

TOWN OF LUNENBURG, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2010

TOWN OF LUNENBURG, MASSACHUSETTS
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JUNE 30, 2010

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Lunenburg, 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 Lunenburg, Massachusetts, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lunenburg, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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 Lunenburg, Massachusetts, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010, on our consideration of the Town of Lunenburg, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual, retirement system schedule of funding progress, retirement system schedule of employer contributions, other postemployment benefit plan schedule of funding progress and employer contributions and other postemployment benefit plan actuarial methods and assumptions, located after the notes to the basic financial statements, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

December 28, 2010

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Lunenburg, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets of the Town of Lunenburg exceeded its liabilities at the close of the most recent fiscal year by \$35.6 million (net assets).
- Of this amount 21% or \$7.6 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$1.3 million, an increase of approximately \$234,000 in comparison with the prior year. Total fund balance represents 5% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) decreased by \$3.2 million during the current fiscal year. This was due to the net effect of \$2.5 million from the issuance of new debt and \$5.7 million in principal payments on outstanding debt.
- Fiscal 2010 was the second year of GASB Statement #45, which resulted in the recognition of an additional \$3.3 million other postemployment benefit (OPEB) liability. As of June 30, 2010 the OPEB liability totaled \$6.3 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Lunenburg's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

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

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

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

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

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

The Town of Lunenburg adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Lunenburg's assets exceeded liabilities by \$35.6 million at the close of FY2010.

Net assets of \$27 million (76%) reflects its investment in capital assets (e.g., land, buildings and building improvements, machinery and equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets, \$1 million, (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$7.6 million (21%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental and business-type activities of the Town are presented below.

Governmental Activities

The Town of Lunenburg’s assets exceeded liabilities for governmental activities by \$24.3 million at the close of Fiscal 2010.

	FY 2010 Governmental Activities	FY 2009 Governmental Activities	Increase (Decrease)
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Current assets.....	\$ 8,025,140	\$ 7,758,660	\$ 266,480
Noncurrent assets (excluding capital).....	6,176,544	5,514,839	661,705
Capital assets.....	<u>36,465,292</u>	<u>37,564,501</u>	<u>(1,099,209)</u>
Total assets.....	<u>50,666,976</u>	<u>50,838,000</u>	<u>(171,024)</u>
Liabilities:			
Current liabilities (excluding debt).....	1,762,170	2,121,677	(359,507)
Noncurrent liabilities (excluding debt).....	6,626,000	3,378,837	3,247,163
Current debt.....	1,392,738	3,307,493	(1,914,755)
Noncurrent debt.....	<u>16,575,882</u>	<u>16,453,620</u>	<u>122,262</u>
Total liabilities.....	<u>26,356,790</u>	<u>25,261,627</u>	<u>1,095,163</u>
Net Assets:			
Invested in capital assets, net of related debt.....	24,642,908	24,046,411	596,497
Restricted.....	1,016,870	967,662	49,208
Unrestricted.....	<u>(1,349,592)</u>	<u>562,300</u>	<u>(1,911,892)</u>
Total net assets.....	<u>\$ 24,310,186</u>	<u>\$ 25,576,373</u>	<u>\$ (1,266,187)</u>
Program revenues:			
Charges for services.....	\$ 3,084,168	\$ 2,706,768	\$ 377,400
Operating grants and contributions.....	6,024,168	5,616,398	407,770
Capital grants and contributions.....	1,519,922	644,926	874,996
General Revenues:			
Real estate and personal property taxes.....	17,090,286	16,578,856	511,430
Motor vehicle and other excise taxes.....	1,182,680	1,209,300	(26,620)
Penalties and interest on taxes.....	146,975	94,823	52,152
Payments in lieu of taxes.....	1,598	3,183	(1,585)
Fines and forfeitures.....	58,018	69,727	(11,709)
Grants and contributions not restricted to specific programs.....	6,188,934	5,597,781	591,153
Unrestricted investment income.....	64,580	200,245	(135,665)
Other revenues.....	<u>243,578</u>	<u>225,565</u>	<u>18,013</u>
Total revenues.....	<u>35,604,907</u>	<u>32,947,572</u>	<u>2,657,335</u>
Expenses:			
General government.....	3,033,547	3,057,459	(23,912)
Public safety.....	5,164,720	5,181,357	(16,637)
Education.....	24,788,684	24,830,066	(41,382)
Public works.....	1,951,533	1,886,784	64,749
Human services.....	367,837	372,900	(5,063)
Culture and recreation.....	754,297	609,009	145,288
Interest.....	<u>726,030</u>	<u>738,757</u>	<u>(12,727)</u>
Total expenses.....	<u>36,786,648</u>	<u>36,676,332</u>	<u>110,316</u>
Increase in net assets before transfers.....	(1,181,741)	(3,728,760)	2,547,019
Transfers.....	<u>(84,446)</u>	<u>35,216</u>	<u>(119,662)</u>
Change in net assets.....	<u>\$ (1,266,187)</u>	<u>\$ (3,693,544)</u>	<u>\$ 2,427,357</u>

The governmental expenses totaled \$36.8 million of which \$10.6 million (29%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$25 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

The governmental activities decreased by \$1.3 million in fiscal 2010. The key elements of the change are the recognition of an additional \$3.3 million of other postemployment benefit liabilities, which was offset by the recognition of \$1.1 million of revenue for street betterments, \$400,000 of grant proceeds from the Massachusetts Highway Department, a \$250,000 increase in building permits and the receipt of a \$198,000 zoning incentive grant.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$11.3 million at the close of Fiscal 2010.

	FY 2010 Business-type Activities	FY 2009 Business-type Activities	Increase (Decrease)
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Current assets.....	\$ 2,080,503	\$ 3,673,668	\$ (1,593,165)
Noncurrent assets (excluding capital).....	8,805,975	6,535,736	2,270,239
Capital assets.....	<u>11,880,689</u>	<u>12,064,294</u>	<u>(183,605)</u>
Total assets.....	<u>22,767,167</u>	<u>22,273,698</u>	<u>493,469</u>
Liabilities:			
Current liabilities (excluding debt).....	260,887	359,059	(98,172)
Noncurrent liabilities (excluding debt).....	41,000	25,163	15,837
Current debt.....	631,286	1,401,451	(770,165)
Noncurrent debt.....	<u>10,522,111</u>	<u>11,153,399</u>	<u>(631,288)</u>
Total liabilities.....	<u>11,455,284</u>	<u>12,939,072</u>	<u>(1,483,788)</u>
Net Assets:			
Invested in capital assets, net of related debt.....	2,328,968	1,739,083	589,885
Unrestricted.....	<u>8,982,915</u>	<u>7,595,543</u>	<u>1,387,372</u>
Total net assets.....	<u>\$ 11,311,883</u>	<u>\$ 9,334,626</u>	<u>\$ 1,977,257</u>
Program revenues:			
Charges for services.....	\$ 914,671	\$ 706,375	\$ 208,296
Operating grants and contributions.....	255,476	263,630	(8,154)
Capital grants and contributions.....	2,056,569	6,159,814	(4,103,245)
General Revenues:			
Payments in lieu of taxes.....	233,734	3,399	230,335
Unrestricted investment income.....	<u>5,040</u>	<u>16,297</u>	<u>(11,257)</u>
Total revenues.....	<u>3,465,490</u>	<u>7,149,515</u>	<u>(3,684,025)</u>
Expenses:			
Sewer.....	1,247,365	1,152,164	95,201
Solid waste/recycling.....	<u>325,314</u>	<u>394,343</u>	<u>(69,029)</u>
Total expenses.....	<u>1,572,679</u>	<u>1,546,507</u>	<u>26,172</u>
Increase in net assets before transfers.....	1,892,811	5,603,008	(3,710,197)
Transfers.....	<u>84,446</u>	<u>(35,216)</u>	<u>119,662</u>
Change in net assets.....	<u>\$ 1,977,257</u>	<u>\$ 5,567,792</u>	<u>\$ (3,590,535)</u>

Business-type net assets of \$2.3 million (21%) represent the investment in capital assets while \$9 million (79%) is unrestricted. The Town's business-type activities net assets increased by \$2 million in the current fiscal year, which can primarily be attributed to the sewer operations.

The sewer operations experienced an increase of \$1.9 million, which is primarily due to the recognition of \$1.7 million of revenue from sewer betterments and \$373,000 of proceeds from a capital grant.

The solid waste/recycling operations experienced an increase of \$92,000, which is due to transfers in from the general fund and stabilization fund to subsidize the prior year deficit.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$4.6 million, of which \$1.3 million is for the general fund, \$1.5 million is for the stabilization fund and \$1.8 million is for the non-major governmental funds. Cumulatively there was an increase of \$2.6 million from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was in a \$263,000, while total fund balance reached \$1.3 million. Reservations of fund balance for encumbrances and continuing appropriations and debt service totaled \$234,000 and \$839,000, respectively. Total fund balance represents 5% of total general fund expenditures.

The Town's general fund increased by \$234,000 in fiscal 2010. This increase is primarily due to favorable collections for building permit fees and the receipt of a zoning incentive grant, which were offset by short-falls in fees and rentals and investment income.

The state fiscal stabilization grant fund is used to account for federal funds that were received through the American Recovery and Reinvestment Act. During fiscal 2010, the Town received and expended approximately \$249,000 of grant funds.

The stabilization fund decreased by \$93,000 in fiscal 2010. This decrease is due to investment income earned during the period as well as a transfer out to the solid waste/recycling fund.

General Fund Budgetary Highlights

The increase between the original budget and the final amended budget is due to approved supplemental appropriations totaling approximately \$10,000.

Capital Asset and Debt Administration

Capital Assets. In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$48.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment, and infrastructure. The total decrease in the Town's investment in capital assets for the current year was approximately \$1.3 million.

The major governmental capital asset events during the current fiscal year included building renovations, the purchase of machinery and equipment, the purchase of vehicles, and the completion of street repaving.

The major business-type capital asset events during the current fiscal year consisted of sewer infrastructure improvements.

Debt Administration. Outstanding long-term debt of the general government, as of June 30, 2010, totaled \$18 million, of which \$9 million is related to school construction projects, \$4.5 million is related to the public safety center construction project, an ambulance and a fire truck, \$1.4 million is related to the library construction project and \$3.1 million is related to other CIP related projects.

The sewer enterprise fund has outstanding long-term debt totaling \$11.2 million, which funded various sewer infrastructure projects.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Lunenburg's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 17 Main Street, Lunenburg, Massachusetts 01462.

Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2010

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 4,644,431	\$ 1,639,809	\$ 6,284,240
Investments.....	1,448,015	-	1,448,015
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	465,374	-	465,374
Tax liens and foreclosures.....	676,744	-	676,744
Motor vehicle and other excise taxes.....	85,883	-	85,883
User fees.....	975	50,668	51,643
Departmental and other.....	271,410	-	271,410
Special assessments.....	53,696	306,603	360,299
Intergovernmental.....	366,435	83,423	449,858
Internal balances.....	12,177	-	12,177
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	1,098,340	7,287,722	8,386,062
Intergovernmental.....	5,078,204	1,518,253	6,596,457
Capital assets, nondepreciable.....	4,261,654	-	4,261,654
Capital assets, net of accumulated depreciation.....	32,203,638	11,880,689	44,084,327
TOTAL ASSETS.....	50,666,976	22,767,167	73,434,143
LIABILITIES			
CURRENT:			
Warrants payable.....	385,748	146,222	531,970
Accrued payroll.....	934,649	2,945	937,594
Accrued interest.....	83,238	111,720	194,958
Payroll withholdings.....	165,131	-	165,131
Abandoned property.....	5,845	-	5,845
Other liabilities.....	19,525	-	19,525
Customer deposits payable.....	8,034	-	8,034
Landfill closure.....	17,000	-	17,000
Compensated absences.....	143,000	-	143,000
Bonds and notes payable.....	1,392,738	631,286	2,024,024
NONCURRENT:			
Landfill closure.....	255,000	-	255,000
Compensated absences.....	75,000	-	75,000
Other postemployment benefits obligation.....	6,296,000	41,000	6,337,000
Bonds and notes payable.....	16,575,882	10,522,111	27,097,993
TOTAL LIABILITIES.....	26,356,790	11,455,284	37,812,074
NET ASSETS			
Invested in capital assets, net of related debt.....	24,642,908	2,328,968	26,971,876
Restricted for:			
Permanent funds:			
Expendable.....	103,834	-	103,834
Nonexpendable.....	229,036	-	229,036
Gifts and grants.....	684,000	-	684,000
Unrestricted.....	(1,349,592)	8,982,915	7,633,323
TOTAL NET ASSETS.....	\$ 24,310,186	\$ 11,311,883	\$ 35,622,069

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 3,033,547	\$ 337,518	\$ 50,016	\$ -	\$ (2,646,013)
Public safety.....	5,164,720	1,002,485	805,152	-	(3,357,083)
Education.....	24,788,684	1,660,749	5,021,955	-	(18,105,980)
Public works.....	1,951,533	8,065	6,700	1,519,617	(417,151)
Human services.....	367,837	45,364	10,535	305	(311,633)
Culture and recreation.....	754,297	29,987	57,486	-	(666,824)
Interest.....	726,030	-	72,324	-	(653,706)
Total Governmental Activities...	<u>36,786,648</u>	<u>3,084,168</u>	<u>6,024,168</u>	<u>1,519,922</u>	<u>(26,158,390)</u>
<i>Business-Type Activities:</i>					
Sewer.....	1,247,365	613,671	255,476	2,056,569	1,678,351
Solid Waste/Recycling.....	325,314	301,000	-	-	(24,314)
Total Business-Type Activities..	<u>1,572,679</u>	<u>914,671</u>	<u>255,476</u>	<u>2,056,569</u>	<u>1,654,037</u>
Total Primary Government.....	<u>\$ 38,359,327</u>	<u>\$ 3,998,839</u>	<u>\$ 6,279,644</u>	<u>\$ 3,576,491</u>	<u>\$ (24,504,353)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page....	\$ (26,158,390)	\$ 1,654,037	\$ (24,504,353)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	17,090,286	-	17,090,286
Tax liens.....	243,578	-	243,578
Motor vehicle and other excise taxes.....	1,182,680	-	1,182,680
Penalties and interest.....	146,975	233,734	380,709
Payments in lieu of taxes.....	1,598	-	1,598
Fines and forfeitures.....	58,018	-	58,018
Grants and contributions not restricted to specific programs.....	6,188,934	-	6,188,934
Unrestricted investment income.....	64,580	5,040	69,620
<i>Transfers, net.....</i>	<u>(84,446)</u>	<u>84,446</u>	<u>-</u>
Total general revenues and transfers.....	<u>24,892,203</u>	<u>323,220</u>	<u>25,215,423</u>
Change in net assets.....	(1,266,187)	1,977,257	711,070
<i>Net Assets:</i>			
Beginning of year.....	<u>25,576,373</u>	<u>9,334,626</u>	<u>34,910,999</u>
End of year.....	\$ <u><u>24,310,186</u></u>	\$ <u><u>11,311,883</u></u>	\$ <u><u>35,622,069</u></u>

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2010

ASSETS	General	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 2,600,032	\$ 362,900	\$ 1,681,499	\$ 4,644,431
Investments.....	-	1,164,841	283,174	1,448,015
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	465,374	-	-	465,374
Tax liens and foreclosures.....	676,744	-	-	676,744
Motor vehicle and other excise taxes.....	85,883	-	-	85,883
User fees.....	-	-	975	975
Departmental and other.....	271,410	-	-	271,410
Special assessments.....	1,150,641	-	1,395	1,152,036
Intergovernmental.....	5,439,739	-	4,900	5,444,639
Due from other funds.....	18,412	-	28,100	46,512
TOTAL ASSETS.....	\$ 10,708,235	\$ 1,527,741	\$ 2,000,043	\$ 14,236,019
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 331,295	\$ -	\$ 54,453	\$ 385,748
Accrued payroll.....	789,527	-	145,122	934,649
Liabilities due depositors.....	8,034	-	-	8,034
Payroll withholdings.....	165,131	-	-	165,131
Abandoned property.....	5,845	-	-	5,845
Other liabilities.....	19,525	-	-	19,525
Deferred revenues.....	8,052,499	-	2,370	8,054,869
Due to other funds.....	-	-	34,335	34,335
TOTAL LIABILITIES.....	9,371,856	-	236,280	9,608,136
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	233,787	-	-	233,787
Debt service.....	839,419	-	-	839,419
Perpetual permanent funds.....	-	-	229,036	229,036
Unreserved:				
Undesignated, reported in:				
General fund.....	263,173	-	-	263,173
Special revenue funds.....	-	1,527,741	1,330,828	2,858,569
Capital projects funds.....	-	-	100,065	100,065
Permanent funds.....	-	-	103,834	103,834
TOTAL FUND BALANCES.....	1,336,379	1,527,741	1,763,763	4,627,883
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 10,708,235	\$ 1,527,741	\$ 2,000,043	\$ 14,236,019

See notes to basic financial statements.

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

JUNE 30, 2010

Total governmental fund balances.....		\$ 4,627,883
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		36,465,292
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		8,054,869
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(83,238)
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.....	(17,968,620)	
Landfill closure.....	(272,000)	
Other postemployment benefits obligation.....	(6,296,000)	
Compensated absences.....	<u>(218,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(24,754,620)</u>
Net assets of governmental activities.....		<u>\$ 24,310,186</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	State Fiscal Stabilization Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 17,090,073	\$ -	\$ -	\$ -	\$ 17,090,073
Tax liens.....	149,973	-	-	-	149,973
Motor vehicle and other excise taxes.....	1,171,217	-	-	-	1,171,217
Charges for services.....	-	-	-	544,103	544,103
Penalties and interest on taxes.....	146,444	-	-	538	146,982
Fees and rentals.....	431,698	-	-	1,661,510	2,093,208
Payments in lieu of taxes.....	1,598	-	-	-	1,598
Licenses and permits.....	386,577	-	-	-	386,577
Fines and forfeitures.....	57,818	-	-	10,297	68,115
Intergovernmental.....	9,384,317	249,123	-	3,279,813	12,913,253
Departmental and other.....	-	-	-	54,643	54,643
Special assessments.....	81,334	-	-	2,275	83,609
Contributions.....	-	-	-	65,181	65,181
Investment income.....	35,858	-	19,926	9,163	64,947
TOTAL REVENUES.....	28,936,907	249,123	19,926	5,627,523	34,833,479
EXPENDITURES:					
Current:					
General government.....	1,552,183	-	-	176,325	1,728,508
Public safety.....	2,311,020	-	-	913,900	3,224,920
Education.....	14,984,694	249,123	-	3,110,766	18,344,583
Public works.....	1,120,739	-	-	429,250	1,549,989
Human services.....	162,940	-	-	49,891	212,831
Culture and recreation.....	371,191	-	-	93,545	464,736
Pension benefits.....	3,490,165	-	-	-	3,490,165
Property and liability insurance.....	143,696	-	-	-	143,696
Employee benefits.....	1,844,355	-	-	-	1,844,355
State and county charges.....	700,463	-	-	-	700,463
Debt service:					
Principal.....	1,253,080	-	-	-	1,253,080
Interest.....	734,039	-	-	-	734,039
TOTAL EXPENDITURES.....	28,668,565	249,123	-	4,773,677	33,691,365
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	268,342	-	19,926	853,846	1,142,114
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	-	-	1,515,000	1,515,000
Transfers in.....	80,427	-	-	137,000	217,427
Transfers out.....	(114,559)	-	(112,500)	(74,814)	(301,873)
TOTAL OTHER FINANCING SOURCES (USES).....	(34,132)	-	(112,500)	1,577,186	1,430,554
NET CHANGE IN FUND BALANCES.....	234,210	-	(92,574)	2,431,032	2,572,668
FUND BALANCES AT BEGINNING.....	1,102,169	-	1,620,315	(667,269)	2,055,215
FUND BALANCES AT END OF YEAR.....	\$ 1,336,379	\$ -	\$ 1,527,741	\$ 1,763,763	\$ 4,627,883

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds..... \$ 2,572,668

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	555,446
Depreciation expense.....	<u>(1,654,655)</u>

Net effect of reporting capital assets..... (1,099,209)

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.....

771,428

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

Proceeds from bonds and notes.....	(1,515,000)
Debt service principal payments.....	<u>1,253,080</u>

Net effect of reporting long-term debt..... (261,920)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	11,000
Net change in accrued interest on long-term debt.....	8,009
Net change in landfill closure liability.....	17,000
Other postemployment benefits obligation.....	<u>(3,285,163)</u>

Net effect of recording long-term liabilities and amortizing deferred losses..... (3,249,154)

Change in net assets of governmental activities..... \$ (1,266,187)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Sewer	Solid Waste/ Recycling	Total
	_____	_____	_____
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 1,611,541	\$ 28,268	\$ 1,639,809
Receivables, net of allowance for uncollectibles:			
User fees.....	50,668	-	50,668
Special assessments.....	306,603	-	306,603
Intergovernmental.....	83,423	-	83,423
	_____	_____	_____
Total current assets.....	2,052,235	28,268	2,080,503
	_____	_____	_____
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	1,518,253	-	1,518,253
Special assessments.....	7,287,722	-	7,287,722
Capital assets, net of accumulated depreciation....	11,880,689	-	11,880,689
	_____	_____	_____
Total noncurrent assets.....	20,686,664	-	20,686,664
	_____	_____	_____
TOTAL ASSETS.....	22,738,899	28,268	22,767,167
	_____	_____	_____
LIABILITIES			
CURRENT:			
Warrants payable.....	117,954	28,268	146,222
Accrued payroll.....	2,945	-	2,945
Accrued interest.....	111,720	-	111,720
Bonds and notes payable.....	631,286	-	631,286
	_____	_____	_____
Total current liabilities.....	863,905	28,268	892,173
	_____	_____	_____
NONCURRENT:			
Other postemployment benefits obligation.....	41,000	-	41,000
Bonds and notes payable.....	10,522,111	-	10,522,111
	_____	_____	_____
Total noncurrent liabilities.....	10,563,111	-	10,563,111
	_____	_____	_____
TOTAL LIABILITIES.....	11,427,016	28,268	11,455,284
	_____	_____	_____
NET ASSETS			
Invested in capital assets, net of related debt.....	2,328,968	-	2,328,968
Unrestricted.....	8,982,915	-	8,982,915
	_____	_____	_____
TOTAL NET ASSETS.....	\$ 11,311,883	\$ -	\$ 11,311,883
	_____	_____	_____

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Solid Waste/ Recycling</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for services	\$ 328,381	\$ 301,000	\$ 629,381
Connection fee.....	284,790	-	284,790
Licenses and permits.....	500	-	500
TOTAL OPERATING REVENUES	613,671	301,000	914,671
<u>OPERATING EXPENSES:</u>			
Salaries, wages, and fringe benefits	110,839	-	110,839
Maintenance and operations.....	368,963	325,314	694,277
Depreciation.....	249,380	-	249,380
TOTAL OPERATING EXPENSES	729,182	325,314	1,054,496
OPERATING INCOME (LOSS).....	(115,511)	(24,314)	(139,825)
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Investment income.....	4,009	1,031	5,040
Interest expense.....	(518,183)	-	(518,183)
Special assessments.....	1,683,087	-	1,683,087
Penalties and interest.....	233,734	-	233,734
Intergovernmental.....	628,958	-	628,958
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	2,031,605	1,031	2,032,636
INCOME (LOSS) BEFORE TRANSFERS.....	1,916,094	(23,283)	1,892,811
<u>TRANSFERS:</u>			
Transfers in.....	-	115,161	115,161
Transfers out.....	(30,715)	-	(30,715)
TOTAL OPERATING TRANSFERS.....	(30,715)	115,161	84,446
CHANGE IN NET ASSETS.....	1,885,379	91,878	1,977,257
NET ASSETS AT BEGINNING OF YEAR.....	9,426,504	(91,878)	9,334,626
NET ASSETS AT END OF YEAR.....	\$ 11,311,883	\$ -	\$ 11,311,883

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Sewer	Solid Waste/ Recycling	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 842,679	\$ 301,000	\$ 1,143,679
Payments to vendors.....	(419,896)	(369,233)	(789,129)
Payments to employees.....	(93,565)	-	(93,565)
NET CASH FROM OPERATING ACTIVITIES.....	329,218	(68,233)	260,985
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	-	115,161	115,161
Transfers out.....	(30,715)	-	(30,715)
Advances to/from other funds.....	(854,171)	(274,258)	(1,128,429)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(884,886)	(159,097)	(1,043,983)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Proceeds from the issuance of bonds and notes.....	567,630	-	567,630
Intergovernmental.....	373,482	-	373,482
Acquisition and construction of capital assets.....	(65,775)	-	(65,775)
Special assessments.....	479,506	-	479,506
Principal payments on bonds and notes.....	(1,892,215)	-	(1,892,215)
Interest expense.....	(267,464)	-	(267,464)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(804,836)	-	(804,836)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment income.....	4,009	1,031	5,040
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(1,356,495)	(226,299)	(1,582,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,968,036	254,567	3,222,603
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,611,541	\$ 28,268	\$ 1,639,809
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (115,511)	\$ (24,314)	\$ (139,825)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	249,380	-	249,380
Other receipts from customers.....	233,734	-	233,734
Changes in assets and liabilities:			
User fees.....	(4,726)	-	(4,726)
Warrants payable.....	(50,933)	(43,919)	(94,852)
Accrued payroll.....	1,437	-	1,437
Other postemployment benefits obligation.....	15,837	-	15,837
Total adjustments.....	444,729	(43,919)	400,810
NET CASH FROM OPERATING ACTIVITIES.....	\$ 329,218	\$ (68,233)	\$ 260,985
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>			
Intergovernmental debt service subsidy.....	\$ 255,476	\$ -	\$ 255,476

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents.....	\$ 442,491
LIABILITIES	
Due to other funds.....	12,177
NET ASSETS	
Held in trust for other purposes.....	\$ 430,314

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	\$ 638
Net investment income (loss):	
Interest.....	<u>6,255</u>
TOTAL ADDITIONS.....	<u>6,893</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>12,651</u>
CHANGE IN NET ASSETS.....	(5,758)
NET ASSETS AT BEGINNING OF YEAR.....	<u>436,072</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 430,314</u>

The accompanying notes are an integral part of this audited financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Board of Selectmen (the Board).

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 for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's financial statements.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *State fiscal stabilization fund* is used to account for the Town's use of the federal state fiscal stabilization program which was awarded to Governors to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services.

The *stabilization fund* is used to account for the accumulation of resources to provide general and/or capital reserves.

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 Funds).

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

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

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

The following major proprietary funds are reported:

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

The *solid waste/recycling enterprise fund* is used to account for the solid waste/recycling activities.

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

The following fiduciary fund type is reported:

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

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

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

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

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered 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

User fees consist of sewer fees which are levied quarterly based on individual meter readings and 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 liens are recorded as receivables in the fiscal year of the levy. Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Special Assessments

Special assessments represent costs incurred on completed special projects that have been assessed to the benefited tax payers and which have not yet been paid. 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 solely of ambulance receivables. The ambulance receivables are considered 100% collectible because uncollectible accounts are written-off on monthly basis.

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Building Improvements.....	20
Machinery and equipment.....	5-15
Vehicles.....	5
Infrastructure.....	50

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

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

Net assets have been "restricted for" the following:

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

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

“Gifts and grants” represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

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

Fund balances have been “reserved for” the following:

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

“Debt service” represents amounts accumulated from the Massachusetts School Building Authority (MSBA) to reduce school construction excluded debt service costs over the life of the loans.

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

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.

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

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

Q. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2010, within the special revenue and capital project funds. These deficits will be funded with grant and bond proceeds in subsequent fiscal years.

NOTE 2 - CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$6,273,879 and the bank balance totaled \$6,809,744. Of the bank balance, \$2,588,111 was covered by Federal Depository Insurance, \$3,247,917 was covered by the Depositor's Insurance Fund and \$973,716 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2010, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt Securities</u>				
Government Agencies.....	\$ 125,010	\$ -	\$ 125,010	\$ -
Government Sponsored Enterprises.....	1,011,678	-	507,699	503,979
Corporate Bonds.....	245,518	245,518	-	-
Total Debt Securities.....	1,382,206	\$ 245,518	\$ 632,709	\$ 503,979
<u>Other Investments</u>				
Equity Mutual Funds.....	65,809			
Money Market Mutual Funds.....	226,872			
MMDT.....	225,980			
Total Investments.....	\$ 1,900,867			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town has custodial credit risk exposure of \$1,382,206 because the government agency securities, government sponsored enterprise securities and corporate bonds are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

Interest Rate Risk

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

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk

Standard and Poor's Investors Service rated \$1,011,678 of government sponsored enterprise securities AAA and \$107,956 of corporate bonds were rated A and \$137,562 were rated BB. The Town has not adopted an investment policy that addresses credit risk.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not currently have any investments that are subject to concentration of credit risk.

NOTE 3 - RECEIVABLES

At June 30, 2010, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 503,374	\$ (38,000)	\$ 465,374
Tax liens and foreclosures.....	676,744	-	676,744
Motor vehicle and other excise taxes.....	157,883	(72,000)	85,883
Water user fees.....	975	-	975
Departmental and other.....	465,410	(194,000)	271,410
Special assessments.....	1,152,036	-	1,152,036
Intergovernmental.....	5,444,639	-	5,444,639
Total.....	<u>\$ 8,401,061</u>	<u>\$ (304,000)</u>	<u>\$ 8,097,061</u>

At June 30, 2010, receivables for the sewer enterprise fund are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer user fees.....	\$ 51,643	\$ -	\$ 50,668
Special assessments.....	7,594,325	-	7,594,325
Intergovernmental.....	1,601,676	-	1,601,676
Total.....	<u>\$ 9,247,644</u>	<u>\$ -</u>	<u>\$ 9,246,669</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 465,374	\$ -	\$ 465,374
Tax liens and foreclosures.....	676,744	-	676,744
Motor vehicle and other excise taxes.....	85,883	-	85,883
Departmental and other.....	266,635	-	266,635
Special assessments.....	1,150,641	2,370	1,152,036
Intergovernmental.....	5,407,222	-	5,408,197
Total.....	<u>\$ 8,052,499</u>	<u>\$ 2,370</u>	<u>\$ 8,054,869</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, is as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,290,354	\$ -	\$ (28,700)	\$ 4,261,654
Construction in progress.....	1,325,800	-	(1,325,800)	-
Total capital assets not being depreciated.....	<u>5,616,154</u>	<u>-</u>	<u>(1,354,500)</u>	<u>4,261,654</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	26,998,222	76,366	-	27,074,588
Machinery and equipment.....	4,048,357	63,048	-	4,111,405
Infrastructure.....	23,415,944	1,770,532	(662,054)	24,524,422
Total capital assets being depreciated.....	<u>54,462,523</u>	<u>1,909,946</u>	<u>(662,054)</u>	<u>55,710,415</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(6,221,365)	(649,451)	-	(6,870,816)
Machinery and equipment.....	(2,122,263)	(294,293)	-	(2,416,556)
Infrastructure.....	(14,170,548)	(710,911)	662,054	(14,219,405)
Total accumulated depreciation.....	<u>(22,514,176)</u>	<u>(1,654,655)</u>	<u>662,054</u>	<u>(23,506,777)</u>
Total capital assets being depreciated, net.....	<u>31,948,347</u>	<u>255,291</u>	<u>-</u>	<u>32,203,638</u>
Total governmental activities capital assets, net.....	<u>\$ 37,564,501</u>	<u>\$ 255,291</u>	<u>\$ (1,354,500)</u>	<u>\$ 36,465,292</u>
Sewer Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 1,967,426	\$ -	\$ (1,967,426)	\$ -
<u>Capital assets being depreciated:</u>				
Infrastructure.....	11,452,397	2,033,201	-	13,485,598
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(1,355,529)	(249,380)	-	(1,604,909)
Total sewer activities capital assets, net.....	<u>\$ 12,064,294</u>	<u>\$ 1,783,821</u>	<u>\$ (1,967,426)</u>	<u>\$ 11,880,689</u>

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

Governmental Activities:	
General government.....	\$ 34,676
Public safety.....	339,938
Education.....	446,276
Public works.....	771,265
Culture and recreation.....	<u>62,500</u>
Total depreciation expense - governmental activities.....	<u>\$ 1,654,655</u>
Business-Type Activities:	
Sewer.....	<u>\$ 249,380</u>

NOTE 5 - INTERFUND TRANSFERS/BALANCES

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Nonmajor Governmental Funds	Solid Waste Recycling Fund	Total
General Fund.....	\$ -	84,398	\$ 30,161	\$ 114,559 (1)
Stabilization Fund.....	27,500	-	85,000	112,500 (2)
Nonmajor Governmental Funds.....	22,212	52,602	-	74,814 (3)
Sewer Enterprise Fund.....	<u>30,715</u>	<u>-</u>	<u>-</u>	<u>30,715 (4)</u>
	<u>\$ 80,427</u>	<u>\$ 137,000</u>	<u>\$ 115,161</u>	<u>\$ 332,588</u>

- (1) Represents budgeted transfers from the general fund to the solid waste recycling fund to fund a prior year revenue deficit and to the capital projects fund to fund the fiscal 2010 capital plan.
- (2) Represents budgeted transfers from the stabilization fund to the general fund and solid waste recycling fund.
- (3) Represents budgeted transfers from other available funds to the general fund and transfers between capital project funds.
- (4) Represents a budgeted transfer from the sewer enterprise fund to the general fund.

Interfund balances for the fiscal year ended June 30, 2010, are summarized as follows:

Due to Other Funds:	Due From Other Funds:		
	General Fund	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds.....	\$ 8,735	\$ 25,600	\$ 34,335
Private Purpose Trust Funds.....	<u>9,677</u>	<u>2,500</u>	<u>12,177</u>
	<u>\$ 18,412</u>	<u>\$ 28,100</u>	<u>\$ 46,512</u>

The interfund balances resulted from the time lag between the dates that payments between funds are made.

NOTE 6 - SHORT-TERM FINANCING

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

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2010, are as follows:

Type	Purpose	Rate (%)	Due Date	Beginning Balance	Proceeds	Payments	Ending Balance
BAN	Water Mains.....	1.35	2/23/2010	\$ -	\$ 189,210	\$ 189,210	\$ -
BAN	Water Mains.....	1.20	6/23/2010	-	189,210	189,210	-
BAN	Municipal purpose	1.34	12/23/2009	1,534,960	-	1,534,960	-
BAN	Water Mains.....	1.75	12/23/2009	519,453	-	519,453	-
Total governmental activities short-term debt.....				\$ 2,054,413	\$ 378,420	\$ 2,432,833	\$ -

Type	Purpose	Rate (%)	Due Date	Beginning Balance	Proceeds	Payments	Ending Balance
BAN	Sewer Mains.....	1.35	2/23/2010	\$ -	\$ 283,815	\$ 283,815	\$ -
BAN	Sewer Mains.....	1.20	6/23/2010	-	283,815	283,815	-
BAN	Sewer Mains.....	1.75	12/23/2009	770,845	-	770,845	-
Total business-type activities short-term debt.....				\$ 770,845	\$ 567,630	\$ 1,338,475	\$ -

NOTE 7 - LONG-TERM DEBT

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Municipal Purpose.....	5.18	\$ 100,000	\$ -	\$ 100,000	\$ -
Mass. Water Pollution Trust - Pool 4, Loan T5-97-1185.....	0.00	108,700	-	10,872	97,828
Municipal Purpose.....	4.79	185,000	-	100,000	85,000
Municipal Purpose - Public Safety Building.....	3.62	4,060,000	-	290,000	3,770,000
Municipal Purpose - School Construction.....	3.62	8,140,000	-	445,000	7,695,000
Municipal Purpose - Land Acquisition II.....	3.62	260,000	-	20,000	240,000
Municipal Purpose - Land Acquisition.....	3.62	130,000	-	10,000	120,000
Municipal Purpose - School Remodeling.....	3.94	110,000	-	10,000	100,000
Municipal Purpose - School Planning.....	3.94	75,000	-	5,000	70,000
Municipal Purpose - School Heating System.....	3.94	1,160,000	-	80,000	1,080,000
Municipal Purpose - Library.....	3.94	1,440,000	-	90,000	1,350,000
Municipal Purpose - Departmental Equipment I.....	3.94	220,000	-	20,000	200,000
Municipal Purpose - Departmental Equipment II.....	3.94	10,000	-	10,000	-
Municipal Purpose - Planning.....	3.94	5,000	-	5,000	-
Municipal Purpose - Parking Lot.....	3.94	40,000	-	15,000	25,000
Municipal Purpose - Landfill Closure.....	3.94	130,000	-	10,000	120,000
Municipal Purpose - Wastewater Planning.....	3.94	45,000	-	5,000	40,000
Mass. Water Pollution Trust - Series 14, Loan CW-06-08.....	2.00	335,000	-	14,873	320,127
Water Bond.....	4.38	1,153,000	-	12,335	1,140,665
Municipal Purpose - Ambulance.....	2.50	-	160,000	-	160,000
Municipal Purpose - Fire.....	2.50	-	550,000	-	550,000
Municipal Purpose - School.....	3.00	-	40,000	-	40,000
Municipal Purpose - School.....	3.00	-	49,000	-	49,000
Municipal Purpose - Public Works.....	2.50	-	110,000	-	110,000
Municipal Purpose - Public Works.....	2.50	-	100,000	-	100,000
Municipal Purpose - Athletic Facility.....	2.50	-	431,000	-	431,000
Municipal Purpose - Landfill Closure.....	2.50	-	75,000	-	75,000

Total governmental bonds and notes payable..... \$ 17,706,700 \$ 1,515,000 \$ 1,253,080 \$ 17,968,620

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

Fiscal Year	Principal	Interest	Total
2011.....	\$ 1,392,738	\$ 656,393	\$ 2,049,131
2012.....	1,308,584	618,095	1,926,679
2013.....	1,304,460	585,021	1,889,481
2014.....	1,300,368	522,354	1,822,722
2015.....	1,321,305	480,192	1,801,497
Thereafter...	<u>11,341,165</u>	<u>2,765,812</u>	<u>14,106,977</u>
Totals.....	<u>\$ 17,968,620</u>	<u>\$ 5,627,867</u>	<u>\$ 23,596,487</u>

The General Fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for interest costs totaling \$30,567. Thus, net MWPAT loan repayments, including interest, are schedule to be \$97,828. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The fiscal year 2010 interest subsidy totaled \$4,709.

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Mass. Water Pollution Trust - Pool 3, Loan CW-95-21.....	1.80	\$ 76,975	\$ -	\$ 8,679	\$ 68,296
Mass. Water Pollution Trust - Pool 5, Loan CW-98-70.....	1.83	244,071	-	19,071	225,000
Mass. Water Pollution Trust - Pool 7, Loan CW-00-39.....	various	1,446,107	-	101,149	1,344,958
Mass. Water Pollution Trust - Pool 9, Loan CW-00-39-A.....	various	5,131,951	-	273,056	4,858,895
Mass. Water Pollution Trust - Pool 13, Loan CW-00-39-B....	0.00	82,757	-	6,366	76,391
Mass. Water Pollution Trust - Pool 13, Loan CW-00-39-C....	0.00	372,966	-	24,864	348,102
Mass. Water Pollution Trust - Pool 13, Loan CW-00-39-D....	0.00	268,178	-	14,115	254,063
Municipal Purpose - Sewer Construction.....	3.62	420,000	-	30,000	390,000
Municipal Purpose - Sewer Construction.....	3.94	335,000	-	25,000	310,000
Municipal Purpose - Sewer Construction.....	3.94	320,000	-	20,000	300,000
Municipal Purpose - Sewer Construction.....	3.94	755,000	-	55,000	700,000
Municipal Purpose - Sewer Construction.....	3.94	620,000	-	35,000	585,000
Sewer Bond.....	4.38	1,711,000	-	18,308	1,692,692
Total Sewer Enterprise bonds and notes payable.....		\$ 11,784,005	\$ -	\$ 630,608	\$ 11,153,397

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

Fiscal Year	Principal	Interest	Total
2011.....	\$ 631,286	\$ 495,606	\$ 1,126,892
2012.....	649,904	470,140	1,120,044
2013.....	651,379	436,542	1,087,921
2014.....	668,067	404,484	1,072,551
2015.....	687,723	373,971	1,061,694
Thereafter...	7,865,038	2,656,524	10,521,562
Totals.....	\$ 11,153,397	\$ 4,837,267	\$ 15,990,664

The Sewer Enterprise Fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,601,676 and interest costs for \$1,795,261. Thus, net MWPAT loan repayments, including interest, are schedule to be \$5,712,611. The principal subsidies are guaranteed and therefore a \$1,601,676 intergovernmental receivable has been reported in the proprietary fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The fiscal year 2010 principal and interest subsidies totaled \$76,868 and \$255,476, respectively.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. Approximately \$6,488,000 will be received in future fiscal years. Of this amount, approximately \$1,189,000 represents reimbursement of long-term interest costs, and approximately \$5,407,000 represents reimbursement of approved construction costs. Accordingly, a \$5,407,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2010, the Town had the following authorized and unissued debt.

Sewer construction.....	\$	284,264
Heating system renovations.....		125,000
School building heating.....		56,550
Sewer construction.....		28,708
Water and wastewater rural development.....		<u>1,290,298</u>
 Total.....	\$	<u><u>1,784,820</u></u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Long-term bonds and notes.....	\$ 17,706,700	\$ 1,515,000	\$ (1,253,080)	\$ 17,968,620	\$ 1,392,738
Other postemployment benefits.....	3,011,000	4,540,000	(1,255,000)	6,296,000	-
Landfill closure.....	289,000	-	(17,000)	272,000	17,000
Compensated absences.....	<u>229,000</u>	<u>122,000</u>	<u>(133,000)</u>	<u>218,000</u>	<u>143,000</u>
Total governmental.....	\$ <u><u>21,235,700</u></u>	\$ <u><u>6,177,000</u></u>	\$ <u><u>(2,658,080)</u></u>	\$ <u><u>24,754,620</u></u>	\$ <u><u>1,552,738</u></u>
Business-Type Activities:					
Long-term bonds and notes.....	\$ 11,784,005	\$ -	\$ (630,608)	\$ 11,153,397	\$ 631,286
Other postemployment benefits.....	<u>25,000</u>	<u>24,000</u>	<u>(8,000)</u>	<u>41,000</u>	<u>-</u>
Total business-type.....	\$ <u><u>11,809,005</u></u>	\$ <u><u>24,000</u></u>	\$ <u><u>(638,608)</u></u>	\$ <u><u>11,194,397</u></u>	\$ <u><u>631,286</u></u>

NOTE 8 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town also administers premium-based health, workers' compensation and other insurance plans for its employees. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

NOTE 9 - PENSION PLAN

Plan Description - The Town contributes to the Worcester Regional Retirement System (the System), a cost sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. School teachers and certain administrators are members of the Commonwealth of Massachusetts' Teachers Retirement System, to which the District does not contribute. All pension benefits and expenses paid by the Teachers Retirement System are funded by the Commonwealth of Massachusetts (Commonwealth). The amounts of these on-behalf payments totaled \$2,962,028 for the fiscal year ended June 30, 2010 and, accordingly, are reported in the general fund as intergovernmental revenues and pension benefits.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth. Cost-of-living adjustments granted after 1997 must be approved by the System and are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 455 Main Street, Worcester, Massachusetts 01608.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution, which is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the fiscal years ended June 30, 2010, 2009 and 2008 totaled \$528,137, \$493,121, and \$438,971, respectively, which equaled its required contribution for each fiscal year.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Lunenburg administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. In general, the retirees and their spouses not eligible for Medicare pay 20% of the cost of coverage, retirees and their spouses eligible for Medicare pay either 20% or 50% of the cost of coverage based on which plan they enroll in. The Town covers the remaining percentage based on what plan members are enrolled in. For fiscal year 2010, the Town contributed \$1.3 million to the plan.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Normal cost.....	\$	1,699,000
Amortization of unfunded actuarial accrued liability.....		2,910,000
Interest on net OPEB obligation.....		152,000
Adjustment to annual required contribution.....		<u>(197,000)</u>
Annual OPEB cost (expense).....		4,564,000
Contributions made.....		<u>1,263,000</u>
Increase in net OPEB obligation.....		3,301,000
Net OPEB obligation--beginning of year.....		<u>3,036,000</u>
Net OPEB obligation--end of year.....	\$	<u><u>6,337,000</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 4,564,000	28%	\$ 6,337,000
6/30/2009	4,182,000	28%	3,036,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$40,584,000 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$13,909,371, and the ratio of the UAAL to the covered payroll was 291.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements,

presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10.5% initially, grading down to 5% in 2014 and thereafter. The UAAL is being amortized over a 30 year period. The remaining amortization period at June 30, 2010 is 28 years.

NOTE 11 - CONTINGENCIES

The Town participates in a number of Federal award programs. These programs are 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 the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2010.

NOTE 12 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to construct a final capping system on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town closed its landfill in fiscal 1995. The Town has reflected a \$272,000 post-closure care liability at June 30, 2010 as an obligation of the governmental activities. This amount is based upon estimates of what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Its cost was estimated based on semi-annual sampling for the current monitoring network at the site and estimated costs to maintain the integrity of the landfill cap during the post-closure period.

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2010, the following GASB pronouncements were implemented:

- The GASB issued Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The standards in this statement permit an agent employer that has an individual employer OPEB plan with fewer than 100 members to use an alternative measurement method to produce actuarially based information for purposes of financial reporting, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Management elected to implement this standard early and this standard did not impact the basic financial statements.

- The GASB issued Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The standards in this statement provide guidance for bankrupt state and local governments by establishing requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities and for classifying changes in those items and related costs. Management elected to implement this standard early and this standard did not impact the basic financial statements..

Other Future GASB Pronouncements:

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this GASB will require additional disclosure and will impact the basic financial statements.

The GASB issued Statement #59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 17,285,714	\$ 17,285,714	\$ 17,103,441
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,130,500	1,130,500	1,130,500
Penalties and interest on taxes.....	-	80,000	80,000	80,000
Fees and rentals.....	-	591,000	591,000	591,000
Payments in lieu of taxes.....	-	1,600	1,600	1,600
Licenses and permits.....	-	160,000	160,000	160,000
Fines and forfeitures.....	-	65,000	65,000	65,000
Intergovernmental.....	-	6,189,576	6,189,576	6,189,576
Special assessments.....	-	88,781	88,781	88,781
Investment income.....	-	130,000	130,000	130,000
TOTAL REVENUES.....	-	25,722,171	25,722,171	25,539,898
EXPENDITURES:				
Current:				
General government.....	36,443	1,626,516	1,662,959	1,581,946
Public safety.....	81,799	2,230,587	2,312,386	2,336,606
Education.....	107,058	15,218,747	15,325,805	15,190,355
Public works.....	12,525	990,946	1,003,471	1,090,025
Human services.....	150	171,171	171,321	164,077
Culture and recreation.....	-	408,379	408,379	371,189
Pension benefits.....	-	528,137	528,137	528,137
Property and liability insurance.....	434	140,000	140,434	143,696
Employee benefits.....	-	1,848,109	1,848,109	1,848,355
State and county charges.....	-	706,061	706,061	706,061
Debt service:				
Principal.....	-	1,202,479	1,202,479	1,253,084
Interest.....	-	627,598	627,598	734,040
TOTAL EXPENDITURES.....	238,409	25,698,730	25,937,139	25,947,571
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(238,409)	23,441	(214,968)	(407,673)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	80,427	80,427	80,427
Transfers out.....	-	(114,559)	(114,559)	(114,559)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(34,132)	(34,132)	(34,132)
NET CHANGE IN FUND BALANCE.....	(238,409)	(10,691)	(249,100)	(441,805)
BUDGETARY FUND BALANCE, Beginning of year.....	-	866,845	866,845	866,845
BUDGETARY FUND BALANCE, End of year.....	\$ (238,409)	\$ 856,154	\$ 617,745	\$ 425,040

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 17,350,984	\$ -	\$ 247,543
149,973	-	149,973
1,171,217	-	40,717
146,444	-	66,444
431,698	-	(159,302)
1,598	-	(2)
386,577	-	226,577
57,818	-	(7,182)
6,422,289	-	232,713
81,334	-	(7,447)
35,858	-	(94,142)
<u>26,235,790</u>	<u>-</u>	<u>695,892</u>
1,552,183	22,047	7,716
2,336,606	-	-
14,984,694	186,218	19,443
1,120,739	20,381	(51,095)
162,940	1,137	-
371,189	-	-
528,137	-	-
143,696	-	-
1,844,355	4,000	-
700,463	-	5,598
1,253,080	4	-
734,040	-	-
<u>25,732,122</u>	<u>233,787</u>	<u>(18,338)</u>
<u>503,668</u>	<u>(233,787)</u>	<u>677,554</u>
80,427	-	-
(114,559)	-	-
<u>(34,132)</u>	<u>-</u>	<u>-</u>
469,536	(233,787)	677,554
<u>866,845</u>	<u>-</u>	<u>-</u>
<u>\$ 1,336,381</u>	<u>\$ (233,787)</u>	<u>\$ 677,554</u>

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Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

WORCESTER COUNTY REGIONAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/07	\$ 389,758,785	\$ 692,768,325	\$ 303,009,540	56.3%	\$ 211,518,755	143.3%
01/01/04	350,879,900	552,773,549	201,893,649	63.5%	170,669,442	118.3%
01/01/01	316,389,108	426,280,953	109,891,845	74.2%	145,000,347	75.8%
01/01/99	248,967,040	374,455,997	125,488,957	66.5%	119,857,640	104.7%
01/01/98	240,982,371	394,330,873	153,348,502	61.1%	134,803,954	113.8%
01/01/97	174,065,213	291,956,757	117,891,544	59.6%	111,270,545	106.0%

The Town's share of the UAAL, as of January 1, 2007, is approximately 2%.

See notes to required supplementary information.

WORCESTER COUNTY REGIONAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	System Wide			Town of Lunenburg	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2010	\$ 28,800,000	\$ 28,800,000	100%	\$ 528,137	1.83%
2009	26,400,000	26,400,000	100%	493,121	1.87%
2008	22,998,000	22,998,000	100%	438,971	1.91%
2007	21,983,000	21,983,000	100%	435,584	1.98%
2006	21,013,000	21,013,000	100%	442,008	2.10%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

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Other Postemployment Benefit Plan Schedules

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, over time, the actuarial required contribution with the actual contributions made.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2008	\$ -	\$ 40,584,000	\$ 40,584,000	0%	\$ 13,909,371	291.8%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2010	\$ 4,564,000	\$ 1,263,000	28%
2009	4,182,000	1,146,000	27%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009.
Information for prior years is not available.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2008
Actuarial cost method.....	Entry Age Normal Cost Method
Amortization method.....	30 year level amortization
Remaining amortization period.....	29 years as of July 1, 2009

Actuarial Assumptions:

Investment rate of return.....	5.0%, pay-as-you-go scenario
Medical/drug cost trend rate.....	10.5%, grading down to 5.0% in year 2014 and thereafter

Plan Membership:

Current retirees, beneficiaries, and dependents..	198
Current active members.....	<u>301</u>
Total.....	<u><u>499</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved by Town Meeting. The Board and Finance Committee present an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any individual line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

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

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget for the General Fund authorized approximately \$26.1 million in appropriations and other amounts to be raised. During fiscal year 2010, Town Meeting approved additional appropriations totaling approximately \$10,000.

The Town Accountant’s office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) 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, 2010, is presented below:

Net change in fund balance - budgetary basis.....	\$ 469,536
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	(260,913)
Net change in recording accounts payable.....	25,587
Recognition of revenue for on-behalf payments.....	2,962,028
Recognition of expenditures for on-behalf payments.....	<u>(2,962,028)</u>
Net change in fund balance - gaap basis.....	<u>\$ 234,210</u>

3. Excess of Expenditures over Appropriations

For the fiscal year ending June 30, 2010, snow and ice removal expenditures exceeded appropriations. These over-expenditures will be funded on the subsequent years’ tax levy.

NOTE B – PENSION PLAN

The Town contributes to the Worcester Regional Contributory Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Worcester Regional Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date..... January 1, 2007
 Actuarial Cost Method..... Entry Age Normal Cost Method
 Amortization Method..... Increasing at 4.5% per year, level dollar for ERI liability for certain units
 Remaining Amortization Period..... 20 years remaining as of July 1, 2008
 Asset Valuation Method..... The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.5%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 10%.

Actuarial Assumptions:

Investment rate of return..... 8.5%
 Projected salary increases..... 4.0%
 Cost of living adjustments..... 3.0% of the lesser of the pension amount and \$12,000 per year.

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,686
Inactive participants.....	2,155
Disabled.....	201
Active participants.....	<u>6,610</u>
Total.....	<u><u>11,652</u></u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since this is the Town’s initial year of implementation of GASB Statement 45, information for prior years is not available.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.