city form of government and a town of less than 6,000 inhabitants may not change from the open town meeting form of government to a limited or representative town meeting form.

Cities are generally governed by a city council and an elected mayor who has the power to veto council actions; the council may override a mayoral veto by a two-thirds vote of the councilors. Some cities are governed by a city council and an appointed city manager who has no power to veto council actions; some municipalities, although still called "towns," have adopted a similar city form of government with a town council and Town manager or administrator. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

Most towns are governed by open town meetings in which any voter may participate. Others have an elected representative town meeting, often with public officers serving as ex officio members of the town meeting. Provision is usually made for a referendum on actions of the representative town meeting upon petition of a sufficient number of voters. Administrative affairs are generally managed by a board of three or more selectmen, sometimes with the assistance of a town manager or executive secretary.

School affairs of cities and towns are administered by an elected school committee, except in those towns whose educational functions are carried out entirely through a regional school district.

GOVERNING BODIES AND OFFICERS-TOWN OF ACTON

Local legislative decisions are made by an open town meeting consisting of all the registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a Town Manager with the approval of a board of five selectmen who are elected on an at-large basis for staggered three-year terms.

School affairs are administered by an elected school committee of six persons, while local taxes are assessed by a board of three assessors, elected for staggered three year terms on an at-large basis.

The following is a list of the principal executive officers:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Selectmen	F. Dore Hunter, Chair	Elected/3 years	2005
	Peter K. Ashton, Vice-Chair	Elected/3 years	2007
	William F. Shupert III	Elected/3 years	2005
	Robert A. Johnson	Elected/3 years	2006
	Walter M. Foster, Chair	Elected/3 years	2007
Town Manager	Don P. Johnson	Appointed/3 years	2005
Assistant Town Manager	John Murray, III	Appointed	Indefinite
Treasurer/Collector	John Murray, III	Appointed	Indefinite
Finance Director	Stephen G. Barrett	Appointed	Indefinite
Town Accountant	Stephen G. Barrett	Appointed/3 years	2004
Town Clerk	Edward Ellis	Appointed/3 years	2004
Town Counsel	Palmer & Dodge LLP	Appointed	Annually

SERVICES

The Town provides general governmental services for the territory within its boundaries including police and fire protection, public education in grades Kindergarten through six, a transfer station for disposal of solid waste, sewer, two libraries, streets, parks and recreation. The Acton-Boxborough Regional School District provides educational services for grades 7 through 12. The Minuteman Regional Vocational Technical School District provides vocational technical education in grades 9 through 12.

Legislation was passed by the state legislature abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was partly in response to a default by the County in the payment of general obligation notes of the County. The legislation abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the County tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

AUTHORIZATION OF GENERAL OBLIGATION BOND AND NOTES

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the Treasurer with the approval of the Selectmen.

DEBT LIMITS

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit for the Town is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of a state board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 per cent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to a separate limit equal to the General Debt Limit, including the same doubling provision). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years (see "Taxation to Meet Deficits" below). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

TYPES OF OBLIGATIONS

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects, and certain community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing, or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

Serial bonds may be issued as "qualified bonds" with the approval of a state board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance, but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and town having electric departments may issue electric revenue bonds and notes in anticipation of such bonds, subject to approval of the State Department of Telecommunications and Energy. The Town does not have an electric department.

DEBT (1)

The following shows the direct debt to be outstanding as of November 1, 2004 including these Bonds:

General Obligation Bond:		
Within General Debt Limit (2)		
Sewers & Drains (3)(4)	\$23,323,715	
Schools	200,000	
Other Building	9,405,000	
Departmental Equipment	560,000	
Athletic & Recreational Facilities	945,000	
Architect & Engineering Services	441,554	
These Bonds	<u>300,000</u>	
Total Within the General Debt Limit		\$35,175,269
Outside General Debt Limit:		
Schools (5)	20,635,000	<u>20,635,000</u>
Total Outstanding General Obligation Bond		\$55,810,269
Temporary Loans in Anticipation of:		
Revenue	\$ 0	
Bonds	0	
Grants	<u>0</u>	
Total Temporary Loans		<u>0</u>
Total Direct Debt		<u>\$55,810,269(6)</u>

(1) *Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.*

(2) *At the present time, the normal General Debt Limit is \$137,535,235 and the Double General Debt Limit (see Debt Limits above) is \$275,070,470.*

(3) *These outstanding Sewer Bonds have been issued through the Commonwealth of Massachusetts Water Pollution Abatement Trust. The loan repayments are subsidized through the application of loan subsidy amounts received by the Trust for the benefit of the Town. This results in a 50% grant equivalency or the financial equivalent of a 0% interest rate on this debt.*

(4) *Self-supporting through user fees.*

(5) *The Commonwealth of Massachusetts Department of Education has approved \$21,350,000 of School bonds for a grant covering 63% of eligible costs including interest. The unpaid balance of state school construction grants was approximately \$20,625,956 as of March 18, 2004 according to the Department of Education. Such grants are payable in annual installments over the life of the School bonds.*

(6) *\$31,185,000 has been exempted from the provisions of Proposition 2 ½.*

Authorized Unissued Debt and Prospective Financing

After the issuance of these Bonds the Town will have authorized unissued debt in the amount of \$1,100,000 for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Bridge Construction	\$ 600,000
Sewer/Drains	250,000
Fuel Tank	<u>250,000</u>
Total	<u>\$1,100,000</u>

Five Years Outstanding Debt (1)

	<u>As of June 30</u>				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Long-Term Indebtedness					
Within the General Debt Limit:					
Sewers and Drains	\$23,603,844	\$23,466,503	\$23,869,759	\$11,548,386	\$1,056,800
Land Acquisition	0	0	7,000	13,000	19,000
Schools	200,000	250,000	300,000	351,000	402,000
Other Building	9,410,000	3,231,000	3,453,000	3,675,000	3,897,000
Streets, Sidewalks & Parking	37,000	74,000	111,000	148,000	185,000
Departmental Equipment	595,000	770,000	137,000	204,000	276,000
Architectural & Engineering Services	460,924	480,114	0	0	0
Athletic & Recreational Facilities	<u>948,000</u>	<u>1,060,000</u>	<u>1,172,000</u>	<u>1,284,000</u>	<u>1,396,000</u>
Total Within the General Debt Limit	<u>\$35,254,768</u>	<u>\$29,331,617</u>	<u>\$29,049,759</u>	<u>\$17,223,386</u>	<u>\$7,231,800</u>
Outside the General Debt Limit:					
Schools	<u>\$20,635,000</u>	<u>\$21,350,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Outside the General Debt Limit	<u>20,635,000</u>	<u>21,350,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Long-Term Indebtedness	<u>\$55,889,768</u>	<u>\$50,681,617</u>	<u>\$29,049,759</u>	<u>\$17,223,386</u>	<u>\$7,231,800</u>
Short-Term Indebtedness					
Revenue Anticipation Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Grant Anticipation Notes	0	0	0	0	0
Bond Anticipation Notes	<u>0</u>	<u>3,719,000</u>	<u>22,094,000</u>	<u>22,035,000</u>	<u>22,350,000</u>
Total Short-Term Indebtedness	<u>0</u>	<u>3,719,000</u>	<u>22,094,000</u>	<u>22,035,000</u>	<u>22,350,000</u>
Total outstanding Indebtedness	<u>\$55,889,768</u>	<u>\$54,400,617</u>	<u>\$51,143,759</u>	<u>\$39,258,386</u>	<u>\$29,581,800</u>

(1) Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

Bond Debt vs. Population, Valuations and Income

	<u>As of June 30</u>				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Amount (000 Omitted)(1)	\$55,890	\$50,682	\$29,050	\$17,223	\$7,232
Per Capita (2)	\$2,683	\$2,433	\$1,394	\$830	\$356
Percent of Assessed Valuation (3)	1.68%	1.64%	1.09%	0.74%	0.36%
Percent of Equalized Valuation (4)	2.03%	1.84%	1.37%	0.81%	0.39%
Per Capita as a per cent of Personal Income per Capita (2)	6.40%	5.81%	3.33%	1.98%	0.85%

(1) Outstanding principal on General Obligation Bond. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.

(3) Assessed valuation used here is the assessed valuation for that fiscal year.

(4) Equalized valuation used here is the equalized valuation in effect for that fiscal year.

Annual Debt Service (1)

<u>Fiscal Year</u>	<u>Outstanding as of 11/01/04</u>		<u>Total Debt Service</u>	<u>Cumulative % Principal Retired</u>
	<u>Principal (2)(3)</u>	<u>Interest (2)(3)</u>		
2005	\$1,907,485	\$1,333,489	\$3,240,974	3.4%
2006	2,256,025	2,403,532	4,659,557	7.5
2007	2,301,007	2,324,385	4,625,392	11.6
2008	2,352,580	2,240,992	4,593,572	15.9
2009	2,216,473	2,157,453	4,373,926	19.9
2010	2,268,347	2,073,437	4,341,784	24.0
2011	2,331,136	1,983,641	4,314,777	28.2
2012	2,391,668	1,879,784	4,271,452	32.5
2013	2,399,548	1,808,483	4,208,031	36.8
2014	2,412,000	1,675,201	4,087,201	41.1
2015	2,478,800	1,568,140	4,046,940	45.6
2016	2,550,800	1,457,985	4,008,785	50.2
2017	2,612,800	1,342,057	3,954,857	54.9
2018	2,679,800	1,221,691	3,901,491	59.7
2019	2,566,800	1,096,809	3,663,609	64.4
2020	2,575,000	972,545	3,547,545	69.0
2021	2,655,000	852,789	3,507,789	73.8
2022	2,750,000	728,559	3,478,559	78.7
2023	2,835,000	596,876	3,431,876	83.8
2024	1,175,000	461,263	1,636,263	86.0
2025	1,005,000	400,281	1,405,281	87.8
2026	1,035,000	346,675	1,381,675	89.6
2027	1,075,000	291,338	1,366,338	91.6
2028	1,110,000	234,013	1,344,013	93.6
2029	1,155,000	174,700	1,329,700	95.6
2030	1,195,000	113,006	1,308,006	97.8
2031	<u>1,220,000</u>	<u>49,463</u>	<u>1,269,463</u>	<u>100.0%</u>
	<u>\$55,510,269</u>	<u>\$31,788,588</u>	<u>\$87,298,857</u>	

(1) Excludes short-term debt, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Principal totaling \$31,185,000 and interest totaling \$13,133,713 has been exempted from the provisions of Proposition 2 ½.

(3) Does not include this issuance of Bonds.

Revenue Anticipation Borrowing

The Town has not issued revenue anticipation notes in any of the last five fiscal years.

OVERLAPPING DEBT

The following table sets forth the portion of overlapping debt assessed to the Town: (1)

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Estimated Share</u>	<u>Assessments for Operations and Debt Service Fiscal Year 2005</u>
Acton-Boxborough				
Regional School District (2)	\$0	\$71,453,000	85.0%	\$19,396,196
Minuteman Regional Vocational				
Technical School District (3)	\$0	\$0	9.1%	\$794,584

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Treasurer, Acton-Boxborough Regional School District. Debt is as of November 1, 2004. The other member of the District is the Town of Boxborough. \$18,993,000 of the authorized unissued debt is for reconstructing and adding to the Regional Junior High School. \$52,460,000 of the authorized unissued debt is for constructing an addition to the Regional High School as well as remodeling and reconstructing the existing structure. (See "State Aid- State School Building Assistance Program" below.) The District submitted an application to the State Board of Education for a state school construction grant covering 62% of approved project costs including interest and has been placed on the priority list. **The Town of Acton has voted to exempt the debt service on these projects from the limits of Proposition 2 ½.**

(3) Source: Treasurer, Minuteman Regional Vocational Technical School District. Debt is as of November 1, 2004. The other members of the District are the Towns of Arlington, Belmont, Bolton, Boxborough, Carlisle, Concord, Dover, Lancaster, Lexington, Lincoln, Needham, Stow, Sudbury, Wayland and Weston.

UNDERLYING DEBT

Local Districts There are local districts within a number of towns organized for special purposes, such as fire protection, water and sewer. Except to the extent met from betterment assessments or user charges, their debt service is ordinarily assessed, along with operating expenses, on the taxable property within the district.

The Acton Water District provides water services to approximately 95% of the Town.

	<u>Debt Outstanding</u>	<u>Authorized Unissued</u>
Acton Water District (1)	\$130,000	\$1,185,000

(1) Debt is as of November 1, 2004. Self supporting through user fees.

CONTRACTS

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department. The only contract the Town has of a substantial nature is with North East Solid Waste Committee (“NESWC”).

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, (see Constitutional Status and Form of Government above), cities and towns may also be empowered to make other contracts and leases.

North East Solid Waste Committee:

Acton is a member of the NESWC for the disposal of municipal solid waste. NESWC, initially formed as an unincorporated association of communities (“Contract Communities”), provides a vehicle for the Contract Communities to coordinate policies and procedures with respect to their use of a waste to energy facility (“Facility”). Pursuant to Chapter 328 of the Acts of 1988 (the “NESWC Act”), NESWC was formally constituted as a body politic and corporate and public instrumentality, with the exercise of powers granted to it by the NESWC Act deemed to be the performance of an essential governmental function.

The Contract Communities consist of twenty-two towns and one city (Peabody) located in northeastern Massachusetts. Pursuant to contractual Service Agreements, each community is obligated to pay a Service Fee to Massachusetts REFUSETECH Incorporated (“MRI”), a subsidiary of Waste Management for the processing of acceptable waste at the Facility. The calculation of the Service Fee is based upon the higher of the Contract Community’s actual delivered acceptable waste or its Guaranteed Annual Tonnage (“GAT”). The Service Fee consists of a “Base Fee” plus certain other expenses, minus certain credits. The Base Fee primarily consists of Operations and Maintenance Costs, Debt Service, Site Rental Costs, and Pass-Through Costs. In addition, the Contract Communities are obligated to reimburse MRI for the Payment of a Host Community Fee and for costs of transportation and landfill disposal of residue resulting from the processing of acceptable waste at the Facility. Contract Communities receive credits (the “Base Credit”) against the Base Fee for 89.5% of the payments by New England Power Company (“NEP”) under an Electric Power Purchase Agreement between MRI and NEP along with 100% of the non-community tip fees, net of certain expenses. In addition, under the Service Agreement, each of the Contract Communities is entitled to fixed credit that is intended to reflect certain tax benefits to MRI resulting from MRI’s ownership of the Facility (the “Special Credit”).

Under the Service Agreements, the obligation of each of the Contract Communities to pay the Base Fee is irrevocable and unconditional, and continues whether or not MRI provide disposal service at the Facility and even if MRI is in default under the Service Agreements. The obligation of each Contract Community to pay the Service Fee is several, not joint or joint and several. In addition, the Service Agreements provide that the capital and operating costs required by changes in federal, state, or local laws or regulations may be passed through to the Contract Communities as an adjustment to Service Fees. Costs or losses incurred by MRI resulting from unforeseen changes in the economic conditions upon which the Service Agreements were based or changes in the composition of the waste stream from the Contract Communities may also be assessed against the contract Communities. However, under the Service Agreements, the Base Credit available in any month is first applied to satisfy any unpaid Service Fees due from any Contract Community before the Base Credit is credited against the Base Fees then currently payable by other Contract Communities. A more complete description of the calculation of Service Fees can be obtained from reviewing the Service Agreement between the Town of Acton and MRI and the Electric Power Purchase Agreement. A copy of these documents can be obtained from the Town of Acton at no charge.

NESWC is governed by a Board of Directors consisting of one representative of each Contract Community, appointed by the mayor or the board of selectmen of the Contract Community. Voting is weighted based upon the population of each Contract Community, as determined by the most recent federal census. NESWC is not a party to any Service Agreements. It has no payment responsibilities, nor can it collect, receive or disburse any portion of the Service Fee payable to MRI. NESWC assesses certain NESWC Assessments to pay for operating costs of NESWC. NESWC has no power to tax and has no power under the NESWC Act, to incur debt.

The following table sets forth the 2000 population of each Contract Community, the Fiscal Year 2005 GAT that each Contract Community is obligated to deliver for processing at the Facility, or to pay as if it was processed at the Facility, and the percentage such GAT represents of the aggregate GAT of all Contract Communities. In addition to establishing the minimum waste delivery or payment obligations of all Contract communities, GAT is utilized under the Service Agreements to allocate delivery or payment obligations and available revenue credits.

<u>Contract Community</u>	<u>2000 Population</u>	<u>FY 2005 GAT in tons</u>	<u>% of Aggregate FY 2005 GAT</u>
Acton	20,331	9,499	4.68%
Andover	31,247	12,304	6.06
Arlington	42,389	24,065	11.85
Bedford	12,595	5,699	2.81
Belmont	24,194	15,380	7.57
Boxborough	4,868	1,299	0.64
Burlington	22,876	11,140	5.49
Carlisle	4,717	1,933	0.95
Dracut	28,562	11,381	5.60
Hamilton	8,315	3,127	1.54
Lexington	30,355	11,396	5.61
Lincoln *	8,056	2,381	1.17
Manchester	5,228	2,623	1.29
North Andover	27,202	8,323	4.10
North Reading	13,837	5,246	2.58
Peabody	48,129	19,451	9.58
Tewksbury	28,851	10,811	5.33
Watertown	32,986	16,247	8.00
Wenham	4,440	1,447	0.71
West Newbury	4,149	6,484	3.19
Westford	20,754	1,589	0.78
Wilmington	21,363	8,867	4.37
Winchester	<u>20,810</u>	<u>12,375</u>	<u>6.10</u>
Total GAT	<u>466,254</u>	<u>203,067</u>	<u>100.0%</u>

* Includes Hanscom Air Force Base population, which is not serviced by the Facility.

The following table sets forth the aggregate annual debt service requirements (July 1 to June 30) for all the current outstanding bonds of MRI related to the Facility. Debt service is the single largest component of the Base Fee.

<u>Fiscal Year</u>	<u>Aggregate Debt Service</u>	<u>Acton's Share of Debt Service</u>
2002	\$25,399,358	\$1,188,690
2003	27,241,235	1,274,890
2004 (1)	29,345,700	1,373,379
2005 (1)	30,654,610	1,434,636
2006 (1)(2)	47,043,065	2,201,615

(1) *Mandatory Sinking Fund Installments.*

(2) *Moneys on deposit in the Bond Reserve Fund will be applied to the final payment due.*

Air Pollution Upgrade

MRI reviewed the provisions of the 1990 Federal Clean Air Act ("Clean Air Act") which is applicable to the Facility. MRI and NESWC reached a settlement as to the total cost of the air pollution upgrade and allocation of the costs between the parties. The Contract Communities paid \$17 million as their total aggregate share of the \$35.5 million in anticipated costs. Further MRI and the Contract Communities will evenly divide the additional cost of any change orders. Acton has funded its share (\$762,523) of the Settlement from its dedicated reserves for this purpose.

The Town of Acton was cognizant of the future liability of the back-loaded debt service schedule and the estimated costs of the Retrofit requirements and has established a reserve to help fund Acton's proportional share of these costs. As of June 30, 2003, the Town of Acton has dedicated reserves of \$3,280,835 to help offset the anticipated tipping fee increases.

The following table shows the cost to the Town of its share of the operating costs related to the Facility in the current and most recent years:

<u>Fiscal Year</u>	<u>Debt Service Costs</u>	<u>Total Operating Costs (1)</u>	<u>Town's Share of Operating Costs (1)</u>
2004	\$1,373,379	\$4,091,013	\$367,000
2003	1,274,890	3,537,792	567,000
2002	1,188,690	3,333,172	667,000
2001	1,004,235	3,136,672	667,000
2000	905,647	2,419,016	667,000
1999	834,791	3,009,569 (2)	667,000

(1) *The Town has excess capacity in its minimum guaranteed annual tonnage, therefore it allows outside haulers to deliver waste to the Facility for processing. The Town charges the haulers a fee for this and uses these fees to offset operating costs. This share represents the Town's tax burden.*

(2) *Includes \$762,523 Retrofit Settlement Payment.*

RETIREMENT PLAN

The Massachusetts General Laws (Chapter 32, Section 1-28) provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to the separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a Town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. Under the contributory pension law, the obligations of a city or town whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy.

The amount required to pay the pensions over and above employee contributions and investment income was originally provided on an essentially pay-as-you-go basis but legislation enacted since 1981 has provided changes in the funding of both state and local retirement systems.

In 1983 legislation was enacted establishing the Pension Reserves Investment Trust ("PRIT") Fund to receive and manage funds to offset future pension costs of state and local systems to the extent of their participation in the assets of the PRIT Fund. The law now provides that annual appropriations by the Commonwealth for unfunded pension liabilities will be deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of December 31, 1989. The law calls for annual State appropriations amounting to at least 1.3% of State payroll.

Under recent legislation, cities and towns that accept its provisions and that obtain certain state approvals therefore may, within limits, reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduce such appropriations are required to revise their funding schedule for eliminating their unfunded pension liability and may extend such schedule by one year, provided that in no event may such funding schedule extend beyond June 30, 2028. **The Town of Acton has NOT accepted this provision.**

"Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate are set aside for future, not current, pension liabilities. (Under prior law, local systems had been allowed to use excess earnings to reduce their annual appropriations for benefits paid to retirees.) Each system not joining PRIT is required to establish a pension reserve fund to receive excess earnings. Cities and towns may voluntarily appropriate to the pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

In addition to pension benefits, cities and towns may provide retired employees with payments for a portion of their health care and life insurance benefits. These benefit payments are generally provided on a pay-as-you-go basis.

The Town participates in the contributory retirement system of Middlesex County. The annual contributions to the retirement system for the current and most recent years:

<u>Year</u>	<u>Total</u>
2005	\$1,617,891
2004	1,419,203
2003	1,066,760
2002	941,811
2001	895,588

As of January 1, 2002, Acton's share of the total estimated past service liability of the system was \$34,070,272 and its share of the assets were \$19,178,510, leaving an estimated unfunded actuarial liability of \$14,891,762 (1).

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The foregoing data does not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

(1) Source: Buck Consultants actuarial study as approved by the Division of Public Employee Retirement Administration as of January 1, 1996.

PROPERTY TAXATION AND VALUATION

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 per cent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 per cent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 percent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer’s principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized valuation" (see Debt Limits above).

Valuations

The following shows the assessed and equalized valuations for the most recent fiscal years:

	For Fiscal Year				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Real Property	\$3,279,514,001	\$3,057,848,962	\$2,637,804,513	\$2,276,893,430	\$1,968,327,697
Personal Property	<u>49,149,382</u>	<u>35,937,711</u>	<u>39,540,867</u>	<u>37,141,533</u>	<u>35,395,287</u>
Total (1)	<u>\$3,328,663,383</u>	<u>\$3,093,786,673</u>	<u>\$2,677,345,380</u>	<u>\$2,314,034,963</u>	<u>\$2,003,722,984</u>
Equalized Value (2)	\$2,750,704,700	\$2,750,704,700	\$2,122,387,100	\$2,122,387,100	\$1,867,427,500
Percent of Total Assessed to Equalized Valuation	121.0%	112.5%	126.1%	109.0%	107.3%

(1) As of January 1, 2003, 2002, 2001, 2000 and 1999, respectively.

(2) Based on equalized valuation in effect for each year as determined biennially by the State Department of Revenue as of January 1 of even numbered years effective for the next two fiscal years.

The following table shows the breakdown of the total assessed valuation for fiscal years 2004, 2003, and 2002 by classification:

Class	Fiscal 2004 Assessed Valuation	% of Total Assessed Valuation	Fiscal 2003 Assessed Valuation	% of Total Assessed Valuation	Fiscal 2002 Assessed Valuation	% of Total Assessed Valuation
Residential	\$2,898,836,685	87.1%	\$2,700,372,191	87.3%	\$2,298,369,011	85.8%
Commercial	281,976,596	8.5	265,829,646	8.6	251,506,292	9.4
Industrial	98,700,720	2.9	91,647,125	3.0	87,929,210	3.3
Personal	49,149,382	1.5	35,937,711	1.1	39,540,867	1.5
Total	<u>\$3,328,663,383</u>	<u>100.0%</u>	<u>\$3,093,786,673</u>	<u>100.0%</u>	<u>\$2,677,345,380</u>	<u>100.0%</u>

Tax Rates

The following shows the actual tax rate per \$1,000 of assessed valuation and the full value rate based on the equalized valuations for the most recent fiscal years:

Fiscal Year	Actual Tax Rate	Full Value Rate
2004	\$14.03 (All Categories)	\$16.98
2003	\$13.55 (All Categories)	15.24
2002	15.11 (All Categories)	19.06
2001	16.33 (Residential/Open Space)	17.96
	17.30 (All Other)	
2000	17.43 (All Categories)	18.70

Largest Taxpayers (1)

The following is a list of the ten largest taxpayers for fiscal year 2004:

Name	Nature of Business	Fiscal 2004 Assessed Valuation	Amount of Tax	% of Total Levy
Koll Bren Fund VI LP	Investment Firm	\$34,630,700	\$ 485,869	1.04%
Nagog Park Investors, LLC	R&D	23,256,000	326,282	0.70
Haartz Auto Fabric	Manufacturer	16,791,400	235,583	0.50
Acton Assisted Living LLC	Assisted Living	14,950,500	209,756	0.45
Auto Dealers Exchange	Auction	14,311,500	200,790	0.43
NSTAR Services	Utility	13,880,510	194,744	0.42
E&A Northeast Ltd. Prtn.	Retail	10,844,100	152,143	0.33
Atlantic Acton Realty Trust	Retail	10,217,000	143,345	0.31
New Boston ACA LP	Office	7,748,700	108,714	0.23
Boston Gas	Utility	6,476,677	90,868	0.19
		<u>\$153,107,087</u>	<u>\$2,148,092</u>	<u>4.60%</u>

(1) All of the largest taxpayers listed above are current on their real estate and personal property taxes.

TAX LEVIES

Levy-General. The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Tax Limitations" below. As to the inclusion of debt service and final judgments, see Security and Remedies above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" below).

Taxation to Meet Deficits. As noted elsewhere (see "Abatements and Overlay" below) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations. Chapter 580 of the Acts of 1980, which was proposed by an initiative petition known as "Proposition 2 1/2", was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the legislature. The legislation (as subsequently amended) imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund. The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculations of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. **The Town has voted to exempt the debt service on \$31,185,000 of previously issued bonds from the limitations of Proposition 2 1/2.**

Voters may also exclude from the Proposition 2 1/2 limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a Town may vote to exclude from the Proposition 2 1/2 limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, the statute limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA, and certain districts for which special legislation provides otherwise) to the sum of (a) 2 1/2 percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veteran districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under the statute any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulation imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Pledged Taxes. Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes (see "Tax Increment Financing for Development Districts" below).

Initiative Petitions. Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

Calculation of Tax Levies

The following table shows the details of the calculation of the tax levies for the most recent fiscal years:

	(000 omitted)				
	For Fiscal Year				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Gross Amount to be Raised:					
Appropriations	\$63,594	\$56,510	\$54,382	\$49,208	\$45,567
Other Local Expenditures	339	381	588	465	511
State & County Charges	156	107	76	37	82
Overlay Reserve	<u>357</u>	<u>506</u>	<u>271</u>	<u>605</u>	<u>494</u>
Total Gross Amount to be Raised	<u>64,446</u>	<u>57,504</u>	<u>55,317</u>	<u>50,315</u>	<u>46,654</u>
Less Estimated Receipts & Other Revenue					
Estimated Receipts from State	5,095	4,432	4,507	4,224	3,643
Estimated Receipts - Local	10,864	8,793	8,738	6,674	6,844
Available Funds Appropriated:					
Free Cash	1,202	1,925	315	790	698
Other Available Funds	282	89	914	78	70
Free Cash & Other Revenue Used to Reduce the Tax Rate	<u>302</u>	<u>345</u>	<u>388</u>	<u>431</u>	<u>474</u>
Total Estimated Receipts & Revenue	<u>17,745</u>	<u>15,584</u>	<u>14,862</u>	<u>12,197</u>	<u>11,729</u>
Net Amount to Be Raised (Tax Levy)	<u>\$46,701</u>	<u>\$41,920</u>	<u>\$40,455</u>	<u>\$38,118</u>	<u>\$34,925</u>

The following shows the calculation of levy limits for the most recent fiscal years:

	(000 omitted)				
	For Fiscal Year				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Primary Levy Limit (1)	\$83,217	\$77,345	\$66,934	\$57,851	\$50,093
Prior Fiscal Year Levy Limit	39,988	38,140	36,235	34,450	32,647
2.5% Levy Growth	1,000	954	906	861	816
New Growth (2)	765	895	999	924	987
Override	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Growth Levy Limit	44,753	39,989	38,140	36,235	34,450
Debt Exclusions	<u>1,979</u>	<u>1,941</u>	<u>2,315</u>	<u>1,916</u>	<u>974</u>
Tax Levy Limit	46,732	41,930	40,455	38,151	35,424
Tax Levy	<u>46,701</u>	<u>41,920</u>	<u>40,455</u>	<u>38,118</u>	<u>34,925</u>
Unused Levy Capacity (3)	<u>\$ 31</u>	<u>\$ 10</u>	<u>\$ 0</u>	<u>\$ 33</u>	<u>\$ 499</u>
Unused Primary Levy Capacity (4)	<u>\$38,463</u>	<u>\$37,356</u>	<u>\$28,794</u>	<u>\$21,616</u>	<u>\$15,643</u>

(1) 2.5% of assessed or equalized, whichever is greater.

(2) Allowed increase for new valuations - certified by the Department of Revenue.

(3) Tax Levy Limit less Tax Levy. The additional amount which may be levied without voter approval.

(4) Primary Levy Limit less Growth Levy Limit.

TAX COLLECTIONS AND ABATEMENTS

Payment Dates. The Town has accepted a statute providing for quarterly tax payments. Under the statute, preliminary tax payments are to be due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 per cent per annum. **The Town implemented quarterly tax billing in fiscal year 1991.** Under recent legislation, cities and towns were authorized to establish a municipal tax amnesty program through June 30, 2004 permitting the payment of delinquent property taxes without interest or with reduced interest during the period of the program.

Lien. Real property (land and buildings) is subject to a lien for the taxes assessed upon it subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax rebates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

Personal Liability. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws.) In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described in "Taking and Sale" below.

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each of the most recent fiscal years:

	<u>For Fiscal Year (4)</u>				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Total Tax Levy	\$46,701,147	\$41,920,809	\$40,454,689	\$38,118,356	\$34,924,892
Overlay Reserve for Abatements	<u>356,656</u>	<u>505,580</u>	<u>271,606</u>	<u>605,145</u>	<u>493,816</u>
Net Tax Levy (1)	<u>\$46,344,491</u>	<u>\$41,415,229</u>	<u>\$40,183,083</u>	<u>\$37,513,211</u>	<u>\$34,431,076</u>
Amount Collected During Fiscal Year Payable (2)(3)	\$45,611,178	\$41,558,459	\$40,041,937	\$36,882,148	\$34,522,314
Percent of Net Tax Levy	98.4%	100.3%	99.6%	98.3%	100.3%

(1) Net after deduction of overlay reserve for abatements.

(2) Actual collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributed to such levy or other non-cash credits.

(3) Taxes not paid in fiscal year due are transferred to tax title at the start of the next fiscal year.

Abatements and Overlay. A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following shows the abatements granted during the fiscal year as well as through a more recent date for the each of the most recent fiscal years:

	<u>For Fiscal Year</u>				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Tax Levy	\$46,701,147	\$41,920,809	\$40,454,689	\$38,118,356	\$34,924,892
Overlay Reserve for Abatements	356,656	505,580	271,606	605,145	493,816
Percent of Tax Levy	0.8%	1.2%	0.7%	1.6%	1.4%
Amounts Granted:					
During Fiscal Year of Levy	\$199,982	\$215,193	\$170,922	\$181,518	\$115,166
Through 6/30/04	\$199,982	\$222,430	\$176,169	\$181,518	\$117,394

Sale of Tax Receivables. Legislation enacted in 1996 authorized public sales by cities and town of delinquent property tax receivables, either individually or in bulk.

Taking and Sale. Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

The following shows taxes outstanding at the end of each of the last five fiscal years:

Taxes Outstanding

	<u>For Fiscal Year</u>				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Aggregate (1)	\$382,789	\$355,032	\$555,492	\$539,022	\$470,981
For Current Year (1)	330,313	234,663	321,528	405,345	277,775
Tax Titles and Possessions	546,714	521,159	628,822	690,770	880,074

(1) Excludes tax titles, tax possessions and abated taxes. Includes taxes in litigation, if any.

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April or May. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee is required to submit a budget of proposed expenditures at the annual town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs and may affect the level of State Aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In fiscal years 1994 through 2003, the Town's net school spending has exceeded the minimum required local contribution. The Town expects to exceed the minimum requirements in fiscal 2005.

Under recent legislation, the city council of a city on the recommendation of the mayor and the board of selectmen of a town with the concurrence of the finance committee may transfer within the last 2 months of fiscal years 2004 and 2005 any amount appropriated for the use of any department to the appropriation for any other department, provided that no such transfer may be made from any appropriation for a school department, regional school district, or municipal light department.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See Property Taxation and Valuation above.)

Budget Comparison

The following table sets forth the budgets for fiscal years 2005-2001:

<u>Category</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Municipal Government	\$20,300,001	\$18,552,513	\$15,893,585	\$15,708,268	\$14,467,121
Acton Local Schools	19,244,000	18,621,990	17,689,103	16,889,589	15,427,073
Acton-Boxborough Regional School District	19,396,196	17,999,790	16,064,900	14,616,299	13,084,118
Minuteman Regional School District	794,584	825,918	771,713	869,540	542,000
State and County Assessment	191,523	156,085	107,495	76,000	75,925
Capital Outlay	<u>102,000</u>	<u>225,500</u>	<u>509,500</u>	<u>1,233,348</u>	<u>1,817,495</u>
Total Expenditures	<u>\$60,028,304</u>	<u>\$56,381,796</u>	<u>\$51,036,296</u>	<u>\$49,393,044</u>	<u>\$45,413,732</u>

STATE AID

In addition to grants for specified capital purposes (some of which are payable over the life of the Bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "school" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formula for determining a municipality's state aid is subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

The following table sets forth the actual State aid received in each of the most recent fiscal years and a projected amount for fiscal 2005:

<u>Fiscal Year</u>	<u>State Aid Receipts</u>
2005 (projected)	\$5,098,000
2004	5,304,512
2003	4,304,984
2002	4,377,471
2001	4,224,384
2000	4,610,483

(1) Based upon the Commonwealth of Massachusetts' "Cherry Sheet" projections

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule. The Town chose to accept the deferral for fiscal years 1992 and 1993 for a total of \$646,740 and approved a 15 year amortization schedule for the deferred amount that began in fiscal year 1997.

State School Building Assistance Program

Chapter 645 of the Acts of 1948 as amended ("Chapter 645") created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth's Fiscal Year 2001 budget repealed Chapter 645 and created a new school building assistance program codified as Chapter 70B of the General Laws. Among other changes, the new program included grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation did not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain "grandfathered" projects continue to be based on the statutory percentages provided for in Chapter 645.

After applying for a grant pursuant to the school building assistance program, an eligible project was placed on a list with other eligible projects for which grant applications had been submitted and ranked in order of priority. Projects on the priority list were approved for grants by the State Board of Education in order of priority based on the aggregate amount of state funds appropriated and available therefore. Projects could be on the priority list for several years before being approved for funding. Projects on the priority list had no legal right to or guarantee of approval by the State Board of Education for a grant.

On July 28, 2004 the Governor signed legislation restructuring the state's school building assistance program. The details of the restructured program and its implementation are currently being developed. Among other things the legislation continued an existing moratorium on new applications for grants under the school building assistance program until after July 1, 2007.

MOTOR VEHICLE EXCISE

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills are payable within 30 days of their issue and when not paid bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the Registrar of Motor Vehicles.

The following table shows the actual receipts in each of the most recent fiscal years and a projected amount for fiscal 2005:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2005 (projected)	\$2,700,000
2004	2,549,961
2003	2,584,290
2002	2,715,908
2001	2,550,606
2000	2,475,928

(1) Net after refunds. Includes receipts for prior years.

COMMUNITY PRESERVATION ACT

The Massachusetts Community Preservation Act (the "CPA"), enacted in September, 2000, permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted either by a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The Town approved a 1.5% surcharge on the real property annual tax levy and approved an exemption on the first \$100,000 of residential property value to be exempt from the surcharge as well as the Low Income and Senior exemption as provided by Section 3(c)(1) of the Act. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAX" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low

valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. The legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town’s development program for the district. This includes pledging such “tax increments” for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see “Tax Limitations” under “Property Tax” above).

UNDESIGNATED GENERAL FUND BALANCE AND FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the undesignated general fund balance and certified free cash for the most recent fiscal years:

<u>July 1,</u>	<u>Undesignated General Fund Balance</u>	<u>Free Cash</u>
2003	\$5,060,482	\$2,399,422
2002	5,880,429	3,358,663
2001	6,111,481	3,602,506
2000	4,954,766	2,246,788
1999	3,705,259	2,057,192

STABILIZATION FUND

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes, funds may be appropriated from the Fund for any municipal purpose by a two thirds vote of the town meeting. The following is the balance in the account at the end of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Balance</u>
2004	\$ 0
2003	214,276
2002	210,796
2001	204,868
2000	344,021

INVESTMENTS

Investments of funds of cities and town, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares of SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems. (See Appendix B for additional information regarding the Town's investments.)

COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 519 full and part-time permanent employees of whom approximately 45 percent belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of Employees</u>	<u>Contract Expires</u>
AFSCME, Council 93, Local 1703	Highway and Municipal Property	34	June 30, 2005
IAF, Local 1904	Fire	36	June 30, 2005
IBPO, Local 334	Police	27	June 30, 2005
Acton Education Association	Teacher	<u>137</u>	June 30, 2005
		<u>234</u>	

PHYSICAL AND ECONOMIC CHARACTERISTICS

General

The Town of Acton is primarily a residential, suburban community, located in Middlesex County approximately 25 miles west-northwest of Boston. It is bordered on the east by the Towns of Carlisle and Concord, on the south by the Town of Sudbury, on the southwest by the Towns of Maynard and Stow, on the west by the Town of Boxborough, and on the north by the Towns of Littleton and Westford. With a 2000 census of 20,331 people, the Town occupies a land area of 20.29 square miles. Although Acton's population has increased approximately 50% in the last three decades, the Town has retained much of its rural New England character, as evidenced by the traditional town center and green, its fine examples of historic architecture, and its many stone walls and tree-lined country roads.

Acton is well prepared for the 21st century. It affords a full range of services to its residents and businesses, including a very active citizenry in town government, a top-notch library, full-time police and fire departments, and local and regional school systems that rank among the top ten in the State of Massachusetts.

Commerce thrives and grows in Acton due in large part to its prime location along Routes 2, 2A, 27 and 111, its commuter train stop to downtown Boston, and its immediate proximity to interstate Route 495. A wide range of retail stores and services, a community theater, various types of commercial recreation, and several museums can all be found in Acton.

Economic Development

Presently, within Acton, there are seven distinct geographic areas: namely –

- Acton Center, architecturally a quintessential center of old New England towns, includes the town common, Town Hall and the newly renovated Memorial Library, and the Center is listed on the National Registry of Historic Districts;
- West Acton Village, which includes a thriving, small historic commercial center surrounded by colonial and Victorian neighborhoods;
- South Acton Village, including a small village center, featuring the turn of the century Exchange Hall as its most prominent building;
- Kelley's Corner area, where major school properties come together with residential and commercial business properties;
- East Acton Village, which began as a small settlement around a railroad depot and today has been absorbed into the Great Road corridor development of houses, apartments and businesses;
- Great Road corridor, which is approximately three miles in length and includes the development of houses, apartments and businesses;
- North Acton, which also began as a small settlement around a railroad depot, presently has no historic village center, but does have plans for a future village center designated by the Town in its 1990-91 Master Plan.

Of the seven geographic areas, each is distinctly notable for their immediate past, present and future contribution to making the Town of Acton the quality town it is and a major magnet for individuals, families and businesses looking to locate in Eastern Massachusetts.

The Board of Selectmen established an Economic Development Committee approximately 6 years ago, to advise the Selectmen on matters pertaining to improving Acton's economic well being. Their focus is to: promote current and new commercial development within the context of the Town's Master Plan that sets the framework for future development in the Town, both in residential and commercial/industrial categories; increase the commercial tax base to reduce the tax burden on residential taxpayers; support commercial and industrial growth that will fit in the Town and contribute to the community's quality of life and fiscal stability; and support the concept of village and business districts by encouraging businesses of appropriate scale that will contribute to a mix of activities in the Town. Currently, Acton's commercial zoning allows for a build-out of over 3 ½ million additional square feet.

The following is only a partial list of some of the past, present and future developments successfully completed and/or undertaken in the Town.

West Acton:

- West Acton village center is less than 4 miles on Route 111 from two Cisco Systems campus' in neighboring Boxborough, which eventually will consist of approximately 1.6 million square feet of commercial space, housing potentially over four thousand employees.
- Additionally, just 1.7 miles from the village center, is another office complex consisting of 2 finished buildings approximating 245 thousand square feet, with additional space under construction approximating another 175 thousand square feet.

South Acton:

- Capitalizing on the commuter rail service, the Town expanded and enhanced its commuter parking with the development of approximately 300 spaces (either stickered or metered).
- The Town created and completed the Middle Fort Pond Sewer District in South Acton, initiating the first sewer system in Town history, which includes a \$10 million state-of-the-art treatment plant facility.
- Just outside the village center is Audubon Hill, a 71 unit elderly housing complex, providing independent living for people 55 years of age or older. The complex also contains a large Senior Center, home of the Town's Council on Aging with its many senior programs.
- The village center area also contains Mill Corner, a 34 unit single family detached home development, with a condo ownership structure.
- And, outside the village center, there are the WR Grace parcels in South Acton (approximately 185 acres), currently zoned Technology District, which are on the verge of becoming available for development as a "brown-field site".

Kelley's Corner area:

- The Town takes great pride in its world class school system and has currently finished a \$19.1 million major renovation project at the Junior High School; built a brand new \$21.3 million elementary school facility; and is currently working on a \$52.4 million major renovation project at the Regional High School, all three of which are in this geographic area.
- TJ Maxx has occupied 66 thousand square feet of retail space, formerly occupied by Ames.
- Town voters have approved construction of a new \$6.4 million public safety building to house the Town's Police Department, Fire command structure and consolidated Police & Fire dispatch communication system.
- This area includes sewers, and is tied into the Middle Fort Pond Sewer District in South Acton.

East Acton Village:

- Numerous projects have been and are under way in the East Acton Village area involving the preservation of some older significant homes by moving them for renovation and re-use, developing the residual land to commercial businesses (e.g., Wetherbee Plaza), and re-habilitating some existing structures (e.g., the old Putney house and the Acton Cinema) to different commercial business uses (i.e., Bagels Plus and Colonial Spirits).
- A specific Area Plan for East Acton Village is under way.

Great Road corridor:

- Brookside Shops development, on a 10.3 acre parcel, is presently nearing construction completion. It will consist of 76.1 thousand square feet of retail space in two buildings. Anchor tenants are Talbot's, Pier One, Staples and Trader Joe's, with 8 more retail businesses filling out the development.
- A little further north is the Strawberry Hill Office Building, with approximately 100 thousand square feet of space.
- Less than 1/2 mile up the same road, on a 155 acre parcel, development/construction is under way on Quail Ridge Golf Course and Country Club. The 18 hole championship course and 25,000 square foot club house will be completed in late 2003.
- The Arbors, 60+ luxury townhouses; Bellows Farms, 117 detached single family residence condo's; Hillside Condominiums, 35 luxury townhouse condo's; and Acorn Park, 81+ detached single family residence condo's, all exist in this corridor.
- Nagog Technology Park, at the Littleton town line, consists of ¾ million square feet in 14 commercial/industrial buildings. It houses such companies as Cisco Systems, CGX Corporation, Liberty Mutual and Digital/Compaq/H-P Compaq. Two more buildings are approved adding approximately 100 thousand square feet, and one more building is proposed at approximately 40 thousand square feet.

North Acton:

- The Town developed 40 acres into the North Acton Recreation Area (NARA Park), with playgrounds, ball fields, a beach and swimming facility. This is a major attraction for Town residents during the summer months.
- Robbins Brook senior and assisted living development has just recently opened on approximately 11+ acres, offering 80 assisted living units, 31 carriage units (townhouses) and 24 garden style independent living units.
- Robins Mill Estates, which is presently waiting for construction to commence, is an approximately 232 acre parcel destined to have approximately 90 luxury single family detached residences.

The total Town assessed valuation has almost tripled in the last 10 years, from approximately \$1.2 billion to the current \$3.3 billion. The median home value in Acton is \$400,600, and the median family income is \$108,189. Fifty-six percent (56%) of the families in Acton have income in excess of \$100,000, in comparison with families in Middlesex County where 32.1% is in excess of \$100,000 and 22.8% for the entire State.

The citizens of Acton are not only highly educated and eager participants in Town government, but our residents work with, run, and own leading-edge companies in hi-tech, financial services and biotechnology in our immediate and surrounding area.

Principal Employers

The following are the principal employers located in the Town, excluding the Town itself:

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees</u>
Haartz Inc.	Manufacturing	292
Roche Bros. Inc.	Retail Trade	208
Acton Medical	Health Care Services	188
Suburban Manor Inc.	Nursing and Rehabilitation Services	160
Honeywell/Data Instruments	Manufacturing	148
Idylwilde Farm	Agricultural/Retail	100
L.M.I. Inc.	Manufacturing	96
Stop & Shop	Grocery	88

Source: Each firm's Human Resources Department as of 8/1/04.

Employment and Payrolls

	Calendar Year Average				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Government	1,269	1,213	1,253	1,234	1,055
Agriculture, Forestry & Fisheries	165	169	157	131	122
Mining	C	22	C	C	C
Contract Construction	429	418	382	353	361
Manufacturing	1,971	2,098	1,941	2,537	2,774
Transportation, Communications & Utilities	257	209	154	155	166
Wholesale & Retail Trade	3,136	2,850	2,687	2,622	2,543
Finance, Insurance & Real Estate Services	196	295	349	379	308
	<u>2,970</u>	<u>3,817</u>	<u>3,524</u>	<u>2,733</u>	<u>2,551</u>
Total Employment	10,415	11,091	10,466	10,161	9,896
Number of Establishments	791	796	788	767	742
Annual Wage	\$51,636	\$55,350	\$ 45,306	\$ 42,013	\$ 40,129
Total Annual Payroll (000)	\$537,786	\$613,885	\$474,172	\$426,891	\$397,115

Source: Massachusetts Department of Employment and Training. C= Confidential Data (less than 3 reporting employers, or 1 employer accounts for 80% or more of total)

Building Permits

<u>Calendar Year</u>	<u>Number</u>	<u>Estimated Value</u>
2004 (through 6/30/04)	273	\$15,062,573
2003	549	23,990,458
2002	551	70,343,747 (1)
2001	515	60,558,701
2000	600	71,811,778
1999	628	53,266,333

(1) Increase in values due to the construction of a commercial building (shopping plaza) and an assisted living facility.

OTHER DATA

Unemployment (1)

	<u>Acton</u>	<u>Massachusetts</u>	<u>United States</u>
2004 (June)	3.6%	5.3%	5.6%
2003	4.5	5.8	6.0
2002	4.9	5.3	5.8
2001	2.8	3.7	4.8
2000	1.2	2.6	4.0

(1) Source: Massachusetts Department of Employment and Training. Full year annual adjusted averages except for 2004 which is the current month unadjusted.

Population (1)

<u>Year</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2010 (Proj.)	21,409	0.7%	1,489,180	1.1%	6,690,740	2.9%
2005 (Proj.)	21,250	4.5	1,473,332	0.5	6,505,160	2.5
2000	20,331	13.8	1,465,396	4.8	6,349,097	5.5
1990	17,872	1.9	1,398,468	2.3	6,016,425	4.9
1980	17,544	18.8	1,367,034	(2.2)	5,737,037	0.8
1970	14,770	104.1	1,398,397	12.9	5,689,170	10.5
1960	7,238		1,238,742		5,148,578	

(1) Source: U.S. Department of Commerce for actuals, Massachusetts Institute for Social & Economic Research for projections.

Population Density (1)

<u>Year</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Density (2)</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2010 (Proj.)	21,409	1,071.7	1,489,180	1,808.2	6,690,740	853.6
2005 (Proj.)	21,250	1,063.7	1,473,332	1,789.0	6,505,160	830.0
2000	20,331	1,017.7	1,465,396	1,779.4	6,349,097	810.0
1990	17,872	894.6	1,398,468	1,698.1	6,016,425	767.6
1980	17,544	878.2	1,367,034	1,659.9	5,737,037	732.0
1970	14,770	739.4	1,398,397	1,698.0	5,689,170	725.8
1960	7,238	362.3	1,238,742	1,504.2	5,148,578	656.9

(1) Source: U.S. Department of Commerce.

(2) Based on 20.0 square miles.

Population Composition 2000(1)

<u>Age</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	1,507	7.4%	92,008	6.3%	397,268	6.3%
5 Years to 19 Years	4,770	23.5	274,315	18.7	1,277,845	20.1
20 Years to 64 Years	12,353	60.8	911,766	62.2	3,813,822	60.1
65 Years & Over	<u>1,701</u>	<u>8.4</u>	<u>187,307</u>	<u>12.8</u>	<u>860,162</u>	<u>13.5</u>
Total	<u>20,331</u>	<u>100.0%</u>	<u>1,465,396</u>	<u>100.0%</u>	<u>6,349,097</u>	<u>100.0%</u>
Median Age	37.9		36.4		36.5	
Median Age (1990)	34.8		33.6		33.6	

(1) Source: U.S. Department of Commerce.

Income Levels (1)

	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>
Per Capita-Personal						
1999	\$41,901	62.5%	\$31,199	53.4%	\$25,952	50.7%
1989 (Est.)	25,792	145.1	20,343	141.1	17,224	131.0
1979 (Est.)	10,522		8,439		7,457	
Median Family						
Income (1999)	\$108,189		\$74,194		\$61,664	
Median Household						
Income (1999)	\$91,624		\$60,821		\$50,502	
% Below Poverty						
Level (1999)	2.9%		6.5%		9.3%	

(1) Source: U.S. Department of Commerce.

Family Income Distribution 2000 (1)

<u>Income for Families</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	48	0.9%	10,477	2.9%	71,198	4.5%
\$10,000 - \$24,999	203	3.7	28,719	7.9	175,120	11.0
\$25,000 - \$49,999	557	10.1	68,642	18.9	368,418	23.2
\$50,000 - \$74,999	781	14.1	76,277	21.0	359,202	22.6
\$75,000 - \$99,999	851	15.4	63,038	17.3	251,231	15.8
\$100,000 - \$149,999	1,432	25.8	66,670	18.3	222,234	14.1
\$150,000 or more	<u>1,663</u>	<u>30.0</u>	<u>50,110</u>	<u>13.7</u>	<u>140,134</u>	<u>8.8</u>
Total	<u>5,535</u>	<u>100.0%</u>	<u>363,933</u>	<u>100.0%</u>	<u>1,587,537</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Household Income Distribution 1999 (1)

<u>Income for Households</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	236	3.2%	35,322	6.3%	214,700	8.8%
\$10,000 - \$24,999	489	6.5	70,085	12.6	385,395	15.8
\$25,000 - \$49,999	1,168	15.6	123,239	21.9	608,320	24.9
\$50,000 - \$74,999	1,176	15.7	111,358	19.8	490,998	20.1
\$75,000 - \$99,999	1,044	14.0	81,462	14.5	312,741	12.8
\$100,000 - \$149,999	1,573	21.1	81,558	14.5	267,300	10.9
\$150,000 or more	<u>1,783</u>	<u>23.9</u>	<u>58,482</u>	<u>10.4</u>	<u>165,134</u>	<u>6.8</u>
Total	<u>7,469</u>	<u>100.0%</u>	<u>561,506</u>	<u>100.0%</u>	<u>2,444,588</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Value Distribution Of Specified Owner-Occupied Housing Units 2000 (1)

<u>Units</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	42	0.9%	6,376	2.4%	113,263	9.5%
\$100,000 - \$149,999	64	1.3	24,823	9.2	277,571	23.4
\$150,000 - \$199,999	365	7.6	54,887	20.5	273,542	23.0
\$200,000 - \$299,999	1,482	30.8	89,469	33.3	286,599	24.1
\$300,000 - \$499,999	2,176	45.2	64,563	24.0	170,536	14.4
\$500,000 or more	<u>681</u>	<u>14.2</u>	<u>28,424</u>	<u>10.6</u>	<u>66,360</u>	<u>5.6</u>
Total	<u>4,810</u>	<u>100.0%</u>	<u>268,542</u>	<u>100.0%</u>	<u>1,187,871</u>	<u>100.0%</u>
Median Value(2)	\$332,400		\$247,900		\$185,700	

(1) Source: U.S. Department of Commerce.

(2) Source: Town Assessor's Office. The current estimated median value is \$400,600.

Age Of Distribution Of Housing Units 2000 (1)

<u>Year Built</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1990 to March 2000	916	11.9%	41,638	7.2%	218,407	8.3%
1980 to 1989	872	11.4	55,619	9.6	292,701	11.2
1940 to 1979	5,024	65.4	267,134	46.4	1,205,183	46.0
1939 or Earlier	<u>868</u>	<u>11.3</u>	<u>212,290</u>	<u>36.8</u>	<u>905,698</u>	<u>34.5</u>
Total	<u>7,680</u>	<u>100.0%</u>	<u>576,681</u>	<u>100.0%</u>	<u>2,621,989</u>	<u>100.0%</u>
Median Year Built	1967		1951		1953	

(1) Source: U.S. Department of Commerce.

Housing Unit Inventory (1)

<u>Units</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1, Detached	4,943	64.4%	282,013	48.9%	1,374,479	52.5%
1, Attached	554	7.2	25,690	4.5	104,129	4.0
2 to 4	474	6.2	143,215	24.8	603,917	23.0
5 to 9	377	4.9	29,425	5.1	156,135	6.0
10 to 49	686	8.9	28,727	5.0	113,697	4.3
50 or More	638	8.3	65,095	11.3	244,892	9.3
Mobile Home, Trailer, or Other	<u>8</u>	<u>0.1</u>	<u>2,516</u>	<u>0.4</u>	<u>24,740</u>	<u>0.9</u>
Total	<u>7,680</u>	<u>100.0%</u>	<u>576,681</u>	<u>100.0%</u>	<u>2,621,989</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Educational Attainment 2000

<u>Years of School Completed</u>	<u>Acton</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th Grade	65	0.5%	43,564	4.3%	247,556	5.8%
9th to 12th Grade, No Diploma	237	1.8	72,502	7.2	403,537	9.4
High School Graduate	1,519	11.2	235,369	23.4	1,165,489	27.3
Some College, No Degree	1,613	11.9	152,585	15.2	730,135	17.1
Associate's Degree	712	5.3	63,744	6.3	308,263	7.2
Bachelor's Degree	4,777	35.4	236,568	23.5	834,554	19.5
Graduate or Professional Degree	<u>4,577</u>	<u>33.9</u>	<u>202,165</u>	<u>20.1</u>	<u>583,741</u>	<u>13.7</u>
Total	<u>13,500</u>	<u>100.0%</u>	<u>1,006,497</u>	<u>100.0%</u>	<u>4,273,275</u>	<u>100.0%</u>
High School Graduate or Higher	13,198	97.8%	890,431	88.5%	3,622,182	84.8%
Bachelor's Degree or Higher	9,354	69.3%	438,733	43.6%	1,418,295	33.2%

(1) Source: U.S. Department of Commerce.

Public School Enrollments (1)(2)(3)

	<u>Actual</u>					<u>Projected</u>		
	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Preschool	40	47	53	61	56	58	58	58
Kindergarten	328	338	351	361	334	296	321	362
Grades 1-4	1,386	1,393	1,405	1,421	1,432	1,423	1,477	1,437
Grades 5-6	<u>672</u>	<u>702</u>	<u>726</u>	<u>724</u>	<u>714</u>	<u>755</u>	<u>733</u>	<u>767</u>
Total	<u>2,426</u>	<u>2,480</u>	<u>2,535</u>	<u>2,567</u>	<u>2,536</u>	<u>2,532</u>	<u>2,589</u>	<u>2,624</u>

(1) Source: School Department as of October 1, each year.

(2) The Town participates in the Acton-Boxborough Regional School District.

(3) The Town participates in the Minuteman Regional Vocational-Technical School District.

LITIGATION

There is no pending litigation that is considered likely to result, either individually or in the aggregate, in final judgments which would materially affect the Town's financial position.

**TOWN OF ACTON
Massachusetts**

By: /s/ Stephen G. Barrett, CPA
Finance Director

Dated: September 1, 2004

APPENDIX A

The following Balance Sheets for fiscal years ending June 30, 2001 through 2003 and the Comparative Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years ending June 30, 1999 through 2003 have been taken from the audited financial statements of the Town.

The audited financial statement for fiscal 2003 is presented in Appendix B.

**TOWN OF ACTON
MASSACHUSETTS
Balance Sheet (1)
General Fund
June 30,**

<u>Assets and Other Debits</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash and Investments	\$ 9,115,765	\$11,151,328	\$ 9,233,674
Receivables:			
Property Taxes	274,760	427,928	590,548
Motor Vehicle Excise	70,588	297,989	402,579
Tax Titles	818,627	711,194	765,220
Departmental	117,091	126,390	103,659
Intergovernmental	21,711,540	0	0
Other Assets	<u>191,348</u>	<u>269,495</u>	<u>445,388</u>
Total Assets and Other Debits	<u>\$32,299,719</u>	<u>\$12,984,324</u>	<u>\$11,541,068</u>
 Liabilities, Fund Equity and Other Credits:			
Accounts Payable	\$ 0	\$ 389,098	\$ 403,661
Accrued Liabilities	55,020	0	0
Warrants Payable	865,910	0	0
Other Liabilities	71,867	71,867	71,867
Deferred Revenue	<u>22,992,520</u>	<u>1,832,996</u>	<u>2,184,233</u>
Total Liabilities	<u>\$23,985,317</u>	<u>\$ 2,293,961</u>	<u>\$ 2,659,761</u>
 <u>Fund Equity</u>			
Fund Balances - Reserved	\$ 2,050,482	\$ 2,883,414	\$ 2,303,306
Unreserved - Designated	1,203,438	1,926,520	466,520
Unreserved - Undesignated	<u>5,060,482</u>	<u>5,880,429</u>	<u>6,111,481</u>
Total Equity & Other Credits	<u>\$ 8,314,402</u>	<u>\$10,690,363</u>	<u>\$ 8,881,307</u>
 Total Liabilities & Equity	<u>\$32,299,719</u>	<u>\$12,984,324</u>	<u>\$11,541,068</u>

(1) Extracted from the audited financial statements prepared by R.E. Brown & Company, CPA of Mendon, Massachusetts.

TOWN OF ACTON
Massachusetts
Combined Statement of Revenues, Expenditures and Changes in Fund Balances (1)
GENERAL FUND
June 30,

<u>Revenues:</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Property Taxes	\$41,826,285	\$41,090,986	\$37,691,267	\$34,610,114	\$33,288,133
Penalties & Interest on Taxes	98,339	0	0	0	0
Intergovernmental - State	5,920,584	5,677,980	5,718,559	4,730,063	3,139,637
Motor Vehicle Excise	2,584,290	2,715,908	2,550,606	2,475,928	2,203,910
Charges for Services	50,171	0	0	0	0
Investment Income	224,230	599,343	1,302,704	899,145	465,379
Other	<u>972,541</u>	<u>1,274,295</u>	<u>968,168</u>	<u>954,437</u>	<u>1,015,747</u>
Total Revenues	\$51,676,440	\$51,358,512	\$48,231,304	\$43,669,687	\$40,112,806
<u>Expenditures:</u>					
Current:					
General Government	\$ 3,806,830	\$3,798,645	\$3,650,854	\$3,877,303	\$3,330,631
Public Safety	5,428,728	5,192,222	4,606,290	4,785,185	4,273,971
Education	34,568,022	32,882,773	28,675,919	26,439,725	25,642,373
Public Works	2,623,253	1,725,275	2,275,343	2,194,837	1,616,012
Human Services	776,551	0	0	0	0
Library	801,519	760,825	724,388	692,991	578,925
Pensions	2,719,550	2,241,475	2,454,696	1,888,884	976,656
Insurance	1,203,187	1,424,547	877,860	1,152,101	1,139,477
State and County Assessments	127,377	97,949	104,736	129,307	110,385
Debt Service:	<u>1,160,930</u>	<u>1,730,463</u>	<u>2,356,618</u>	<u>1,019,490</u>	<u>857,754</u>
Total Expenditures:	\$53,215,947	\$49,854,174	\$45,726,704	\$42,179,823	\$38,526,184
Excess of revenues over (under) expenditures	(1,539,507)	1,504,338	2,504,600	1,489,864	1,586,622
<u>Other Financing Services (Uses):</u>					
Operating Transfers in	68,955	914,767	108,217	70,135	84,730
Proceeds From Permanent Financing	0	0	0	0	0
Operating Transfers Out	<u>(905,409)</u>	<u>(610,049)</u>	<u>(1,080,296)</u>	<u>(1,227,000)</u>	<u>(1,037,300)</u>
Total Other Financing Sources (Uses)	(836,454)	304,718	(972,079)	(1,156,865)	(952,570)
Excess of revenues and other sources over (under) expenditures	(2,375,961)	1,809,056	1,532,521	332,999	634,052
Fund Balance Beginning	<u>10,690,363</u>	<u>8,881,307</u>	<u>7,348,786</u>	<u>7,015,787</u>	<u>6,381,736</u>
Fund Balance Ending	<u>\$ 8,314,402</u>	<u>\$10,690,363</u>	<u>\$8,881,307</u>	<u>\$7,348,786</u>	<u>\$7,015,788</u>

(1) Taken from the audited financial statements prepared by Brown & Barrett, C.P.A for 1999 and R.E. Brown & Company for 2000, 2001, 2002 and 2003.

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APPENDIX B

There follows in this Appendix the audited financial statements for the fiscal year ended June 30, 2003 as prepared by R.E. Brown & Company, CPA of Mendon, Massachusetts.

TOWN OF ACTON, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2003

**TOWN OF ACTON, MASSACHUSETTS
 REPORT ON EXAMINATION OF
 BASIC FINANCIAL STATEMENTS
 JUNE 30, 2003**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Acton, 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 Acton, Massachusetts, as of and for the year ended June 30, 2003, which collectively comprise the Town of Acton, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Acton, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Acton, Massachusetts, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in **Note 12**, the Town of Acton, Massachusetts has implemented several *Governmental Accounting Standard Board Statements*, which changed the beginning fund equity position of several funds and established net assets for governmental activities and business-type activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2004, on our consideration of The Town of Acton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on pages **3** through **11**, and the general fund schedule of revenues, expenditures, and changes in fund balance – budgetary basis – budget and actual on pages **55** and **56** are not a required part of the basic 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 supplementary information. However, we did not audit the information and express no opinion on it.

R. E. Brown & Company

July 15, 2004

Management's Discussion and Analysis

As management of the Town of Acton, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2003.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$145,393,430 (net assets). Of this amount, \$41,333,705 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$15,890,310.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$14,922,481, an increase of \$19,008,657 in comparison with the prior year. Approximately \$9,765,132 is available for spending at the Town's discretion (unreserved fund balance).
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$5,060,482, or 10% of total general fund expenditures.
- The Town's total bonded debt increased by \$21,631,858 during the fiscal year; \$22,530,114 of new debt was issued.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic 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 the Town's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include general government, public safety, education, public works, human services, and library. Business-type activities include sanitation, sewer and nursing operations.

The government-wide financial statements can be found on pages **12 – 14** of this report.

Fund financial statements

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

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

Governmental Funds

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

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

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the public safety building construction capital projects fund, each of which are considered to be major funds. Data from all other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages **15 – 18** of this report.

Proprietary funds

The Town maintains three different 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 sanitation, sewer and nursing operations, all of which are considered to be major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its health insurance risk-financing activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements but are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages **19 – 21** of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages **22 – 23** of this report.

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. The notes to the financial statements can be found on pages **24 – 54** of this report.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's general fund. The budgetary comparison also includes a reconciliation of revenues and expenditures reported on the Town's budgetary basis of accounting and the revenues and expenditures reported on a GAAP basis.

Government-Wide Financial Analysis

Because this is the first year of implementation of Government Accounting Standards Board Statement #34, which requires this new reporting model, the following tables present only current year data on the government-wide financial statements. In future fiscal years, when prior-year information is available, comparative analysis of government-wide data will be presented, which will provide a more comprehensive analysis.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$145,393,430 at the close of the fiscal year and are summarized as follows:

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets.....	\$ 25,667,118	\$ 5,805,368	\$ 31,472,486
Noncurrent assets (excluding capital assets).....	20,625,963	8,575,764	29,201,727
Capital assets (net of accumulated depreciation).....	123,471,028	24,617,476	148,088,504
	<hr/>	<hr/>	<hr/>
Total assets.....	169,764,109	38,998,608	208,762,717
Liabilities			
Current liabilities (excluding debt).....	3,742,707	934,336	4,677,043
Noncurrent liabilities (excluding debt).....	4,291,627	-	4,291,627
Current debt.....	4,329,190	1,275,659	5,604,849
Noncurrent debt.....	25,885,924	22,909,844	48,795,768
	<hr/>	<hr/>	<hr/>
Total liabilities.....	38,249,448	25,119,839	63,369,287
Net Assets			
Invested in capital assets, net of related debt.....	96,255,914	663,548	96,919,462
Restricted.....	7,140,263	-	7,140,263
Unrestricted.....	28,118,484	13,215,221	41,333,705
	<hr/>	<hr/>	<hr/>
Total net assets.....	<u>\$ 131,514,661</u>	<u>\$ 13,878,769</u>	<u>\$ 145,393,430</u>

By far the largest portion of the Town's net assets (67%) reflects its investment in capital assets (e.g., land, buildings and improvements, capital improvements (other than buildings) machinery and equipment, vehicles, infrastructure, and construction in progress); less any related outstanding debt used to acquire those assets. These capital assets are used 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (28% or \$41,333,705) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$28,118,484 may be used to support governmental activities and \$13,215,221 may be used to support business-type activities.

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

Changes in Net Assets

The Town's total net assets increased by \$15,890,310 during the current fiscal year and are summarized as follows:

	Governmental Activities	Business-Type Activities	Total
Revenues			
<i>Program Revenues:</i>			
Charges for services.....	\$ 6,847,326	\$ 2,285,277	\$ 9,132,603
Operating grants and contributions.....	6,396,351	90,272	6,486,623
Capital grants and contributions.....	23,149,750	871,072	24,020,822
<i>General Revenues:</i>			
Real estate and personal property taxes.....	41,842,985	-	41,842,985
Motor vehicle and other excise taxes.....	2,596,917	-	2,596,917
Tax liens.....	26,952	-	26,952
Penalties and interest on taxes.....	98,339	-	98,339
Grants and contributions not restricted to specific programs.....	1,398,167	-	1,398,167
Unrestricted investment income.....	224,230	-	224,230
Other.....	81,291	-	81,291
Total revenues.....	82,662,308	3,246,621	85,908,929
Expenses			
General government.....	4,083,336	-	4,083,336
Public safety.....	5,715,944	-	5,715,944
Education.....	36,878,132	-	36,878,132
Public works.....	3,407,912	-	3,407,912
Human services.....	750,076	-	750,076
Library.....	992,062	-	992,062
Pension benefits.....	3,235,522	-	3,235,522
Employee benefits.....	8,806,193	-	8,806,193
State and county assessments.....	127,377	-	127,377
Debt service - interest.....	904,449	-	904,449
Sanitation.....	-	2,239,113	2,239,113
Sewer.....	-	2,370,624	2,370,624
Nursing.....	-	507,879	507,879
Total expenses.....	64,901,003	5,117,616	70,018,619
Change in net assets before transfers.....	17,761,305	(1,870,995)	15,890,310
Transfers, net.....	(614,819)	614,819	-
Change in net assets.....	17,146,486	(1,256,176)	15,890,310
Net assets - beginning of year.....	114,368,175	15,134,945	129,503,120
Net assets - end of year.....	\$ 131,514,661	\$ 13,878,769	\$ 145,393,430

Governmental activities increased the Town's net assets by \$17,146,486, accounting for 112% of the total growth in net assets. Business-type activities decreased the Town's net assets by (\$1,256,176), accounting for (8%) of the total growth in net assets. Since this is the initial year of reporting under the GASB Statement #34 model, no historical information is available to perform meaningful analyses.

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$14,922,481, an increase of \$19,008,657 in comparison with the prior year. Approximately 74% of this total amount (\$9,765,132) represents undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$2,050,482).
- Perpetual permanent funds (\$1,903,429).
- Fund a portion of the fiscal year 2004 budget (\$1,203,438).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$5,060,482, while total fund balance was \$8,314,402. As a measure of the general fund's strength, it may be useful to compare both undesignated fund balance and total general fund balance to total general fund expenditures. Undesignated fund balance represents 10% of total general fund expenditures, while total fund balance represents 16% of that same amount.

The fund balance of the Town's general fund decreased by (\$2,375,961) during the current fiscal year. This is primarily attributable to management's budgeting the use of unreserved fund balance to maintain the Town's services and financial position.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the public safety building capital project fund decreased by (\$351,985) during the current fiscal year. This is primarily attributable to initial construction costs incurred during fiscal year 2003.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sanitation, sewer and nursing funds at the end of the year amounted to \$3,273,153, \$9,543,532 and \$398,536, respectively. The sanitation, sewer and nursing funds had a decrease in net assets for the year of (\$497,424), (\$704,047) and (\$54,705), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

During the year, total general fund revenues exceeded budgetary estimates by \$439,187. Municipal government expenditures were less than budgetary estimates by \$17. Overall, there was an increase in fund balance that exceeded the final amended budget amount by \$458,853.

Capital Asset and Debt Administration

Capital assets

The Town’s investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$148,088,504 (net of accumulated depreciation). This investment in capital assets includes land, capital improvements (other than buildings), buildings and improvements, machinery and equipment, vehicles, infrastructure, and construction in progress. The total increase in the investment in capital assets for the current fiscal year totaled \$1,966,319 or 1% (a .97% increase for governmental activities and a .03% increase for business-type activities).

Major capital asset events that occurred during the current fiscal year include the following:

- Construction in progress on the Twin Elementary School Project of \$1,198,885.

The following table summarizes the Town’s capital assets (net of accumulated depreciation):

	Governmental Activities	Business-Type Activities	Total
Land.....	\$ 66,199,202	\$ 534,769	\$ 66,733,971
Capital improvements (other than buildings).....	1,248,246	-	1,248,246
Buildings and improvements.....	27,225,226	9,617,568	36,842,794
Machinery and equipment.....	1,394,312	102,657	1,496,969
Vehicles.....	560,231	-	560,231
Infrastructure.....	26,473,127	14,362,482	40,835,609
Construction in progress.....	370,684	-	370,684
Total capital assets.....	<u>\$ 123,471,028</u>	<u>\$ 24,617,476</u>	<u>\$ 148,088,504</u>

Additional information on the Town’s capital assets can be found in **Note 4** on pages **39 – 41** of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$50,681,617, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General obligation bonds.....	\$ 26,735,000	\$ -	\$ 26,735,000
MWPAT notes.....	<u>480,114</u>	<u>23,466,503</u>	<u>23,946,617</u>
Total bonds and notes.....	<u>\$ 27,215,114</u>	<u>\$ 23,466,503</u>	<u>\$ 50,681,617</u>

The Town’s total debt increased by \$21,631,858 (76%) during the current fiscal year, with new debt issuances totaling \$22,530,114.

The Town has an “AA1” rating from Moody’s.

State statutes limit the amount of general obligation debt the Town may issue to 5% of its total assessed valuation. The current debt limit is \$137,535,235, which is significantly in excess of the Town’s outstanding general obligation debt.

Additional information on the Town’s long-term debt can be found in **Note 7** on pages **44 – 47** of this report.

Economic Factors and Next Year’s Budgets and Rates

The following factors were considered in preparing the Town’s fiscal year 2004 budget:

- Wage settlements
- Pension costs
- Employee Health Insurance

Requests for Information

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Don P. Johnson, 472 Main Street, Acton, Massachusetts 01720.

**TOWN OF ACTON, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2003**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 18,709,961	\$ 5,076,250	\$ 23,786,211
INVESTMENTS	3,236,056	-	3,236,056
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	274,760	-	274,760
TAX LIENS	818,627	-	818,627
MOTOR VEHICLE EXCISE TAXES	70,588	-	70,588
USER FEES	-	92,894	92,894
DEPARTMENTAL AND OTHER	117,091	-	117,091
INTERGOVERNMENTAL	2,002,204	231,575	2,233,779
SPECIAL ASSESSMENTS	3,015	404,649	407,664
OTHER ASSETS	434,816	-	434,816
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	-	8,575,764	8,575,764
INTERGOVERNMENTAL	20,625,963	-	20,625,963
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>123,471,028</u>	<u>24,617,476</u>	<u>148,088,504</u>
TOTAL ASSETS	<u>169,764,109</u>	<u>38,998,608</u>	<u>208,762,717</u>
<u>LIABILITIES</u>			
CURRENT:			
WARRANTS PAYABLE	1,029,723	366,418	1,396,141
HEALTH CLAIMS PAYABLE	1,195,996	-	1,195,996
ACCRUED LIABILITIES	55,020	-	55,020
OTHER LIABILITIES	71,867	45,000	116,867
ACCRUED INTEREST	421,874	504,361	926,235
BONDS AND NOTES PAYABLE	4,329,190	1,275,659	5,604,849
COMPENSATED ABSENCES	968,227	18,557	986,784
NONCURRENT:			
BONDS AND NOTES PAYABLE	25,885,924	22,909,844	48,795,768
LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS	2,745,000	-	2,745,000
COMPENSATED ABSENCES	<u>1,546,627</u>	<u>-</u>	<u>1,546,627</u>
TOTAL LIABILITIES	<u>38,249,448</u>	<u>25,119,839</u>	<u>63,369,287</u>
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	96,255,914	663,548	96,919,462
RESTRICTED FOR:			
CAPITAL PROJECTS	497,650	-	497,650
STREETS	532,184	-	532,184
PERMANENT FUNDS:			
EXPENDABLE	1,126,736	-	1,126,736
NONEXPENDABLE	1,903,429	-	1,903,429
OTHER PURPOSES	3,080,264	-	3,080,264
UNRESTRICTED	<u>28,118,484</u>	<u>13,215,221</u>	<u>41,333,705</u>
TOTAL NET ASSETS	<u>\$ 131,514,661</u>	<u>\$ 13,878,769</u>	<u>\$ 145,393,430</u>

See accompanying notes to the basic financial statements

TOWN OF ACTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2003

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 4,083,336	\$ 347,540	\$ 82,885	\$ 946,954	\$ (2,705,957)
PUBLIC SAFETY	5,715,944	628,091	145,631	124,362	(4,817,860)
EDUCATION	36,878,132	499,833	4,113,331	21,711,540	(10,553,428)
PUBLIC WORKS	3,407,912	68,895	182,145	366,894	(2,789,978)
HUMAN SERVICES	750,076	552,948	63,933	-	(133,195)
LIBRARY	992,062	43,319	47,034	-	(901,709)
PENSION	3,235,522	4,706,700	1,761,392	-	3,232,570
EMPLOYEE BENEFITS	8,806,193	-	-	-	(8,806,193)
STATE & COUNTY ASSESSMENTS	127,377	-	-	-	(127,377)
INTEREST	904,449	-	-	-	(904,449)
TOTAL GOVERNMENTAL ACTIVITIES	64,901,003	6,847,326	6,396,351	23,149,750	(28,507,576)
BUSINESS-TYPE ACTIVITIES:					
SANITATION	2,239,113	1,128,497	46,192	-	(1,064,424)
SEWER	2,370,624	708,616	39,070	871,072	(751,866)
NURSING	507,879	448,164	5,010	-	(54,705)
TOTAL BUSINESS-TYPE ACTIVITIES	5,117,616	2,285,277	90,272	871,072	(1,870,995)
TOTAL PRIMARY GOVERNMENT	\$ 70,018,619	\$ 9,132,603	\$ 6,486,623	\$ 24,020,822	\$ (30,378,571)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF ACTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2003**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (28,507,576)	\$ (1,870,995)	\$ (30,378,571)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES,	41,842,985	-	41,842,985
NET OF TAX REFUNDS PAYABLE	26,952	-	26,952
TAX LIENS	2,596,917	-	2,596,917
MOTOR VEHICLE AND OTHER EXCISE TAXES	98,339	-	98,339
PENALTIES AND INTEREST ON TAXES			
GRANTS AND CONTRIBUTIONS NOT RESTRICTED			
TO SPECIFIC PROGRAMS	1,398,167	-	1,398,167
UNRESTRICTED INVESTMENT INCOME	224,230	-	224,230
MISCELLANEOUS	81,291	-	81,291
TRANSFERS, NET	(614,819)	614,819	-
TOTAL GENERAL REVENUES AND TRANSFERS	45,654,062	614,819	46,268,881
CHANGE IN NET ASSETS	17,146,486	(1,256,176)	15,890,310
NET ASSETS:			
BEGINNING OF YEAR	114,368,175	15,134,945	129,503,120
END OF YEAR	\$ 131,514,661	\$ 13,878,769	\$ 145,393,430

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF ACTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003**

<u>ASSETS</u>	GENERAL	PUBLIC SAFETY BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 9,115,765	\$ 2,742,015	\$ 3,547,982	\$ 15,405,762
INVESTMENTS	-	-	3,236,056	3,236,056
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	274,760	-	-	274,760
TAX LIENS	818,627	-	-	818,627
MOTOR VEHICLE EXCISE TAXES	70,588	-	-	70,588
DEPARTMENTAL AND OTHER	117,091	-	-	117,091
INTERGOVERNMENTAL	21,711,540	-	778,023	22,489,563
SPECIAL ASSESSMENTS	-	-	3,015	3,015
OTHER ASSETS	191,348	-	-	191,348
TOTAL ASSETS	\$ 32,299,719	\$ 2,742,015	\$ 7,565,076	\$ 42,606,810

LIABILITIES AND FUND BALANCES

LIABILITIES:				
WARRANTS PAYABLE	\$ 865,910	\$ 94,000	\$ 69,813	\$ 1,029,723
ACCRUED LIABILITIES	55,020	-	-	55,020
OTHER LIABILITIES	71,867	-	-	71,867
DEFERRED REVENUES	22,992,520	-	535,199	23,527,719
NOTES PAYABLE	-	3,000,000	-	3,000,000
TOTAL LIABILITIES	23,985,317	3,094,000	605,012	27,684,329

FUND BALANCES:				
RESERVED FOR:				
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	2,050,482	-	-	2,050,482
PERPETUAL PERMANENT FUNDS	-	-	1,903,429	1,903,429
UNRESERVED				
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	1,203,438	-	-	1,203,438
UNDESIGNATED, REPORTED IN:				
GENERAL FUND	5,060,482	-	-	5,060,482
SPECIAL REVENUE FUNDS	-	-	3,080,264	3,080,264
CAPITAL PROJECTS FUNDS	-	(351,985)	849,635	497,650
PERMANENT FUNDS	-	-	1,126,736	1,126,736
TOTAL FUND BALANCES	8,314,402	(351,985)	6,960,064	14,922,481
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,299,719	\$ 2,742,015	\$ 7,565,076	\$ 42,606,810

See accompanying notes to the basic financial statements

**TOWN OF ACTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2003**

	<u>GENERAL</u>	<u>PUBLIC SAFETY BUILDING</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 41,826,285	\$ -	\$ -	\$ 41,826,285
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,584,290	-	-	2,584,290
PENALTIES AND INTEREST ON TAXES	98,339	-	-	98,339
INTERGOVERNMENTAL	5,920,584	-	1,381,184	7,301,768
CHARGES FOR SERVICES	50,171	-	1,635,877	1,686,048
INVESTMENT INCOME	224,230	-	87,792	312,022
CONTRIBUTIONS & DONATIONS	-	-	614,019	614,019
DEPARTMENTAL AND OTHER	972,541	-	170,786	1,143,327
TOTAL REVENUES	<u>51,676,440</u>	<u>-</u>	<u>3,889,658</u>	<u>55,566,098</u>
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	3,806,830	-	579,969	4,386,799
PUBLIC SAFETY	5,428,728	351,985	278,060	6,058,773
EDUCATION	34,568,022	-	2,981,261	37,549,283
PUBLIC WORKS	2,623,253	-	1,043,247	3,666,500
HUMAN SERVICES	776,551	-	1,724	778,275
LIBRARY	801,519	-	20,543	822,062
PENSION	2,719,550	-	-	2,719,550
EMPLOYEE BENEFITS	1,203,187	-	-	1,203,187
STATE & COUNTY ASSESSMENTS	127,377	-	-	127,377
DEBT SERVICE	1,160,930	-	-	1,160,930
TOTAL EXPENDITURES	<u>53,215,947</u>	<u>351,985</u>	<u>4,904,804</u>	<u>58,472,736</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,539,507)	(351,985)	(1,015,146)	(2,906,638)
OTHER FINANCING SOURCES (USES)				
PROCEEDS FROM BONDS AND NOTES	-	-	22,530,114	22,530,114
OPERATING TRANSFERS IN	68,955	-	409,819	478,774
OPERATING TRANSFERS OUT	(905,409)	-	(188,184)	(1,093,593)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(836,454)</u>	<u>-</u>	<u>22,751,749</u>	<u>21,915,295</u>
NET CHANGE IN FUND BALANCES	(2,375,961)	(351,985)	21,736,603	19,008,657
FUND BALANCES AT BEGINNING OF YEAR	<u>10,690,363</u>	<u>-</u>	<u>(14,776,539)</u>	<u>(4,086,176)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 8,314,402</u>	<u>\$ (351,985)</u>	<u>\$ 6,960,064</u>	<u>\$ 14,922,481</u>

See accompanying notes to the basic financial statements

**TOWN OF ACTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2003**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 14,922,481
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS	123,471,028
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS	23,527,719
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS	2,490,275
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE	(421,874)
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	(27,215,114)
COMPENSATED ABSENCES	(2,514,854)
LANDFILL POSTCLOSURE CARE COSTS	<u>(2,745,000)</u>
NET EFFECT OF REPORTING LONG-TERM LIABILITIES	<u>(32,474,968)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 131,514,661</u>

See accompanying notes to the basic financial statements

**TOWN OF ACTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2003**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND		\$ 19,008,657
<p>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.</p>		
CAPITAL OUTLAY	2,929,260	
DEPRECIATION EXPENSE	<u>(1,495,030)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		1,434,230
<p>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</p>		
		21,788,422
<p>THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DOES NOT PROVIDE FOR THE RECOGNITION OF REVENUE FROM DONATED INFRASTRUCTURE AND IS ONLY RECOGNIZED IN THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES.</p>		
		501,192
<p>THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) 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 ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.</p>		
PROCEEDS FROM BONDS AND NOTES	(22,530,114)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>495,000</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(22,035,114)
<p>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.</p>		
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(515,972)	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(238,519)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(754,491)
<p>INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR HEALTH INSURANCE ACTIVITIES</p>		
THE NET ACTIVITY OF INTERNAL SERVICE FUNDS IS REPORTED WITH GOVERNMENTAL ACTIVITIES		<u>(2,796,410)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 17,146,486</u>

See accompanying notes to the basic financial statements

TOWN OF ACTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2003

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SANITATION	SEWER	NURSING	TOTAL	FUNDS
CURRENT:					
CASH AND SHORT-TERM INVESTMENTS	\$ 3,417,627	\$ 1,288,177	\$ 370,446	\$ 5,076,250	\$ 3,304,199
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	-	46,122	46,772	92,894	-
SPECIAL ASSESSMENTS	-	404,649	-	404,649	-
INTERGOVERNMENTAL	-	231,575	-	231,575	138,604
OTHER ASSETS	-	-	-	-	243,468
TOTAL CURRENT ASSETS	3,417,627	1,970,523	417,218	5,805,368	3,686,271
NONCURRENT:					
SPECIAL ASSESSMENTS	-	8,575,764	-	8,575,764	-
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	518,876	24,098,600	-	24,617,476	-
TOTAL NONCURRENT ASSETS	518,876	32,674,364	-	33,193,240	-
TOTAL ASSETS	3,936,503	34,644,887	417,218	38,998,608	3,686,271
LIABILITIES					
CURRENT:					
WARRANTS PAYABLE	136,791	221,223	8,404	366,418	-
HEALTH CLAIMS PAYABLE	-	-	-	-	1,195,996
OTHER LIABILITIES	-	45,000	-	45,000	-
ACCRUED INTEREST	-	504,361	-	504,361	-
BONDS AND NOTES PAYABLE	-	1,275,659	-	1,275,659	-
COMPENSATED ABSENCES	7,683	596	10,278	18,557	-
TOTAL CURRENT LIABILITIES	144,474	2,046,839	18,682	2,209,995	1,195,996
NONCURRENT:					
BONDS AND NOTES PAYABLE	-	22,909,844	-	22,909,844	-
TOTAL NONCURRENT LIABILITIES	-	22,909,844	-	22,909,844	-
TOTAL LIABILITIES	144,474	24,956,683	18,682	25,119,839	1,195,996
NET ASSETS					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	518,876	144,672	-	663,548	-
UNRESTRICTED	3,273,153	9,543,532	398,536	13,215,221	2,490,275
TOTAL NET ASSETS	\$ 3,792,029	\$ 9,688,204	\$ 398,536	\$ 13,878,769	\$ 2,490,275

See accompanying notes to the basic financial statements

**TOWN OF ACTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2003**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SANITATION	SEWER	NURSING		
<u>OPERATING REVENUES:</u>					
CHARGES FOR SERVICES	\$ 1,128,497	\$ 708,616	\$ 448,164	\$ 2,285,277	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	-	4,718,160
DEPARTMENTAL AND OTHER	-	28,315	-	28,315	-
TOTAL OPERATING REVENUES	1,128,497	736,931	448,164	2,313,592	4,718,160
<u>OPERATING EXPENSES:</u>					
GENERAL SERVICES	2,225,521	448,900	507,879	3,182,300	7,603,006
DEPRECIATION	13,592	699,439	-	713,031	-
TOTAL OPERATING EXPENSES	2,239,113	1,148,339	507,879	3,895,331	7,603,006
OPERATING INCOME (LOSS)	(1,110,616)	(411,408)	(59,715)	(1,581,739)	(2,884,846)
<u>NON-OPERATING REVENUES (EXPENSES):</u>					
INTERGOVERNMENTAL	-	871,072	-	871,072	-
INVESTMENT INCOME	46,192	10,755	5,010	61,957	88,436
INTEREST EXPENSE	-	(1,222,285)	-	(1,222,285)	-
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	46,192	(340,458)	5,010	(289,256)	88,436
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(1,064,424)	(751,866)	(54,705)	(1,870,995)	(2,796,410)
<u>OPERATING TRANSFERS:</u>					
OPERATING TRANSFERS IN	567,000	163,405	-	730,405	-
OPERATING TRANSFERS OUT	-	(115,586)	-	(115,586)	-
TOTAL OPERATING TRANSFERS	567,000	47,819	-	614,819	-
CHANGE IN NET ASSETS	(497,424)	(704,047)	(54,705)	(1,256,176)	(2,796,410)
NET ASSETS AT BEGINNING OF YEAR	4,289,453	10,392,251	453,241	15,134,945	5,286,685
NET ASSETS AT END OF YEAR	\$ 3,792,029	\$ 9,688,204	\$ 398,536	\$ 13,878,769	\$ 2,490,275

See accompanying notes to the basic financial statements

**TOWN OF ACTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2003**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SANITATION	SEWER	NURSING	TOTAL	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
MEMBER ASSESSMENTS	\$ -	\$ -	\$ -	\$ -	\$ 4,815,210
RECEIPTS FROM CUSTOMERS AND USERS	1,128,497	1,105,328	471,086	2,704,911	-
PAYMENTS TO SUPPLIERS	(1,899,517)	(134,265)	(196,510)	(2,230,292)	(7,428,282)
PAYMENTS TO EMPLOYEES	(188,637)	(47,816)	(301,686)	(538,139)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(959,657)</u>	<u>923,247</u>	<u>(27,110)</u>	<u>(63,520)</u>	<u>(2,613,072)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
OPERATING TRANSFERS IN	567,000	47,820	-	614,820	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>567,000</u>	<u>47,820</u>	<u>-</u>	<u>614,820</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	-	659,073	-	659,073	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	-	(394,973)	-	(394,973)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	-	(743,928)	-	(743,928)	-
INTEREST EXPENSE	-	(368,608)	-	(368,608)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>-</u>	<u>(848,436)</u>	<u>-</u>	<u>(848,436)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
INTEREST RECEIVED	46,192	10,755	5,010	61,957	88,436
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>46,192</u>	<u>10,755</u>	<u>5,010</u>	<u>61,957</u>	<u>88,436</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(346,465)	133,386	(22,100)	(235,179)	(2,524,636)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>3,764,092</u>	<u>1,154,791</u>	<u>392,546</u>	<u>5,311,429</u>	<u>5,828,835</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 3,417,627</u>	<u>\$ 1,288,177</u>	<u>\$ 370,446</u>	<u>\$ 5,076,250</u>	<u>\$ 3,304,199</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>					
OPERATING INCOME (LOSS)	<u>\$ (1,110,616)</u>	<u>\$ (411,408)</u>	<u>\$ (59,715)</u>	<u>\$ (1,581,739)</u>	<u>\$ (2,884,846)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	13,592	699,439	-	713,031	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	-	368,397	22,922	391,319	97,051
(INCREASE) DECREASE IN DEPOSIT PREMIUM	-	-	-	-	(2,813)
(INCREASE) DECREASE IN OTHER ASSETS	-	-	-	-	327,000
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	136,791	221,223	8,405	366,419	(149,464)
INCREASE (DECREASE) IN OTHER LIABILITIES	-	45,000	-	45,000	-
INCREASE (DECREASE) IN ACCRUED COMPENSATED ABSENCES	576	596	1,278	2,450	-
TOTAL ADJUSTMENTS	<u>150,959</u>	<u>1,334,655</u>	<u>32,605</u>	<u>1,518,219</u>	<u>271,774</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (959,657)</u>	<u>\$ 923,247</u>	<u>\$ (27,110)</u>	<u>\$ (63,520)</u>	<u>\$ (2,613,072)</u>

See accompanying notes to the basic financial statements

**TOWN OF ACTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 244,233	\$ 606,644
TOTAL ASSETS	<u>244,233</u>	<u>606,644</u>
<u>LIABILITIES</u>		
WARRANTS PAYABLE	-	1,631
OTHER LIABILITIES	<u>-</u>	<u>605,013</u>
TOTAL LIABILITIES	<u>-</u>	<u>606,644</u>
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	<u>\$ 244,233</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**TOWN OF ACTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2003**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:</u>	
CONTRIBUTIONS:	
PRIVATE DONATIONS	\$ 1,635
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>13,293</u>
TOTAL ADDITIONS	<u>14,928</u>
<u>DEDUCTIONS:</u>	
HUMAN SERVICES	<u>2,047</u>
CHANGE IN NET ASSETS	12,881
NET ASSETS AT BEGINNING OF YEAR	<u>231,352</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 244,233</u></u>

See accompanying notes to the basic financial statements

**TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Acton, 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 following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by a five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Manager whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, 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. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government’s financial reporting entity.

Joint Venture

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint venture:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Annual Assessment</u>
Acton-Boxborough Regional School District	To provide Jr. - Sr. High Education	16 Charter Road Acton, MA 01720	\$ 16,017,766
Minuteman Regional High School	To provide Vocational Education	758 Marrett Road Lexington, MA 02421-7313	\$ 771,713

The Acton-Boxborough Regional School District (the District) is governed by a nine (9) member school committee which includes six (6) elected representatives from the Town of Acton and three (3) from the Town of Boxborough. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 85% equity interest in the joint venture.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

The Minuteman Regional High School (the District) is governed by a sixteen (16) member school committee which includes one (1) elected representative from the Town of Acton. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has no equity interest in the joint venture.

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. *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. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. 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
- b. 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.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

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:

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

Governmental fund financial statements are reported using the 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., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non current portion of compensated absences, and landfill closure and post closure care costs which are recognized when the obligations are expected to be liquidated with current expendable available resources.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental funds:

- The *general fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *public safety building fund* is a capital project fund used to account for the construction costs of the public safety building.
- 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

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 nonoperating revenues and expenses.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

The following major proprietary funds are reported:

- The nursing enterprise fund is used to account for nursing activities.
- The sewer enterprise fund is used to account for sewer activities.
- The sanitation enterprise fund is used to account for trash collection activities.

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.

Fiduciary Fund Financial Statements

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 by the Town in a trustee capacity for others that cannot be used to support the governmental programs. The following fiduciary fund types are reported:

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

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

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

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

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 proprietary 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 based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

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.

Sewer

User fees are levied monthly based on water meter readings obtained from the water district for the prior winter months usage (September through March readings), which are converted from cubic feet to gallons. All monthly bills for the fiscal year will be based on this reading. User fees are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Sewer charges and related liens are recorded as receivables in the fiscal year of the levy.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

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 consist primarily of group insurance and cemetery receivables and 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 recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized 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 of the governmental funds and the nursing, sewer and sanitation enterprise funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, vehicles, buildings and improvements, capital improvements, machinery and equipment, and infrastructure (e.g., sewer mains, roadways, and similar items), are reported in the applicable governmental or business-type activities 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 if material.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

**TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

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

Asset Class	Estimated Useful Life (in years)
Buildings and Improvements	10-40
Capital Improvements (other than buildings)	10-20
Machinery and Equipment	5-15
Vehicles	5-15
Infrastructure	40

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 fiscal year of purchase for the various funds.

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 operating transfers in and operating transfers out.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Government-Wide Financial Statements

Operating 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

Operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating 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 classified into three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net assets have been “restricted” for the following:

- Capital projects represent amounts restricted for capital purposes.
- Streets represent amounts committed by the Commonwealth for the repair and/or construction of streets.
- Permanent funds -expendable represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- Permanent funds -nonexpendable represents amounts held in trust for which only investment earnings may be expended.
- Other specific purpose represents restrictions placed on assets from outside parties.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Fund Financial Statements (Fund Balances)

- a. Fund balances consist of funds that are reserved for amounts, that are not available for appropriation, that are legally restricted by outside parties for a specific future use, and designations of fund balances that 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.
- Perpetual permanent funds represent 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 2004 operating budget.

- b. Undesignated fund balances – all other fund balances that do not meet the definition of reserved or designated.

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 Laws (MGL).

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

N. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

Government-Wide and Proprietary Fund Financial Statements

The total amount to be paid in future years is presented in the government-wide and proprietary fund statement of net assets. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2003 is recorded in the governmental fund financial statement.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims. For the fiscal year ended June 30, 2003, this expense/expenditure totaled approximately \$301,735. There were approximately 215 participants eligible to receive benefits at June 30, 2003.

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could vary from estimates that were used.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Q. 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 comparable to the consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

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

Short-term investments and investments are classified as to collateral risk into the following three categories:

- Category 1: Insured or registered, or securities held by the Town or its agent in the Town's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the Town's name.

Mutual fund investments (MMDT) are not categorized because they are managed investment pools.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

As of June 30, 2003, the carrying amount of the Town's deposits totaled \$17,584,074 and the respective bank balances totaled \$18,484,228. Of the Town's bank balances, \$900,000 were covered by Federal Depository Insurance, \$2,817,810, were covered by the Depositors Insurance Fund, and \$14,766,418 was uninsured and uncollateralized. The following details the carrying amount of cash and short-term investments and investments as reported in the basic financial statements at June 30, 2003:

<u>Cash and investment balances at June 30, 2003:</u>	Cash and Short-Term Investments	Investments	Total
<u>Cash</u>			
Checking, savings and NOW accounts	\$ 1,053,048	\$ -	\$ 1,053,048
Money market deposits	16,531,026	-	16,531,026
Petty cash	520	-	520
 Total Carrying amount of cash	 <u>17,584,594</u>	 <u>-</u>	 <u>17,584,594</u>
<u>Investments</u>			
<u>Investments subject to categorization (Category 1)</u>			
<u>Common stock</u>	-	446,674	446,674
<u>Investments subject to categorization (Category 3)</u>			
U.S. Government securities	-	1,877,391	1,877,391
Corporate bonds	-	108,613	108,613
<u>Investments not subject to categorization</u>			
MMDT	7,052,494	-	7,052,494
Mutual funds	-	803,378	803,378
 Total investments	 <u>7,052,494</u>	 <u>3,236,056</u>	 <u>10,288,550</u>
 Total cash and investments at June 30, 2003	 <u>\$ 24,637,088</u>	 <u>\$ 3,236,056</u>	 <u>\$ 27,873,144</u>

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Reconciliation to Basic Financial Statements:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Cash and short-term investments	\$ 23,786,211	\$ 850,877	\$ 24,637,088
Investments	3,236,056	-	3,236,056
	<u>\$ 27,022,267</u>	<u>\$ 850,877</u>	<u>\$ 27,873,144</u>

NOTE 3 – RECEIVABLES

The receivables at June 30, 2003 for the Town’s individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 354,967	\$ (80,207)	\$ 274,760
Tax liens	818,627	-	818,627
Motor vehicle excise taxes	343,499	(272,911)	70,588
Departmental and other	117,091	-	117,091
Intergovernmental	22,628,167	-	22,628,167
Special assessments	3,015	-	3,015
Total	<u>\$ 24,265,366</u>	<u>\$ (353,118)</u>	<u>\$ 23,912,248</u>

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

The receivables at June 30, 2003, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Sewer</i>			
User fees	\$ 46,122	\$ -	\$ 46,122
Special assessments	8,980,413	-	8,980,413
Intergovernmental	231,575	-	231,575
<i>Nursing</i>			
User fees	58,465	(11,693)	46,772
Total	\$ 9,316,575	\$ (11,693)	\$ 9,304,882

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. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred Revenue Analysis

Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 274,674	\$ -	\$ 274,674
Tax Liens	818,627	-	818,627
Motor vehicle excise taxes	70,588	-	70,588
Departmental and other	117,091	-	117,091
Special assessment	-	3,015	3,015
Intergovernmental	21,711,540	532,184	22,243,724
Total	\$ 22,992,520	\$ 535,199	\$ 23,527,719

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 65,723,239	\$ 475,963	\$ -	\$ 66,199,202
Construction in progress	-	370,684	-	370,684
Total capital assets not being depreciated	<u>65,723,239</u>	<u>846,647</u>	<u>-</u>	<u>66,569,886</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	31,763,091	1,198,885	-	32,961,976
Capital improvements (other than buildings)	1,951,918	-	-	1,951,918
Machinery and equipment	3,030,187	512,649	-	3,542,836
Vehicles	1,189,659	167,315	-	1,356,974
Infrastructure	29,679,055	704,956	-	30,384,011
Total capital assets being depreciated	<u>67,613,910</u>	<u>2,583,805</u>	<u>-</u>	<u>70,197,715</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(5,067,332)	(669,418)	-	(5,736,750)
Capital improvements (other than buildings)	(621,249)	(82,423)	-	(703,672)
Machinery and equipment	(1,929,096)	(219,428)	-	(2,148,524)
Vehicles	(673,403)	(123,340)	-	(796,743)
Infrastructure	(3,510,463)	(400,421)	-	(3,910,884)
Total accumulated depreciation	<u>(11,801,543)</u>	<u>(1,495,030)</u>	<u>-</u>	<u>(13,296,573)</u>
Total capital assets being depreciated, net	<u>55,812,367</u>	<u>1,088,775</u>	<u>-</u>	<u>56,901,142</u>
Total governmental activities capital assets, net	<u>\$ 121,535,606</u>	<u>\$ 1,935,422</u>	<u>\$ -</u>	<u>\$ 123,471,028</u>

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 534,769	\$ -	\$ -	\$ 534,769
Total capital assets not being depreciated	534,769	-	-	534,769
<u>Capital assets being depreciated:</u>				
Buildings and improvements	10,064,896	-	-	10,064,896
Machinery and equipment	158,919	-	-	158,919
Infrastructure	14,097,778	743,928	-	14,841,706
Total capital assets being depreciated	24,321,593	743,928	-	25,065,521
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(111,832)	(335,496)	-	(447,328)
Machinery and equipment	(40,470)	(15,792)	-	(56,262)
Infrastructure	(117,481)	(361,743)	-	(479,224)
Total accumulated depreciation	(269,783)	(713,031)	-	(982,814)
Total capital assets being depreciated, net	24,051,810	30,897	-	24,082,707
Total business-type activities capital assets, net	\$ 24,586,579	\$ 30,897	\$ -	\$ 24,617,476

**TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

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

Governmental Activities:	
General government	\$ 60,691
Public safety	185,589
Education	560,734
Public works	509,594
Human services	8,422
Culture and recreation	170,000
Total depreciation expense - governmental activities	\$ 1,495,030

Business-Type Activities:	
Sewer	\$ 699,439
Sanitation	13,592
Total depreciation expense - business-type activities	\$ 713,031

Construction Commitments

The Town has an active construction project for a new public safety facility as of June 30, 2003. At year end, the Town's commitment with the contractor is as follows:

Project	Spent to Date	Remaining Commitment
Public Safety Building	\$ 351,985	\$ 5,133,015

The commitment for the public safety building project is being funded by long-term debt.

**TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2003, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Nonmajor Governmental Funds	Enterprise Fund	Total
Nonmajor Governmental Funds	\$ 68,955	\$ -	\$ 119,229	\$ 188,184 (1)
General Fund	-	294,233	611,176	905,409 (1)
Sewer Enterprise Fund	-	115,586	-	115,586 (2)
Total	\$ 68,955	\$ 409,819	\$ 730,405	\$ 1,209,179

(1) Represents budgeted transfers to supplement the operating budgets

(2) Represents budgeted transfer from the sewer enterprise fund to the nonmajor governmental fund

NOTE 6 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth, through the issuance of State Aid anticipation notes (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds respectively.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

The following is a summary of changes in short-term debt for the year ended June 30, 2003:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2002</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2003</u>
BAN	Water Quality Study	0.75	11/15/02	\$ 152,668	\$ -	\$ (152,668)	\$ -
BAN	School Construction	2.00	03/05/03	21,350,000	-	(21,350,000)	-
BAN	Public Safety Building	1.08	03/04/04	-	3,000,000	-	3,000,000
	Total Governmental Funds			<u>21,502,668</u>	<u>3,000,000</u>	<u>(21,502,668)</u>	<u>3,000,000</u>
BAN	Middle Port Pond Sewer	2.00	03/05/03	744,000	-	(744,000)	-
BAN	Middle Port Pond Sewer	1.08	03/04/04	-	719,000	-	719,000
	Total Sewer Enterprise Fund			<u>744,000</u>	<u>719,000</u>	<u>(744,000)</u>	<u>719,000</u>
	Total			<u>\$ 22,246,668</u>	<u>\$ 3,719,000</u>	<u>\$ (22,246,668)</u>	<u>\$ 3,719,000</u>

**TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 7 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit however require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

The following is a summary of the changes in long-term debt for the year ended June 30, 2003:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2002	Issued	Redeemed	Outstanding at June 30, 2003
General Obligation	5.00	\$ 240,000	\$ -	\$ 80,000	\$ 160,000
General Obligation	4.76	4,940,000	-	415,000	4,525,000
School Construction	4.27	-	21,350,000	-	21,350,000
Data Processing	4.27	-	700,000	-	700,000
MWPAT Water Study	Var.	-	480,114	-	480,114
Total		<u>\$ 5,180,000</u>	<u>\$ 22,530,114</u>	<u>\$ 495,000</u>	<u>\$ 27,215,114</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2003 are as follows:

Fiscal Year	Principal	Interest	Total
2004	\$ 1,329,190	\$ 1,111,871	\$ 2,441,061
2005	1,359,370	1,065,437	2,424,807
2006	1,309,565	1,019,931	2,329,496
2007	1,339,761	975,391	2,315,152
2008	1,374,959	932,120	2,307,079
2009-2013	6,432,269	3,949,765	10,382,034
2014-2018	6,925,000	2,575,450	9,500,450
2019-2023	7,145,000	1,009,533	8,154,533
Total	<u>\$ 27,215,114</u>	<u>\$ 12,639,498</u>	<u>\$ 39,854,612</u>

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Bonds and Notes Payable Schedule - Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2002	Issued	Redeemed	Outstanding at June 30, 2003
MWPAT Sewer	Var.	\$ 963,700	\$ -	\$ 47,900	\$ 915,800
MWPAT Sewer	Var.	1,980,975	-	41,599	1,939,376
MWPAT Sewer	Var.	8,344,582	-	176,431	8,168,151
MWPAT Sewer	Var.	12,580,502	-	137,326	12,443,176
Total		<u>\$ 23,869,759</u>	<u>\$ -</u>	<u>\$ 403,256</u>	<u>\$ 23,466,503</u>

The annual gross debt service requirements for principal and interest for sewer enterprise fund bonds and notes outstanding at June 30, 2003 are as follows:

Fiscal Year	Principal	Interest	Total
2004	\$ 556,659	\$ 1,198,191	\$ 1,754,850
2005	568,614	1,176,351	1,744,965
2006	581,460	1,153,745	1,735,205
2007	596,246	1,128,263	1,724,509
2008	612,621	1,100,916	1,713,537
2009-2013	3,349,903	5,054,233	8,404,136
2014-2018	3,999,200	4,081,735	8,080,935
2019-2023	4,436,800	2,970,161	7,406,961
2024-2028	5,195,000	1,724,344	6,919,344
2029-2031	3,570,000	337,168	3,907,168
Total	<u>\$ 23,466,503</u>	<u>\$ 19,925,107</u>	<u>\$ 43,391,610</u>

**TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

Loans Authorized and Unissued

As of June 30, 2003, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Bridge Construction	4/13/1988	\$ 600,000
Fuel Tank	4/12/1993	250,000
Middle Fort Pond Sewer District	Various	719,074
Title V Septic	4/7/1997	200,000
Water Resource Management Plan	4/3/2000	19,886
Public Safety Building Construction	10/15/2002	<u>6,400,000</u>
 Total		 <u>\$ 8,188,960</u>

School Building Assistance Bureau Reimbursements

Chapter 645 of the Act of 1948 as amended (“Chapter 645”) created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth’s Fiscal 2001 budget repealed 645 and created a new school building assistance program codified as Chapter 70B of the Massachusetts General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain “grandfathered” projects will be based on the statutory percentages provided for in Chapter 645.

The Town has been approved for a 63% percent state school construction grant through the School Construction Assistance Bureau (SBAB) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2003:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 5,180,000	\$ 22,530,114	\$ (495,000)	\$ 27,215,114	\$ 1,329,190
Compensated absences	1,998,882	515,972	-	2,514,854	968,227
Landfill closure and postclosure care costs	2,745,000	-	-	2,745,000	-
 Total governmental activity long-term liabilities	 <u>\$ 9,923,882</u>	 <u>\$ 23,046,086</u>	 <u>\$ (495,000)</u>	 <u>\$ 32,474,968</u>	 <u>\$ 2,297,417</u>
 Business-Type Activities:	 Beginning Balance	 Additions	 Reductions	 Ending Balance	 Current Portion
Bonds and notes payable	\$ 23,869,759	-	\$ (403,256)	\$ 23,466,503	\$ 556,659
Compensated absences	16,107	2,450	-	18,557	18,557
 Total business-type activity long-term liabilities	 <u>\$ 23,885,866</u>	 <u>\$ 2,450</u>	 <u>\$ (403,256)</u>	 <u>\$ 23,485,060</u>	 <u>\$ 575,216</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2003:

Agency	Total Long- Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Acton Boxborough Regional School District			
High School Project	\$ 120,000	80.52%	\$ 96,624
Jr. High School Project	57,993,000	85.52%	49,595,614
	<u>\$ 58,113,000</u>		<u>\$ 49,692,238</u>

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 8 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$1,000 per incident.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2003.

The Town participates in a self-insurance pool for health care benefits. The pool includes the Town of Acton, the Acton-Boxborough Regional School District, and the Acton Water District. The claims administration contract holds all participants jointly and severally liable for claims paid.

The pool provides health care coverage for all active and retired employees that qualify for and select health care coverage as an employee benefit. Active and retired employees participating in the pool pay a percentage of an estimated health insurance premium. The contribution percentage for active employees is 15%. All retired employees pay 50% of the established premium.

Health benefits include Master Health Plus and Medex offered by Blue Cross Blue Shield of Massachusetts, as well as Harvard Pilgrim HMO offered by Harvard Pilgrim Health Care. Blue Cross and Blue Shield and Harvard Pilgrim Health Care administer the claims program for the pool. The pool pays in a standard monthly amount towards claims incurred. Annually, actual claims payable, (or prepaid claims deposits) are established by adjusting for actual claims and estimated claims incurred but not reported. The pool's expenses are for actual claims incurred, excess claims insurance coverage and administrative costs for the plan administrators. Excess claims insurance coverage is purchased to cover any medical claims in excess of \$150,000 per incident.

Premiums are paid into the internal service health insurance fund by all other funds of the Town of Acton, and the other pool participants, and are available to pay claims, claims reserves, and administrative costs of the program.

**TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003**

The Town's health insurance 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 for self-insured claims are reported when it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded. As of June 30, 2003 and June 30, 2002, the only such liabilities are those related to the Town's self-insured health care program. The Town established a liability based on historical trends for the previous fiscal years. Changes in the self-insured liability account in fiscal year 2003 and 2002 were as follows:

	Healthcare	
	2003	2002
Liability at beginning of fiscal year	\$ 1,345,459	\$ 1,328,238
Claims incurred for current fiscal year and Changes in provisions for prior year	7,176,842	6,202,687
Claims payments for current fiscal year	(7,326,305)	(6,185,466)
Liability at end of fiscal year	\$ 1,195,996	\$ 1,345,459

NOTE 9 – PENSION PLANS

A. Plan Descriptions

The Town contributes to the Middlesex Retirement System (the "System"), a cost sharing, multiple-employer, defined benefit pension plan administered by the Middlesex Retirement Board. Substantially all employees are members of the "System" except for public school teachers and certain school administrators who are members of the Massachusetts Teachers' Retirement System (MTRS) to which the Town does not contribute.

The "System" and the MTRS are contributory defined benefit plans and membership in both the "System" and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees. The "System" and the MTRS provide retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The "System" issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission ("PERAC"), One Ashburton Place, Boston, Massachusetts 02108.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

B. Funding Policies

Middlesex Retirement System

Plan members are required to contribute to the "System" at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the "System", its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the "system" for a portion of the benefit payments for the cost of living increases. The contributions to the "System" for years ended June 30, 2003, 2002, and 2001 were \$1,066,760, \$941,811, and \$895,587, respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers' Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed "on-behalf" payments to the MTRS totaling \$1,672,957 for fiscal year 2003. In accordance with GASB Statement No. 24, these on-behalf" payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

NOTE 10 – COMMITMENTS AND 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, 2003, 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 believed the amount, if any, would not be material.

The Town's estimated liability for closure and post-closure care costs for the landfill is \$2,745,000 as of June 30, 2003. The Town will be responsible for post-closure monitoring of the site for thirty years once the landfill is capped. This estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$2,745,000 reported as landfill closure and post-closure liability at June 30, 2003 is based on what it would cost to perform all closure and post-closure care at June 30, 2003. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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, 2003, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2003.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 11. SUBSEQUENT EVENT

On March 1, 2004, the Town issued a general obligation bond of \$7,094,000 for the purpose of financing the constructing, originally equipping and furnishing a new public safety facility (\$6,400,000) and for sewer construction (\$694,000). Principal is payable annually in variable amounts beginning on March 1, 2005 through March 1, 2024. Interest is payable semi-annually on March 1 and September 1 beginning on September 1, 2004. The coupon interest rate varies from 2.50% to 4.50% through the term of the loan and the net interest cost (NIC) is 3.67%.

NOTE 12 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The accounting policies of the Town of Acton, Massachusetts, conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, which established new financial reporting requirements for state and local governments throughout the United States. The statement requires new information and restructures much of the information that the Town has presented in the past. Other GASB Statements are required to be implemented in conjunction with GASB 34. Therefore, during fiscal year 2003, the Town has implemented the following GASB Statements:

- Statement #34, *Basic Financial Statements -and Management's Discussion and Analysis -for State and Local Governments*
- Statement #37, *Basic Financial Statements -and Management's Discussion and Analysis -for State and Local Governments; Omnibus*
- Statement #38, *Certain Financial Statement Note Disclosures*

The most significant changes required by the new financial reporting standards are as follows:

- Management's discussion and analysis.
- Basic financial statements, which include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting.
 - Fund financial statements, consisting of a series of statements that focus on major governmental and enterprise funds.
 - Schedules to reconcile the fund financial statements to the government-wide financial statements.
 - Notes to the basic financial statements.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

As a result of implementing these pronouncements, the following restatements have been made to beginning fund balances and net assets:

Fund Financial Statements:

The following beginning governmental fund balances have been restated to reflect the change in focus of reporting from governmental and fiduciary fund types to major funds:

Description	Special Revenue	Capital Projects	Expendable Trusts	Non-Expendable Trusts	Total
Fund balances at June 30, 2002 as previously reported	\$ 6,343,132	\$ (20,198,348)	\$ 1,455,987	\$ 2,010,680	\$ (10,388,549)
To reclass funds to nonmajor governmental funds in the new reporting model	<u>(6,343,132)</u>	<u>20,198,348</u>	<u>(1,455,987)</u>	<u>(2,010,680)</u>	<u>10,388,549</u>
Fund balances at June 30, 2002 as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Public Safety Building	Nonmajor Governmental Funds	Private Purpose Trust Funds
Fund balances at June 30, 2002 as previously reported	\$ -	\$ -	\$ -
Special revenue, capital projects, expendable, and nonexpendable trust fund balances as previously reported (per above schedule)	-	(10,388,549)	-
To establish major funds in the new reporting model	-	-	-
To establish the private purpose trust fund from funds previously reported in the expendable and nonexpendable trust funds	-	(231,352)	231,352
To reclass business-type activities from funds previously reported in the special revenue funds	<u>-</u>	<u>(4,156,638)</u>	<u>-</u>
Fund balances at June 30, 2002 as restated	<u>\$ -</u>	<u>\$ (14,776,539)</u>	<u>\$ 231,352</u>

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

The beginning net assets of the sewer, nursing, and sanitation governmental funds have been restated to reflect the changes in focus of reporting from governmental fund types to business-type activities.

	<u>Sewer</u>	<u>Sanitation</u>	<u>Nursing</u>
Retained earnings at June 30, 2002, as previously reported	\$ 10,784,973	\$ -	\$ -
Reclass previously reported sanitation and nursing special revenue funds at June 30, 2002 to the business-type activities	-	3,764,092	392,546
To record net fixed assets at June 30, 2002	-	532,468	-
To record additional net fixed assets at June 30, 2002	120,750	-	-
To record accounts receivable at June 30, 2002	-	-	69,695
To record accrued compensated absences at June 30, 2002	-	(7,107)	(9,000)
To record accrued interest at June, 30 2002	<u>(513,472)</u>	<u>-</u>	<u>-</u>
Net assets at June, 30 2002, as restated	<u>\$ 10,392,251</u>	<u>\$ 4,289,453</u>	<u>\$ 453,241</u>

The beginning net assets of business-type activities are equal to the restated beginning net assets of the nursing and sanitation special revenue funds.

TOWN OF ACTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2003

Government-Wide Financial Statements

Beginning net assets for governmental activities was calculated as follows:

Total fund balances of general, special revenue, capital projects, expendable and nonexpendable trust funds, and total retained earnings of internal service funds at June 30, 2002	\$ 5,588,499
<u>Add:</u>	
Capital assets (net of accumulated depreciation totaling \$11,801,543) at June 30, 2002	121,535,606
To record revenue under the full accrual basis of accounting	1,739,297
<u>Less:</u>	
Outstanding governmental bonds payable at June 30, 2002	(5,180,000)
Governmental compensated absence balances at June 30, 2002	(1,998,882)
Previously reported special revenue funds reclassified to business type activities	(4,156,638)
Landfill postclosure balance at June 30, 2002	(2,745,000)
Accrued interest payable on outstanding governmental bonds payable at June 30, 2002	(183,355)
Previously reported expendable and nonexpendable trust funds reclassified to private purpose trust fund	<u>(231,352)</u>
Net assets at beginning of year - Governmental Activities	<u><u>\$ 114,368,175</u></u>

Future Implementation of GASB Pronouncements

During FY 2002 the GASB issued **Statement #39**, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB **Statement #14**, which is required to be implemented during FY 2004. It is expected that this pronouncement will not significantly impact the basic financial statements for the fiscal year ended June 30, 2003.

**TOWN OF ACTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2003**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER/ (UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 41,415,279	\$ 41,415,279	\$ 41,826,285	\$ 411,006
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,600,000	2,600,000	2,584,290	(15,710)
PENALTIES & INTEREST ON TAXES	50,000	50,000	98,339	48,339
INTERGOVERNMENTAL	4,395,494	4,395,494	4,247,627	(147,867)
INVESTMENT INCOME	275,000	275,000	224,230	(50,770)
DEPARTMENTAL AND OTHER	828,523	828,523	1,022,712	194,189
TOTAL REVENUES	49,564,296	49,564,296	50,003,483	439,187
<u>EXPENDITURES:</u>				
MUNICIPAL GOVERNMENT	15,909,131	15,909,131	15,909,114	17
ACTON LOCAL SCHOOLS	17,589,103	17,589,103	17,589,056	47
ACTON BOXBOROUGH REGIONAL SCHOOL DISTRICT	16,064,900	16,017,766	16,017,766	-
MINUTEMAN REGIONAL SCHOOL DISTRICT	771,713	771,713	771,713	-
STATE & COUNTY ASSESSMENTS	98,069	98,069	127,377	(29,308)
CAPITAL OUTLAY - MUNICIPAL GOVERNMENT	224,500	224,500	224,500	-
CAPITAL OUTLAY - ACTON LOCAL SCHOOLS	100,000	100,000	100,000	-
TOTAL EXPENDITURES	50,757,416	50,710,282	50,739,526	(29,244)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,193,120)	(1,145,986)	(736,043)	409,943
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	89,000	89,000	68,955	(20,045)
OPERATING TRANSFERS OUT	(836,454)	(836,454)	(905,409)	68,955
TOTAL OTHER FINANCING SOURCES (USES)	(747,454)	(747,454)	(836,454)	48,910
NET CHANGE IN FUND BALANCE	(1,940,574)	(1,893,440)	(1,572,497)	458,853
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	9,225,704	9,225,704	9,225,704	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 7,285,130	\$ 7,332,264	\$ 7,653,207	\$ 458,853

See accompanying notes to required supplementary information

**TOWN OF ACTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance
– Budgetary Basis – Budget and Actual

Year ended June 30, 2003

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, 2003, is presented below:

Net change in fund balance - budgetary basis	\$ (1,572,497)
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	1,672,957
Increase in expenditures for on-behalf payments - MTRS	(1,672,957)
Adjustment for Current Year Encumbrances	606,167
Adjustment for Current Year Articles	79,487
Adjustment for expenditures from prior year authorizations	<u>(1,489,118)</u>
Net change in fund balance - GAAP basis	<u><u>\$ (2,375,961)</u></u>

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PALMER & DODGE LLP

111 HUNTINGTON AVENUE AT PRUDENTIAL CENTER
BOSTON, MA 02199-7613

(Date of Delivery)

John Murray, III, Treasurer
Town of Acton
Acton, Massachusetts

(Acton School Remodeling Bonds)

We have examined the law, a certified copy of proceedings and other papers relating to the issue of \$300,000 School Remodeling Bonds dated November 1, 2004, by the Town of Acton, Massachusetts.

On the basis of this examination we are of opinion, as of the date hereof and under existing law, as follows:

(1) The bonds are valid general obligations of the Town of Acton and except to the extent they are paid from other sources the principal of and interest on the bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

(2) The interest on the bonds is exempt from Massachusetts personal income taxes, and the bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the bonds.

(3) The interest on the bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the bonds. We express no opinion regarding other federal tax consequences arising with respect to the bonds.

The rights of the holders of the bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours faithfully,

Office of the Town Treasurer

**Subscription for purchase of Town of Acton, Massachusetts
GENERAL OBLIGATION SCHOOL REMODELING BONDS
\$1,000 Denominations
Due November 1, 2014**

- NOTE:
1. Subscriptions will be accepted beginning at 7:30 p.m. on October 14, 2004 at the Acton Memorial Library, 486 Main Street, Acton, Massachusetts.
 2. Subscriptions will be accepted with denominations of \$1,000.
 3. Payment for bonds must be made by certified or bank check, which must accompany this subscription. No personal checks will be accepted.
 4. Subscription will be accepted on a "first-come, first-served" basis. Subscriptions not accepted will be returned to the subscriber, and such subscriber's payment will be promptly refunded.
 5. The Bonds will bear a final maturity date of November 1, 2014, with 1/10th of the principal paid to the purchaser on the payment date of November 1 in each of the years 2005 through 2014, inclusive.
 6. The Bonds are NOT subject to redemption prior to their stated dates of maturity.

REFERENCE IS MADE TO THE NOTICE OF SALE CONTAINED IN THE OFFICIAL STATEMENT OF THE TOWN FOR OTHER TERMS AND CONDITIONS OF SALE WITH RESPECT TO THE BONDS.

I hereby subscribe for the following denomination bonds issued by the Town of Acton.

<u>Principal Installment Due Date</u>	<u>Annual Interest Rate</u>	<u>Principal Installment Due Date</u>	<u>Annual Interest Rate</u>
November 1, 2005	%	November 1, 2010	%
November 1, 2006		November 1, 2011	
November 1, 2007		November 1, 2012	
November 1, 2008		November 1, 2013	
November 1, 2009		November 1, 2014	

<u>Quantity</u>	<u>Price</u>	<u>Total</u>
_____ X	\$1,000	\$_____

Name and address of subscriber:

_____ (name)

(street address) (city/town) (state) (zip code)

EACH SUBSCRIBER MAY WITHDRAW HIS OR HER SUBSCRIPTION FOR THE PURCHASE OF BONDS BY WRITTEN NOTICE RECEIVED BY THE OFFICE OF THE TOWN TREASURER WITHIN 2 DAYS FROM THE DATE OF SUBSCRIPTION.

I hereby acknowledge that I have received and read a copy of the Official Statement of the Town of Acton dated September 1, 2004 with respect to the bonds for which I am subscribing and containing the Notice of Sale concerning such bonds. I further acknowledge that I have read and received a copy of this subscription form and that I am aware of my right to withdraw this subscription for the purchase of bonds according to the procedure set forth above.

Date: _____

(Subscriber's Signature)

Receipt is hereby acknowledged of a certified or bank check in the amount indicated above for purchase of bonds as indicated above.

Office of the Town Treasurer

Date: _____

Receipt is hereby acknowledged of the bonds indicated below.

Amount of Bonds: \$ _____

Date: _____

(Bondholder's Signature)