

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

.....
Issuer's and/or Other Obligated Person's Name: _____

CUSIP Numbers (attach additional sheet if necessary):

Nine-digit number(s) to which the information relates: _____

Information relates to **all securities** issued by the issuer having the following six-digit number(s): _____

.....
Number of pages of attached information: _____

Description of Material Event Notice / Financial Information (Check One):

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes
12. Failure to provide annual financial information as required
13. Other material event notice (specify)
- *14. Financial information: Please check all appropriate boxes:

CAFR (a)	includes	does not include	Annual Financial Information	
(b)	Audited?	Yes	No	

Annual Financial Information:	Audited?	Yes	No
Operating Data			

Fiscal Period Covered: _____

*Financial information **should not** be filed with the MSRB

.....
I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

UniBank Fiscal Advisory Services, Inc.
49 Church Street
Whitinsville, MA 01588
(508) 234-8112

THE TOWN OF LUNENBURG, MASSACHUSETTS

Lunenburg, incorporated in 1728, is governed by the open town meeting form of government. Occupying a land area of approximately 26.4 square miles, the Town is located in north central Massachusetts approximately 43 miles from Boston, it is bordered on the west by the Town of Ashby and the City of Fitchburg, on the south by the Town of Lancaster and the City of Leominster, on the east by the Town of Shirley, and on the north by the Town of Townsend.

GOVERNING BODIES AND OFFICERS

Local legislative decisions are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by town meeting, the affairs of the Town are generally administered by a board of five selectmen and a Chief Administrator and Finance Officer. Local school affairs are administered by an elected school committee of seven persons while local taxes are assessed by a board of three assessors all appointed on an at-large basis for staggered three-year terms.

The following is a list of the principal executive officers:

Title	Name	Manner of Selection	Length of Term	Expiration of Term
Chrm Board of Selectmen	Thomas Alonzo	Elected	3 Years	2011
Selectman	Thomas J. Mason	Elected	3 Years	2010
Selectman	Steven M. deBetencourt	Elected	3 Years	2010
Selectman	David Matthews	Elected	3 Years	2011
Selectman	Paula Bertram	Elected	3 Years	2009
Chief Administrative and Financial Officer	Kerry Speidel	Appointed	3 Years	2010
Town Accountant	Karen M. Brochu	Appointed	5 Years	2011
Treasurer/Tax Collector	Julie Dell'Anna	Appointed	1 Years	2010
Town Clerk	Kathryn M. Herrick	Appointed	3 Years	2010
Town Counsel	Kopelman & Paige P.C.	Appointed	Indefinite	Indefinite

SERVICES

The Town provides general governmental services for the territory within its boundaries including police and fire protection, public education in grades pre-school through 12, a library, streets, parks and recreations. A majority of Town residents have private septic systems and one small area of Town is serviced by the Fitchburg system. The Lunenburg Water District provides water service to approximately 75% of the Town, the remaining 25% have private wells.

Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of its general obligation notes. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the

county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county governments in other counties.

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

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

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

DEBT LIMITS

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

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

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

TYPES OF OBLIGATIONS

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

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects and certain community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds

supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

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

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

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

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

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

DEBT (1)

The following shows the direct debt outstanding as of March 15, 2009:

Long-Term Indebtedness (2)

Within the general debt limit:		
Sewers & Drains	\$ 7,828,935	
Land Acquisition	600,000	
Schools	9,920,000	
Other Building	5,790,000	
Streets Sidewalks & Parking	40,000	
Departmental Equipment	234,183	
Architectural & Engineering Services	<u>249,071</u>	
Total Within the General Debt Limit		<u>\$24,662,189</u>
Outside the general debt limit:		
Sewers	\$ 2,075,000	
Other Outside General	<u>334,517</u>	
Total Outside the General Debt Limit		<u>\$ 2,409,517</u>
Total Long-Term Indebtedness (3)		<u>\$27,071,706</u>
Temporary Loans in anticipation of:		
Revenue	0	
Bonds	5,689,258	
Grants	<u>0</u>	
Total Temporary Loans		<u>\$ 5,689,258</u>
Total Direct Debt		<u>\$32,760,964</u>

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

(2) At the present time the normal General Debt Limit is \$67,247,160 and the Double General Debt Limit is \$134,494,320.

(3) \$15,628,700 has been exempted from the provisions of Proposition 2 1/2.

Authorized Unissued Debt and Prospective Financing

The Town has the following authorized unissued debt:

	<u>Amount</u>	<u>Purpose</u>
Article 2, STM 2001	\$ 284,264	Sewer Construction
Article 4, ATM 2005	28,708	Sewer Construction
Article 13, ATM 2005	94,000	Sewer Construction
Article 5, STM 2002	125,000	Building Renovations
Article 4, ATM 2003	56,550	School Heating System
Article 3, STM 2005	200,000	Wastewater Management Plan
Article 16, ATM 2006	4,154,298	Water & Sewer Construction
Article 15, ATM 2006	450,000	Track & Field
Article 19, STM 2006	41,000	Wastewater Management
Article 8, ATM 2007	760,000	Departmental Equipment
Article 13, ATM 2007	75,000	Landfill Closure
Article 9, ATM 2008	<u>249,960</u>	Departmental Equipment
	<u>\$6,518,780</u>	

FIVE YEARS OUTSTANDING DEBT (1)

	As of June 30				
	2008	2007	2006	2005	2004
Within the General Debt Limit					
Sewers & Drains	\$ 8,249,190	\$ 7,881,677	\$ 8,277,284	\$ 9,055,648	\$ 9,459,849
Land Acquisition	695,000	800,000	910,000	1,020,000	1,190,000
Schools	10,020,000	10,550,000	11,065,000	11,569,000	10,230,000
Other Building	5,914,988	6,300,114	6,719,871	7,139,628	5,669,385
Streets Sidewalks & Parking	55,000	75,000	10,000	15,000	25,000
Departmental Equipment	280,020	376,560	123,469	175,378	247,287
Architectural & Engineering Services	277,656	305,771	298,387	315,582	332,441
Total Within the General Debt Limit	25,491,854	26,289,122	27,404,011	29,290,236	27,153,962
Outside the General Debt Limit					
Sewers	\$ 2,210,000	\$ 2,345,000	\$ 410,000	\$ 439,000	\$ 0
Other Outside General	419,564	493,770	407,976	472,182	536,388
Total Outside the General Debt Limit	2,629,564	2,838,770	817,976	911,182	536,388
Total Long-Term Indebtedness	\$28,121,418	\$29,127,892	\$28,221,987	\$30,201,418	\$27,690,350

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

Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	2008	2007	2006	2005	2004
Amount (1)	\$28,121,418	\$29,127,892	\$28,221,987	\$30,201,418	\$27,690,350
Per Capita (2)	\$2,827	\$2,928	\$2,840	\$3,037	\$2,792
Percent of Assessed Valuation (3)	2.13%	2.27%	2.22%	2.74%	2.78%
Percent of Equalized Valuation (4)	2.09%	2.17%	2.62%	2.80%	3.38%
Per Capita as a percent of					
Personal Income (2) per capita	10.48%	10.85%	10.52%	11.25%	10.35%

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

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

(3) Source: Board of Assessors - Assessed valuation as of the prior January 1.

(4) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations

are established for January 1 of each even-numbered year).

Annual Debt Service (1)

Fiscal Year	Outstanding as of 3/15/09		Total Debt Service	Cumulative
	Principal (2)	Interest (2)		% Principal Retired
2009	\$ 780,000	\$ 275,900	\$ 1,055,900	2.9%
2010	1,838,172	1,079,730	2,917,902	9.7
2011	1,728,048	1,012,363	2,740,411	16.1
2012	1,670,831	950,269	2,621,100	22.2
2013	1,681,434	885,338	2,566,772	28.4
2014	1,717,211	794,230	2,511,441	34.8
2015	1,755,912	721,449	2,477,361	41.3
2016	1,790,629	644,222	2,434,851	47.9
2017	1,815,146	566,197	2,381,343	54.6
2018	1,848,399	483,175	2,331,574	61.4
2019	1,887,600	401,046	2,288,646	68.4
2020	1,920,636	322,880	2,243,516	75.5
2021	1,930,045	246,958	2,177,003	82.6
2022	1,830,230	170,292	2,000,522	89.4
2023	1,828,274	94,259	1,922,533	96.1
2024	772,683	18,065	790,748	99.0
2025	234,114	6,795	240,909	99.8
2026	14,114	0	14,114	99.9
2027	14,114	0	14,114	99.9
2028	14,114	0	14,114	100.0%
Total	\$27,071,706	\$8,673,168	\$35,744,873	

(1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Principal totaling \$15,628,700 and interest totaling \$4,995,363 has been exempted from the provisions of Proposition 2 1/2.

Revenue Anticipation Borrowing

The Town has not borrowed in anticipation of revenue in the last five fiscal years.

CONTRACTS

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

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

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has a limited number of such contracts; one being for school bus transportation, extending through June 25, 2009 at an annual cost of \$500,676.

OVERLAPPING DEBT

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

	Outstanding 3/15/09	Authorized Unissued 3/15/09	Assessment for Operations & Debt Service FY 2009
Montachusett Regional Vocational Technical School District (2)	\$9,925,000	\$0	\$565,210

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

(2) Source: Montachusett Regional Vocational Technical School District. Debt is as of March 15, 2009. Towns may organize regional school districts to carry out general or specialized educational functions. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts. The other members of the District are the Towns of Ashby, Barre, Harvard, Hubbardston, Lunenburg, Royalston, Sterling and the Cities of Fitchburg and Gardner.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is

periodically reviewed and approved by PERAC. Each system’s retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under legislation enacted in 2003, cities and towns that accepted its provisions and that obtained certain state approvals therefor could, within limits, reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations were required to revise their retirement system funding schedule for eliminating their unfunded pension liability and could extend such schedule by one year, provided that in no event may such funding schedule extend beyond June 30, 2028.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the “PRIT Fund”), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

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

The Town participates in the Worcester Regional Retirement System. The annual contributions to the retirement system for the most recent years are set forth below:

<u>Fiscal Year</u>	<u>Total</u>
2009	\$493,121
2008	438,971
2007	435,584
2006	442,008
2005	369,912

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

As of January 1, 2007, the unfunded actuarial accrued liability of the Worcester Regional Retirement System was calculated at \$303,009,540.

(1) Source: Commonwealth of Massachusetts Retirement Law Commission report.

Other Post-Employment Benefits. In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis.

The pay-as-you-go cost to the Town for such benefits in recent years are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2009 (projected)	\$1,045,030
2008	978,578
2007	945,413
2006	682,474
2005	642,236

The Governmental Accounting Standards Board (“GASB”) recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Town is required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town has not yet performed an actuarial valuation of its non-pension, post-employment benefit liability. It has appropriated the necessary funds and expects to complete the valuation in time to satisfy the new GASB reporting requirements.

PROPERTY TAXATION

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

Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

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

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

VALUATIONS

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

	For Fiscal Year				
	2009	2008	2007	2006	2005
Real Property(2)	\$1,274,506,600	\$1,303,419,400	\$1,268,222,700	\$1,253,423,300	\$1,088,154,400
Personal Property(2)	22,670,064	19,252,440	17,725,200	17,031,900	15,868,000
Total	\$1,297,176,664	\$1,322,671,840	\$1,285,947,900	\$1,270,455,200	\$1,104,022,400
Equalized Value(3)	\$1,446,399,700	\$1,344,943,200	\$1,344,943,200	\$1,077,373,000	\$1,077,373,000
Percent of Total Assessed to Equalized Valuation	89.7%	98.3%	95.6%	117.9%	102.5%

(1) Source: Massachusetts Department of Revenue.

Classification of Property

The following table shows the breakdown of the total assessed valuation for fiscal years 2009 through 2007 by classification:

Type of Property	Fiscal 2009	% of Total	Fiscal 2008	% of Total	Fiscal 2007	% of Total
	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation
Residential	\$1,177,626,000	90.8%	\$1,217,975,700	92.1%	\$1,186,935,300	92.3%
Open Space	\$0	0.0	\$0	0.0	\$32,700	0.0
Commercial	74,160,900	5.7	\$64,418,400	4.9	62,230,700	4.8
Industrial	22,719,700	1.8	\$21,025,300	1.6	19,024,000	1.5
Personal	22,670,064	1.8	\$19,252,440	1.5	17,725,200	1.4
Total	\$1,297,176,664	100.0%	\$1,322,671,840	100.0%	\$1,285,947,900	100.0%

Tax Rates

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

<u>Fiscal Year</u>	<u>Actual Tax Rate</u>	<u>Estimated Full Value Tax Rate</u>
2009	\$13.04	\$11.69
2008	12.23	12.03
2007	12.13	11.60
2006	12.41	14.63
2005	13.34	13.67

Largest Taxpayers (1)

The following is a list of the ten largest taxpayers for fiscal 2009 (1):

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2009</u>		
		<u>Assessed Valuation</u>	<u>Amount of Tax</u>	<u>% of Total Levy</u>
Keating Trust	Sand & Gravel Quarry	\$12,666,300	\$165,169	0.98%
Galileo CMBS T1 IG LLC	Shopping Center	10,885,600	141,948	0.84
Callahan Finance, LLC	Developable Land – Former Whalom Amusement Park	3,846,800	50,162	0.30
A & D Crossroads	Shopping Center	3,300,600	43,040	0.25
Howard J. Hall & Richard Harvey	Industrial	2,627,200	34,259	0.20
140 Lburg, LLC	Industrial	2,513,000	32,770	0.19
Lunenburg Village Realty	Retail and Office	2,129,100	27,763	0.16
Lanni Orchards	Farm Stand	1,457,300	19,003	0.11
Dietrich Industrials	Industrial	1,449,000	18,895	0.11
JB & MB Realty, Inc.	Golf Course	1,414,100	18,440	0.11
		<u>\$42,289,000</u>	<u>\$551,449</u>	<u>3.26%</u>

(1) All of the largest taxpayers are current in their real estate and personal property tax payments.

TAX LEVIES

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

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of

the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

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

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

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

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

Tax Limitations. Chapter 59, Section 21C of the General Laws, known as "Proposition 2 1/2", imposes two separate limits on the annual tax levy of a city or town.

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

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

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

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

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

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

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

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

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

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

CALCULATION OF TAX LEVIES AND LEVY LIMITS

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

	For Fiscal Year				
	2009	2008	2007	2006	2005
Gross Amount to be Raised:					
Appropriations	\$26,988,781	\$26,646,997	\$25,065,006	\$24,373,994	\$21,190,933
Other Local Expenditures	1,020,239	1,021,396	1,060,221	978,451	902,242
State & County Charges	800,796	682,354	821,305	691,105	775,017
Overlay Reserve	97,988	129,270	95,753	97,981	134,938
Total Gross Amount to be Raised	\$28,907,805	\$28,480,017	\$27,042,285	\$26,141,531	\$23,003,130
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State	\$7,224,947	\$7,124,506	\$6,717,719	\$5,370,530	\$5,233,166
Estimated Receipts - Local	4,133,741	4,008,148	3,525,460	3,329,432	2,857,246
Available Funds Appropriated:					
Free Cash	406,074	791,764	1,046,024	1,133,125	0
Other Available Funds	191,644	325,000	82,104	451,556	76,412
Free Cash & Other Revenue Used to Reduce the Tax Rate	36,215	54,323	72,431	90,539	108,647
Total Estimated Receipts & Revenue	\$11,992,621	\$12,303,741	\$11,443,738	\$10,375,182	\$8,275,471
Net Amount to be Raised (Tax Levy)	\$16,915,184	\$16,176,276	\$15,598,547	\$15,766,349	\$14,727,659

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

	For Fiscal Year				
	2009	2008	2007	2006	2005
Primary Levy Limit (2)	\$32,429,417	\$33,066,796	\$32,148,698	\$31,761,380	\$27,600,560
Prior Fiscal Year Levy Limit	15,368,583	14,787,169	14,138,629	13,476,239	12,705,882
2.5% Levy Growth	384,215	369,679	353,466	336,906	317,647
New Growth (3)	138,168	211,735	295,074	325,484	452,710
Overrides		0	0	0	0
Growth Levy Limit	15,890,966	15,368,583	14,787,169	14,138,629	13,476,239
Debt Exclusions	1,036,977	808,948	814,209	1,631,225	1,473,527
Tax Levy Limit	16,927,943	16,177,531	15,601,378	15,769,854	14,949,766
Tax Levy	16,915,184	16,176,277	15,598,548	15,766,349	14,727,659
Unused Levy Capacity (4)	12,759	1,254	2,830	3,505	222,107
Unused Primary Levy Capacity (5)	\$16,538,451	\$17,698,213	\$17,361,529	\$17,622,751	\$14,124,321

(1) 2.5% of assessed valuation

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

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy limit less Growth Levy Limit.

(5) Recalculated due to certification of retroactive growth.

TAX COLLECTIONS & ABATEMENTS

Payment Dates. The taxes for each fiscal year are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless the city or town accepts a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 per cent per annum. The Town has voted to implement quarterly tax billing.

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

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

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each fiscal year and as of a more recent date for the current and most recent fiscal years:

	For Fiscal Year				
	2009	2008	2007	2006	2005
Total Tax Levy	\$16,915,184	\$16,176,277	\$15,598,548	\$15,766,349	\$14,727,659
Overlay Reserve for Abatements	97,988	129,270	95,753	97,981	134,938
Net Tax Levy(1)	<u>\$16,817,196</u>	<u>\$16,047,006</u>	<u>\$15,502,795</u>	<u>\$15,668,368</u>	<u>\$14,592,721</u>
Amount Collected					
During Fiscal Year Payable(2)	N/A	\$15,677,441	\$15,465,635	\$15,554,732	\$14,474,330
Percent of Net Tax Levy	N/A	97.70%	99.76%	99.3%	99.2%

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

(2) Actual collections of levy less refunds and amounts refundable but including proceeds of tax titles and tax possessions attributed to such levy but not including abatements or other credits.

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

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

The following shows the abatements granted during the fiscal year for the current and most recent fiscal years:

	For Fiscal Year				
	2009	2008	2007	2006	2005
Tax Levy(1)	\$16,915,184	\$16,176,277	\$15,598,548	\$15,766,349	\$14,727,659
Overlay Reserve for Abatements(1)	97,988	129,270	95,753	97,981	134,938
Percent of Tax Levy Abatements Granted:					
During Fiscal Year of Levy	N/A	\$111,909	\$120,927	\$76,369	\$92,283

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

Sale of Tax Receivables. Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

Taxes Outstanding

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

	For Fiscal Year				
	2008	2007	2006	2005	2004
Tax Titles and Possessions	\$457,568	\$60,281	\$169,430	\$332,215	\$523,864

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

TOWN FINANCES

Budget and Appropriation Process

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

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

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

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. From fiscal 1994 to the present, the Town’s net school spending has exceeded the minimum required local contribution.

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

Budget Comparison

The following table sets forth the budgets for fiscal years 2005-2009:

Department	For Fiscal Year				
	2009	2008	2007	2006	2004
General Government	\$3,493,101	\$3,504,785	\$3,307,215	\$3,021,504	\$2,590,131
Public Safety	2,293,638	2,150,667	1,936,592	1,821,828	1,495,521
Human Services	194,751	156,661	147,111	141,806	125,090
Education	15,318,628	14,843,711	14,223,184	13,547,000	12,785,343
Public Works	1,203,937	1,123,101	1,175,909	1,110,293	1,152,327
Debt Service	2,673,404	2,661,405	2,421,862	2,450,707	2,115,632
Library	329,867	299,767	263,108	243,822	188,122
Total	\$25,507,326	\$24,740,097	\$23,474,981	\$22,336,960	\$20,452,166

STATE AID

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

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

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher’s summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule. ***The Town did not adopt this legislation.***

The following table sets forth the amount of State aid to the Town in recent years:

Fiscal Year	Total From State Government
2008	\$6,296,172
2007	5,913,294
2006	5,370,530
2005	5,233,166
2004	5,068,502

For fiscal 2009, the Town’s initial state aid estimate, upon which it based its operating budget, was \$6,638,386. On January 28, 2009, Massachusetts Governor Deval Patrick announced mid-year reductions in state aid for most communities, including Lunenburg, in response to growing fiscal pressures on the Commonwealth of Massachusetts. The Town’s reduction, which will be in its Lottery aid, will total \$128,253. As of this date, the Town is considering budgetary reductions and reserve allocations to respond to this revenue reduction, but has not formally implemented either.

State School Building Assistance Program

Under its school building assistance program, The Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education’s project priority list awaiting approval of a grant.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the “Authority”) to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality. In most cases, the receipt of these progress payments from the Authority eliminates the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs.

Grant applications for new projects may not be submitted to the Authority until July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. The Authority recently promulgated new regulations with respect to the application and approval process for new projects. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

MOTOR VEHICLE EXCISE

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

The following table shows the actual motor vehicle receipts in each of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2008	\$1,274,893
2007	1,332,505
2006	1,165,973
2005	1,250,938
2004	1,209,513

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

UNDESIGNATED GENERAL FUND BALANCE AND FREE CASH

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

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

<u>July 1,</u>	<u>Undesignated</u>	<u>Free Cash</u>
2008 (unaudited)	\$1,184,487	NA
2007	2,217,091	856,875
2006	2,782,098	1,387,662
2005	757,832	NA
2004	1,501,744	1,133,125

STABILIZATION FUND

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes funds may be appropriated from the Fund for any municipal purpose by a two thirds vote of the town meeting.

The Town had a balance of \$1,584,505 in the fund as of June 30, 2008, \$1,426,968 as of June 30, 2007 and \$890,473 as of June 30, 2006.

COMMUNITY PRESERVATION ACT

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

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "Property Tax" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain

recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town has not accepted the provisions of the CPA.

INVESTMENTS

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

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

Trust funds, unless otherwise provided by the donor, may be invested in accordance with section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems. (See pages 30-31 of the audited financial statements for June 30, 2006 in Appendix B for additional information regarding the Town's investments.)

COLLECTIVE BARGAINING

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

The Town has approximately 597 full and part-time permanent employees of whom approximately 50 per cent belong to unions or other collective bargaining groups as follows:

<u>Department</u>	<u>Union</u>	<u>Number of People</u>	<u>Contract Expires (1)</u>
School	Teachers	136	06/30/09
School Secretaries	Secretaries	9	06/30/10
School	Tutors & Aides	69	06/30/09
School	Custodians	13	06/30/09
Café School	Cafeteria Workers	20	06/30/10
School	Nurses	4	06/30/09
Police Officers	IBPO	12	06/30/08
Fire	Dispatchers	4	06/30/10
DPW	DPW Workers	8	06/30/09
DPW	Middle Managers	4	06/30/10
Town	Clerical	20	06/30/08
Fire	Firefighters	<u>3</u>	06/30/08
		302	

(1) Expired contracts under negotiation.

PHYSICAL AND ECONOMIC CHARACTERISTICS

Principal Employers (1)

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

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Current Employees</u>
PJ Keating	Industrial	225
Walmart	Retail Store	202
Tradex Corporation	Manufacturing	95
Ecological Fibers	Manufacturing	80
Maki Home Center	Building Supplies	65
Hannaford	Grocery Store	45

(1) Source: The Town as of March 2009.

Employment by Industry

Calendar Year Average

	2007	2006	2005	2004	2003
Construction & Natural Resources	347	356	384	357	330
Manufacturing	110	103	93	137	159
Trade, Transportation & Utilities	937	960	935	946	946
Financial Activities	45	46	48	48	56
Professional & Business Services	134	125	114	107	102
Education & Health Services	66	68	71	72	68
Leisure & Hospitality	273	276	195	159	188
Information & Other Services	48	45	54	60	159
Total Employment	1,960	1,979	1,894	1,886	2,008
Number of Establishments	235	232	225	235	229
Total Annual Wage (000)	\$92,215	\$90,263	\$83,535	\$79,402	\$78,402
Average Weekly Wage	\$724	\$701	\$675	\$651	\$619

Building Permits

Calendar

<u>Year</u>	<u>Number</u>	<u>Estimated Value</u>
2008	309	\$11,297,476
2007	334	11,722,197
2006	402	12,461,022
2005	406	14,673,958
2004	384	18,981,605

OTHER DATA

Unemployment (1)

	<u>Lunenburg</u>	<u>Massachusetts</u>	<u>United States</u>
2008 (October)	5.2%	5.0%	6.1%
2007	4.9	4.5	4.6
2006	5.2	5.0	4.6
2005	5.1	4.8	5.1
2004	5.7	5.2	5.5

(1) Massachusetts Department of Employment and Training. Full year annual averages except for 2008 which is for the month indicated.

Year	Lunenburg		Worcester County		Massachusetts	
	Number	% Change	Number	% Change	Number	% Change
2020 (Proj.)	8,880	-3.4%	843,534	6.3%	6,767,712	3.2%
2010 (Proj.)	9,189	-7.6	793,336	1.5	6,557,001	1.7
2000	9,401	3.1	750,963	5.8	6,349,097	5.5
1990	9,917	8.5	709,705	9.8	6,016,425	4.9
1980	8,405	13.3	646,352	1.5	5,737,037	0.8
1970	7,419		637,037		5,689,170	

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

POPULATION DENSITY (1)

Year	Lunenburg		Worcester County		Massachusetts	
	Number	Density (2)	Number	Density	Number	Density
2020 (Proj.)	8,880	336.1	843,534	557.5	6,767,712	863.5
2010 (Proj.)	9,189	347.8	793,336	524.3	6,557,001	836.6
2000	9,401	355.8	750,963	496.3	6,349,097	810.0
1990	9,917	345.0	709,705	469.0	6,016,425	767.6
1980	8,405	318.1	646,352	427.2	5,737,037	732.0
1970	7,419	280.8	637,037	421.0	5,689,170	725.8

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

(2) Based on 43.3 square miles.

POPULATION COMPOSITION BY AGE 2000 (1)

Age	Lunenburg		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Under 5 Years	554	5.9%	50,027	6.7%	397,268	6.3%
5 Years to 17 Years	2,077	22.1	162,638	21.7	1,277,845	20.1
18 Years to 64 Years	5,641	60.0	440,329	58.6	3,813,822	60.1
65 Years & Over	<u>1,129</u>	<u>12.0</u>	<u>97,969</u>	<u>13.0</u>	<u>860,162</u>	<u>13.5</u>
Total	<u>9,401</u>	<u>100.0%</u>	<u>750,963</u>	<u>100.0%</u>	<u>6,349,097</u>	<u>100.0%</u>
Median Age		39.4		36.3		36.5
Median Age (1990)		35.7		33.1		33.6

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

Income Levels (1)

Year	Lunenburg		Worcester County		Massachusetts	
	Amount	% Change from Previous Census	Amount	% Change from Previous Census	Amount	% Change from Previous Census
1999	\$26,986	40.8%	\$22,983	48.3%	\$25,952	50.7%
1989	19,166	142.3	15,500	124.4	17,224	131.0
1979	7,911	NA	6,908	NA	7,457	NA

% Below Poverty Level (1990) 4.1% 9.2% 9.3%

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

FAMILY INCOME DISTRIBUTION 1999 (1)

Income for Families	Lunenburg		Worcester County		Massachusetts	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000	39	1.5%	8,811	4.5%	71,198	4.5
10,000 - 24,999	235	8.8	22,849	11.8	175,120	11.0
25,000 - 49,999	565	21.1	48,192	24.9	368,418	23.2
50,000 - 74,999	711	26.6	46,056	23.8	359,202	22.6
75,000 - 99,999	482	18.0	30,392	15.7	251,231	15.8
100,000 - 149,999	423	15.8	25,632	13.2	222,234	14.0
150,000 or more	219	8.2	11,880	6.1	140,134	8.8
Total	<u>2,674</u>	<u>100.0%</u>	<u>193,812</u>	<u>100.0%</u>	<u>1,587,537</u>	<u>100.0%</u>

Median Income \$63,981 \$58,394 \$61,664

HOUSING UNIT INVENTORY 2000 (1)

Units in Structure	Lunenburg		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
1, Detached	3,165	86.3%	167,648	56.2%	1,374,479	52.4
1, Attached	111	3.0	10,667	3.6	104,129	4.0
2 to 4	253	6.9	69,488	23.3	603,917	23.0
5 to 9	18	0.5	17,467	5.9	156,135	6.0
10 to 19	9	0.2	11,079	3.7	113,697	4.3
20 or More	0	0.0	18,870	6.3	244,892	9.3
Mobile Home, Trailer, or Other	112	3.1	2,940	1.0	24,740	0.9
Total	3,668	100.0%	298,159	100.0%	2,621,989	100.0%

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

EDUCATIONAL ATTAINMENT 2000 (1)

Years of School Completed	Lunenburg		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th Grade	196	3.0%	28,826	5.8%	247,556	5.8%
9th to 12th Grade, No Diploma	519	8.0	53,200	10.7	403,537	9.4
High School Graduate	1,731	26.8	149,639	30.2	1,165,489	27.3
Some College, No Degree	1,370	21.2	91,635	18.5	730,135	17.1
Associate's Degree	613	9.5	39,063	7.9	308,263	7.2
Bachelor's Degree	1,257	19.4	82,648	16.7	834,554	19.5
Graduate or Professional Degree	781	12.1	50,857	10.3	583,741	13.7
Total	6,467	100.0%	495,868	100.0%	4,273,275	100.0%
High School Graduate or Higher	5,752	88.9%	413,842	83.5%	3,622,182	84.8%
Bachelor's Degree or Higher	2,038	31.5%	133,505	26.9%	1,418,295	33.2%

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

PUBLIC SCHOOL ENROLLMENTS (1)

	Actual					
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Elementary (K-5)	641	724	730	785	712	694
Middle School (6-8)	591	420	428	414	413	415
Senior High School (9-12)	592	625	628	653	620	588
Total	1,824	1,769	1,786	1,852	1,745	1,697

(1) Source: Massachusetts Dept. of Education - As of October 1, each school year.

LITIGATION

In the opinion of the Town, there is no litigation, pending which, either individually or in the aggregate, is likely to result in final judgments against the Town, which would materially affect the Town's financial position or its ability to pay its obligations.

**TOWN OF LUNENBURG
Massachusetts**

By: /s/ Julie Dell'Anna
Town Treasurer

Dated: March 15, 2009

APPENDIX A

The Balance Sheets for June 30, 2004 through 2008 and the combined Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years 2004 through 2008 have been extracted from the audits of Powers and Sullivan, Certified Public Accountants.

A copy of the 2008 audited financial statement is reproduced in Appendix B.

**TOWN OF LUNENBURG
MASSACHUSETTS
BALANCE SHEET (1)
GENERAL FUND
June 30,**

Assets	2008	2007	2006	2005	2004
Cash and Cash Equivalents	\$2,176,850	\$3,620,364	\$4,288,227	\$2,414,944	\$1,540,909
Receivables:					
Accounts Receivables	0	0	0	0	0
Property Taxes	402,610	248,360	213,397	165,005	592,433
Excises	105,637	108,089	108,323	84,267	99,646
Tax Liens and Foreclosures	457,568	417,943	337,809	332,214	0
Departmental & Other	214,223	173,452	353,983	314,288	164,570
Special Assessments	131,508	160,140	349,057	394,289	0
Intergovernmental	6,137,269	6,445,991	7,119,218	8,128,430	1,356
Due From Other Funds	1,193,773	256,153	14,160	693,422	1,668,566
Total Assets	\$10,819,438	\$11,430,492	\$12,784,174	\$12,526,859	\$4,067,480

Liabilities and Fund Equity

Liabilities

Warrants Payable	841,748	293,960	493,145	451,799	579,643
Accrued Payroll	630,371	542,745	503,949	482,316	651,897
Liabilities due Depositors	7,848	7,680	7,680	7,684	0
Payroll Withholdings	15,665	340,806	291,017	162,811	0
Abandoned Property	2,396	2,396	455	455	0
Other Liabilities	44,976	29,466	30,948	36,907	50,568
Deferred Revenues	7,353,911	7,553,983	8,481,786	9,417,607	849,460
Total Liabilities	\$8,896,915	\$8,771,036	\$9,808,980	\$10,559,579	\$2,131,568

Fund Equity

Reserve for Encumbrances	408,853	239,356	168,071	320,724	295,649
Reserve for Expenditures	0	0	0	0	26,015
Reserve for Other Specific Purposes	0	0	0	0	112,504
Unreserved, Designated	329,183	203,009	25,025	888,724	0
Unreserved, Undesignated	1,184,487	2,217,091	2,782,098	757,832	1,501,744
Total Fund Equity	1,922,523	2,659,456	2,975,194	1,967,280	1,935,912

Total Liabilities and Fund Equity	\$10,819,438	\$11,430,492	\$12,784,174	\$12,526,859	\$4,067,480
--	---------------------	---------------------	---------------------	---------------------	--------------------

(1) Excerpts from audited financial statements prepared by Powers and Sullivan, Certified Public Accountants.

TOWN OF LUNENBURG, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND (1)
JUNE 30,

Revenues	2008	2007	2006	2005	2004
Real Estate & Personal Property Taxes	\$15,931,194	\$15,261,890	\$15,573,501	\$14,541,507	\$14,187,129
Tax Liens	91,397	125,661	169,430	191,479	0
Motor Vehicle & Other Excise	1,274,996	1,332,650	1,166,165	1,251,592	1,209,687
Penalties, Interest & Other Taxes	109,731	84,714	97,909	110,662	103,812
Fees & Rentals	418,974	424,352	399,656	362,002	101,088
Payments in Lieu of Taxes	1,651	1,593	1,600	3,205	0
Licenses and Permits	161,526	196,579	252,181	224,754	270,927
Fines and Forfeits	79,375	75,653	524,837	34,435	193,139
Intergovernmental	9,019,875	8,890,109	8,031,819	6,761,719	6,304,731
Departmental & Other	0	0	9,924	0	0
Special Assessments	17,347	19,447	22,085	13,656	67,988
Investment Income	210,819	312,632	117,620	124,119	141,923
Total Revenues	<u>\$27,316,884</u>	<u>\$26,725,280</u>	<u>\$26,366,727</u>	<u>\$23,619,130</u>	<u>\$22,580,424</u>
Expenditures					
General Government	\$1,557,165	\$1,557,019	\$1,244,026	\$1,276,971	\$1,146,925
Public Safety	2,161,390	2,017,699	1,837,730	1,660,284	1,546,582
Education	14,716,124	14,101,843	13,428,919	12,306,954	14,214,843
Public Works	1,058,042	994,099	1,073,011	1,338,444	1,217,091
Human Services	158,547	144,789	142,677	125,127	124,474
Culture and Recreation	351,519	325,395	304,649	198,016	190,854
Pension Benefits	3,055,820	2,651,083	2,223,902	2,206,225	0
Property & Liability Insurance	142,190	169,736	166,906	150,890	0
Employee Benefits	1,768,517	1,679,293	1,500,633	1,383,222	1,405,398
State & County Charges	734,464	738,331	765,606	676,821	444,559
Debt Service	1,952,717	1,942,604	2,069,096	1,906,813	1,957,860
Total Expenditures	<u>\$27,656,495</u>	<u>\$26,321,891</u>	<u>\$24,757,155</u>	<u>\$23,229,767</u>	<u>\$22,248,586</u>
Excess (Deficiency) of Revenues Over Expenditures	(339,611)	403,389	1,609,572	389,363	331,838
Other Financing Sources (Uses)					
Operating Transfers - In	141,372	30,873	547,332	340,872	636,820
Operating Transfers - Out	(538,694)	(750,000)	(1,148,990)	(698,867)	(186,589)
Total Other Financing Sources (Uses)	<u>(397,322)</u>	<u>(719,127)</u>	<u>(601,658)</u>	<u>(357,995)</u>	<u>450,231</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(736,933)	(315,738)	1,007,914	31,368	782,069
Fund Balance - Beginning	2,659,456	2,975,194	1,967,280	1,935,912	1,153,843
Prior Period Adjustments			0	0	0
Fund Balance - Ending	<u>\$1,922,523</u>	<u>\$2,659,456</u>	<u>\$2,975,194</u>	<u>\$1,967,280</u>	<u>\$1,935,912</u>

(1) Excerpts from audited financial statements of the Town prepared by Powers and Sullivan, Certified Public Accountants.

APPENDIX B

There follows in this Appendix a copy of the audit report of Powers and Sullivan, Certified Public Accountants of Wakefield, Massachusetts for fiscal year 2008.

TOWN OF LUNENBURG, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2008

TOWN OF LUNENBURG, MASSACHUSETTS
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	2
Basic Financial Statements	9
Statement of Net Assets	11
Statement of Activities	12
Governmental funds – balance sheet	14
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets	15
Governmental funds – statement of revenues, expenditures and changes in fund balances	16
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	17
Proprietary funds – statement of net assets	18
Proprietary funds – statement of revenues, expenses and changes in fund net assets	19
Proprietary funds – statement of cash flows.....	20
Fiduciary funds – statement of fiduciary net assets.....	21
Fiduciary funds – statement of changes in fiduciary net assets	22
Notes to basic financial statements	23
Required Supplementary Information.....	42
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	43
Retirement system schedule of funding progress.....	45
Retirement system schedule of employer contributions	46
Notes to required supplementary information.....	47



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, 2008, 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, 2008, 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.

As described in Note 4, the Town has for the first time reported infrastructure assets of the governmental funds acquired prior to June 30, 2003, as required by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments, as amended and interpreted, as of June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, 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, schedule of funding progress, and schedule of employer contributions 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.

October 24, 2008

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, 2008. 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 \$33 million (net assets).
- Of this amount, 21% or \$7 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 \$1.9 million, a decrease of approximately \$737,000 in comparison with the prior year. Total fund balance represents 7% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) increased by \$3.6 million during the current fiscal year. This was due to the net effect of \$6 million from the issuance of new debt and \$2.4 million in principal payments on outstanding debt.

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 \$33 million at the close of FY2008.

Net assets of \$24.9 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, \$1.1 million (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$7 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 of Lunenburg is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

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 \$29.3 million at the close of Fiscal 2008.

	FY 2008 Governmental Activities	FY 2007 Governmental Activities	Increase (Decrease)
Assets:			
Current assets.....	\$ 9,675,669	\$ 9,610,307	\$ 65,362
Noncurrent assets (excluding capital).....	5,819,649	6,137,269	(317,620)
Capital assets.....	<u>36,324,545</u>	<u>35,690,825</u>	<u>633,720</u>
Total assets.....	<u>51,819,863</u>	<u>51,438,401</u>	<u>381,462</u>
Liabilities:			
Current liabilities (excluding debt).....	2,872,414	1,976,741	895,673
Noncurrent liabilities (excluding debt).....	413,000	432,000	(19,000)
Current debt.....	3,041,832	1,420,872	1,620,960
Noncurrent debt.....	<u>16,222,700</u>	<u>17,399,572</u>	<u>(1,176,872)</u>
Total liabilities.....	<u>22,549,946</u>	<u>21,229,185</u>	<u>1,320,761</u>
Net Assets:			
Capital assets net of related debt.....	23,881,973	23,864,507	17,466
Restricted.....	1,025,527	1,740,944	(715,417)
Unrestricted.....	<u>4,362,417</u>	<u>4,603,765</u>	<u>(241,348)</u>
Total net assets.....	<u>\$ 29,269,917</u>	<u>\$ 30,209,216</u>	<u>\$ (939,299)</u>
Program revenues:			
Charges for services.....	\$ 2,981,168	\$ 2,755,457	\$ 225,711
Operating grants and contributions.....	4,630,625	4,085,457	545,168
Capital grants and contributions.....	167,680	125,475	42,205
General Revenues:			
Real estate and personal property taxes.....	15,961,898	15,107,947	853,951
Motor vehicle and other excise taxes.....	1,272,545	1,332,414	(59,869)
Penalties and interest on taxes.....	110,614	85,663	24,951
Payments in lieu of taxes.....	1,651	1,593	58
Fines and forfeitures.....	79,375	69,922	9,453
Grants and contributions not restricted to specific programs.....	5,893,850	5,799,809	94,041
Unrestricted investment income.....	294,731	409,945	(115,214)
Other revenues.....	<u>94,672</u>	<u>205,795</u>	<u>(111,123)</u>
Total revenues.....	<u>31,488,809</u>	<u>29,979,477</u>	<u>1,509,332</u>
Expenses:			
General government.....	2,952,485	2,932,096	20,389
Public safety.....	3,895,769	3,813,267	82,502
Education.....	21,873,163	20,906,481	966,682
Public works.....	1,944,622	1,624,883	319,739
Human services.....	318,166	304,422	13,744
Culture and recreation.....	714,599	539,259	175,340
Interest.....	<u>717,618</u>	<u>796,974</u>	<u>(79,356)</u>
Total expenses.....	<u>32,416,422</u>	<u>30,917,382</u>	<u>1,499,040</u>
Increase in net assets before transfers.....	(927,613)	(937,905)	10,292
Transfers.....	<u>(11,686)</u>	<u>20,000</u>	<u>(31,686)</u>
Change in net assets.....	<u>\$ (939,299)</u>	<u>\$ (917,905)</u>	<u>\$ (21,394)</u>

The governmental expenses totaled \$32.4 million of which \$7.8 million (24%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$23.7 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

The governmental net assets decreased by approximately \$939,000 during the current fiscal year. This was primarily due to the voted use of \$832,000 of free cash and reserved fund balance to fund the operating budget and depreciation expense in excess of debt principal payments raised on the tax levy.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$3.8 million at the close of Fiscal 2008.

	FY 2008 Business-type Activities	FY 2007 Business-type Activities	Increase (Decrease)
Assets:			
Current assets.....	\$ 6,338,053	\$ 2,727,073	\$ 3,610,980
Noncurrent assets (excluding capital).....	2,238,655	2,891,580	(652,925)
Capital assets.....	10,236,701	10,534,921	(298,220)
Total assets.....	18,813,409	16,153,574	2,659,835
Liabilities:			
Current liabilities (excluding debt).....	220,431	187,400	33,031
Current debt.....	4,753,139	915,448	3,837,691
Noncurrent debt.....	10,073,005	10,721,846	(648,841)
Total liabilities.....	15,046,575	11,824,694	3,221,881
Net Assets:			
Capital assets net of related debt.....	1,062,623	726,554	336,069
Unrestricted.....	2,704,211	3,602,326	(898,115)
Total net assets.....	\$ 3,766,834	\$ 4,328,880	\$ (562,046)
Program revenues:			
Charges for services.....	\$ 562,141	\$ 402,828	\$ 159,313
Capital grants and contributions.....	273,881	-	273,881
General Revenues:			
Payments in lieu of taxes.....	45,012	52,354	(7,342)
Unrestricted investment income.....	16,299	27,174	(10,875)
Total revenues.....	897,333	482,356	414,977
Expenses:			
Sewer.....	997,699	1,216,448	(218,749)
Solid waste/recycling.....	473,366	270,211	203,155
Total expenses.....	1,471,065	1,486,659	(15,594)
Increase in net assets before transfers.....	(573,732)	(1,004,303)	430,571
Transfers.....	11,686	(20,000)	31,686
Change in net assets.....	\$ (562,046)	\$ (1,024,303)	\$ 462,257

Business-type net assets of \$1.1 million (28%), represent the investment in capital assets while \$2.7 million (72%) is unrestricted. The Town's business-type activities net assets decreased by \$562,000 in the current fiscal year. The sewer operations decrease of \$359,000 is primarily due to the voted use of \$56,000 of retained earnings to

balance the operating budget, and the use of betterment fund reserves to pay \$208,000 of scheduled debt interest payments.

The solid waste/recycling operations decrease of \$203,000 is consistent with the voted use of retained earnings to balance the operating budget.

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 \$3.4 million, of which \$1.9 million is for the general fund, \$1.2 million is for the stabilization fund and \$238,000 is for non-major governmental funds. Cumulatively there was a decrease of \$2.3 million in fund balances 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 \$1.2 million, while total fund balance reached \$1.9 million. Reservations of fund balance for encumbrances and continuing appropriations and subsequent years' expenditures totaled \$409,000 and \$329,000, respectively. Unreserved fund balance represents 4% of total general fund expenditures, while total fund balance represents 7% of that same amount.

The Town's general fund decreased by \$737,000 in fiscal 2008, which is primarily due to the voted use of approximately \$832,000 of free cash and reserved fund balance to fund the operating budget.

The stabilization fund decreased by \$197,500 in fiscal 2008, which was due to the net effect of investment income earned during the period and a \$250,000 interfund transfer to fund the capital plan.

General Fund Budgetary Highlights

The \$720,000 increase between the original budget and the final amended budget was primarily due to interfund transfers to the zoning stabilization fund and the capital projects fund. The remainder of the increase was primarily due to increases in general government, public safety and public works appropriations.

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, 2008, amounts to \$46.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment, and infrastructure. The total increase in the Town's investment in capital assets for the current year was approximately \$334,000.

The major governmental capital asset events during the current fiscal year included athletic field construction, the purchase of a fire truck, the purchase of dump trucks and other machinery and equipment, 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, 2008, totaled \$17.5 million, of which \$10 million is related to school construction projects, \$4.4 million is related to the public safety center construction project, \$1.5 million is related to the library construction project and \$1.6 million is related to other CIP related projects.

The sewer enterprise fund has outstanding long-term debt of \$10.7 million which funded various sewer infrastructure projects.

The Town has \$1.5 million in governmental bond anticipation notes (BAN) outstanding at year-end, that are due on June 25, 2009, with interest rates of 2.75% per annum and \$280,000 of governmental BAN's that are due on December 31, 2008, with an interest rate of .79%. The Town also has \$4.2 million in sewer enterprise fund BAN's outstanding at year-end, that are due on June 25, 2009, with interest rates of 2.75% per annum

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

This page intentionally left blank.

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 5,280,408	\$ 6,155,369	\$ 11,435,777
Investments.....	1,611,053	-	1,611,053
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	402,610	-	402,610
Tax liens and foreclosures.....	457,568	-	457,568
Motor vehicle and other excise taxes.....	105,637	-	105,637
User fees.....	-	34,216	34,216
Departmental and other.....	214,223	-	214,223
Special assessments.....	131,592	72,510	204,102
Intergovernmental.....	593,672	75,958	669,630
Internal balances.....	878,906	(860,406)	18,500
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	1,420,517	1,420,517
Intergovernmental.....	5,819,649	1,678,544	7,498,193
Capital assets, nondepreciable.....	4,290,354	-	4,290,354
Capital assets, net of accumulated depreciation.....	<u>32,034,191</u>	<u>10,236,701</u>	<u>42,270,892</u>
TOTAL ASSETS.....	<u>51,819,863</u>	<u>18,813,409</u>	<u>70,633,272</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	1,803,096	106,221	1,909,317
Accrued payroll.....	786,768	896	787,664
Accrued interest.....	98,665	113,314	211,979
Payroll withholdings.....	15,665	-	15,665
Abandoned property.....	2,396	-	2,396
Other liabilities.....	44,976	-	44,976
Customer deposits payable.....	7,848	-	7,848
Landfill closure.....	17,000	-	17,000
Compensated absences.....	96,000	-	96,000
Bonds and notes payable.....	3,041,832	4,753,139	7,794,971
NONCURRENT:			
Landfill closure.....	289,000	-	289,000
Compensated absences.....	124,000	-	124,000
Bonds and notes payable.....	<u>16,222,700</u>	<u>10,073,005</u>	<u>26,295,705</u>
TOTAL LIABILITIES.....	<u>22,549,946</u>	<u>15,046,575</u>	<u>37,596,521</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	23,881,973	1,062,623	24,944,596
Restricted for:			
Expendable.....	106,591	-	106,591
Nonexpendable.....	222,936	-	222,936
Gifts and grants.....	696,000	-	696,000
Unrestricted.....	<u>4,362,417</u>	<u>2,704,211</u>	<u>7,066,628</u>
TOTAL NET ASSETS.....	<u><u>\$ 29,269,917</u></u>	<u><u>\$ 3,766,834</u></u>	<u><u>\$ 33,036,751</u></u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

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.....	\$ 2,952,485	\$ 308,688	\$ 143,213	\$ -	\$ (2,500,584)
Public safety.....	3,895,769	579,830	47,537	-	(3,268,402)
Education.....	21,873,163	1,999,308	4,127,923	-	(15,745,932)
Public works.....	1,944,622	26,324	4,600	162,848	(1,750,850)
Human services.....	318,166	42,222	9,783	1,523	(264,638)
Culture and recreation.....	714,599	24,796	92,843	3,309	(593,651)
Interest.....	717,618	-	204,726	-	(512,892)
Total Governmental Activities...	<u>32,416,422</u>	<u>2,981,168</u>	<u>4,630,625</u>	<u>167,680</u>	<u>(24,636,949)</u>
<i>Business-Type Activities:</i>					
Sewer.....	997,699	308,681	273,881	-	(415,137)
Solid Waste/Recycling.....	473,366	253,460	-	-	(219,906)
Total Business-Type Activities..	<u>1,471,065</u>	<u>562,141</u>	<u>273,881</u>	<u>-</u>	<u>(635,043)</u>
Total Primary Government.....	<u>\$ 33,887,487</u>	<u>\$ 3,543,309</u>	<u>\$ 4,904,506</u>	<u>\$ 167,680</u>	<u>\$ (25,271,992)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page....	\$ (24,636,949)	\$ (635,043)	\$ (25,271,992)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	15,961,898	-	15,961,898
Tax liens.....	131,022	-	131,022
Motor vehicle and other excise taxes.....	1,272,545	-	1,272,545
Penalties and interest.....	110,614	45,012	155,626
Payments in lieu of taxes.....	1,651	-	1,651
Fines and forfeitures.....	79,375	-	79,375
Grants and contributions not restricted to specific programs.....	5,893,850	-	5,893,850
Unrestricted investment income.....	294,731	16,299	311,030
Loss on sale of capital assets.....	(38,276)	-	(38,276)
Miscellaneous.....	1,926	-	1,926
<i>Transfers, net.....</i>	<u>(11,686)</u>	<u>11,686</u>	<u>-</u>
Total general revenues and transfers.....	<u>23,697,650</u>	<u>72,997</u>	<u>23,770,647</u>
Change in net assets.....	(939,299)	(562,046)	(1,501,345)
<i>Net Assets:</i>			
Beginning of year (as restated).....	<u>30,209,216</u>	<u>4,328,880</u>	<u>34,538,096</u>
End of year.....	\$ <u>29,269,917</u>	\$ <u>3,766,834</u>	\$ <u>33,036,751</u>

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2008

ASSETS	General	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 2,176,850	\$ 1,229	\$ 3,102,329	\$ 5,280,408
Investments.....	-	1,228,250	382,803	1,611,053
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	402,610	-	-	402,610
Tax liens and foreclosures.....	457,568	-	-	457,568
Motor vehicle and other excise taxes.....	105,637	-	-	105,637
Departmental and other.....	214,223	-	-	214,223
Special assessments.....	131,508	-	84	131,592
Intergovernmental.....	6,137,269	-	276,052	6,413,321
Due from other funds.....	1,193,773	-	-	1,193,773
TOTAL ASSETS.....	\$ 10,819,438	\$ 1,229,479	\$ 3,761,268	\$ 15,810,185
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 841,748	\$ -	\$ 961,348	\$ 1,803,096
Accrued payroll.....	630,371	-	156,397	786,768
Liabilities due depositors.....	7,848	-	-	7,848
Payroll withholdings.....	15,665	-	-	15,665
Abandoned property.....	2,396	-	-	2,396
Other liabilities.....	44,976	-	-	44,976
Deferred revenues.....	7,353,911	-	275,211	7,629,122
Due to other funds.....	-	-	314,867	314,867
Notes payable.....	-	-	1,814,960	1,814,960
TOTAL LIABILITIES.....	8,896,915	-	3,522,783	12,419,698
 FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	408,853	-	-	408,853
Perpetual permanent funds.....	-	-	222,936	222,936
Unreserved:				
Designated for subsequent year's expenditures..	329,183	-	-	329,183
Undesignated, reported in:				
General fund.....	1,184,487	-	-	1,184,487
Special revenue funds.....	-	1,229,479	1,261,007	2,490,486
Capital projects funds.....	-	-	(1,352,049)	(1,352,049)
Permanent funds.....	-	-	106,591	106,591
TOTAL FUND BALANCES.....	1,922,523	1,229,479	238,485	3,390,487
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 10,819,438	\$ 1,229,479	\$ 3,761,268	\$ 15,810,185

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

Total governmental fund balances.....		\$ 3,390,487
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		36,324,545
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		7,629,122
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(98,665)
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.....	(17,449,572)	
Landfill closure.....	(306,000)	
Compensated absences.....	<u>(220,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(17,975,572)</u>
Net assets of governmental activities.....		<u>\$ 29,269,917</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	General	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 15,931,194	\$ -	\$ -	\$ 15,931,194
Tax liens.....	91,397	-	-	91,397
Motor vehicle and other excise taxes.....	1,274,995	-	-	1,274,995
Charges for services.....	-	-	372,815	372,815
Penalties and interest on taxes.....	109,731	-	883	110,614
Fees and rentals.....	418,974	-	1,917,458	2,336,432
Payments in lieu of taxes.....	1,651	-	-	1,651
Licenses and permits.....	161,526	-	-	161,526
Fines and forfeitures.....	79,375	-	11,966	91,341
Intergovernmental.....	9,019,875	-	2,168,002	11,187,877
Departmental and other.....	-	-	39,448	39,448
Special assessments.....	17,347	-	3,370	20,717
Contributions.....	-	-	231,781	231,781
Investment income.....	210,819	52,511	36,749	300,079
	<u>27,316,884</u>	<u>52,511</u>	<u>4,782,472</u>	<u>32,151,867</u>
TOTAL REVENUES.....				
EXPENDITURES:				
Current:				
General government.....	1,557,165	-	307,852	1,865,017
Public safety.....	2,161,390	-	1,011,476	3,172,866
Education.....	14,716,124	-	3,469,498	18,185,622
Public works.....	1,058,042	-	1,675,790	2,733,832
Human services.....	158,547	-	45,684	204,231
Culture and recreation.....	351,519	-	411,729	763,248
Pension benefits.....	3,055,820	-	-	3,055,820
Property and liability insurance.....	142,190	-	-	142,190
Employee benefits.....	1,768,517	-	-	1,768,517
State and county charges.....	734,464	-	-	734,464
Debt service:				
Principal.....	1,226,872	-	-	1,226,872
Interest.....	725,845	-	-	725,845
	<u>27,656,495</u>	<u>-</u>	<u>6,922,029</u>	<u>34,578,524</u>
TOTAL EXPENDITURES.....				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....				
	<u>(339,611)</u>	<u>52,511</u>	<u>(2,139,557)</u>	<u>(2,426,657)</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets.....	-	-	135,007	135,007
Transfers in.....	141,372	-	777,008	918,380
Transfers out.....	(538,694)	(250,000)	(141,372)	(930,066)
	<u>(397,322)</u>	<u>(250,000)</u>	<u>770,643</u>	<u>123,321</u>
TOTAL OTHER FINANCING SOURCES (USES).....				
NET CHANGE IN FUND BALANCES.....	(736,933)	(197,489)	(1,368,914)	(2,303,336)
FUND BALANCES AT BEGINNING.....	<u>2,659,456</u>	<u>1,426,968</u>	<u>1,607,399</u>	<u>5,693,823</u>
FUND BALANCES AT END OF YEAR.....	<u>\$ 1,922,523</u>	<u>\$ 1,229,479</u>	<u>\$ 238,485</u>	<u>\$ 3,390,487</u>

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, 2008

Net change in fund balances - total governmental funds..... \$ (2,303,336)

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.....	2,129,438
Depreciation expense.....	<u>(1,485,535)</u>

Net effect of reporting capital assets..... 643,903

In the Statement of Activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold..... (173,283)

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..... (517,682)

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.

Debt service principal payments.....	<u>1,226,872</u>
--------------------------------------	------------------

Net effect of reporting long-term debt..... 1,226,872

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.....	28,000
Net change in accrued interest on long-term debt.....	8,227
Net change in landfill closure liability.....	<u>148,000</u>

Net effect of recording long-term liabilities and amortizing deferred losses..... 184,227

Change in net assets of governmental activities..... \$ (939,299)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Sewer	Solid Waste/ Recycling	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 5,567,816	\$ 587,553	\$ 6,155,369
Receivables, net of allowance for uncollectibles:			
User fees.....	34,216	-	34,216
Special assessments.....	72,510	-	72,510
Intergovernmental.....	75,958	-	75,958
Total current assets.....	<u>5,750,500</u>	<u>587,553</u>	<u>6,338,053</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	1,678,544	-	1,678,544
Special assessments.....	1,420,517	-	1,420,517
Capital assets, net of accumulated depreciation....	10,236,701	-	10,236,701
Total noncurrent assets.....	<u>13,335,762</u>	<u>-</u>	<u>13,335,762</u>
TOTAL ASSETS.....	<u>19,086,262</u>	<u>587,553</u>	<u>19,673,815</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	53,987	52,234	106,221
Accrued payroll.....	896	-	896
Accrued interest.....	113,314	-	113,314
Due to other funds.....	348,371	512,035	860,406
Bonds and notes payable.....	4,753,139	-	4,753,139
Total current liabilities.....	<u>5,269,707</u>	<u>564,269</u>	<u>5,833,976</u>
NONCURRENT:			
Bonds and notes payable.....	10,073,005	-	10,073,005
TOTAL LIABILITIES.....	<u>15,342,712</u>	<u>564,269</u>	<u>15,906,981</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	1,062,623	-	1,062,623
Unrestricted.....	2,680,927	23,284	2,704,211
TOTAL NET ASSETS.....	<u>\$ 3,743,550</u>	<u>\$ 23,284</u>	<u>\$ 3,766,834</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	<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	\$ 234,797	\$ 253,460	\$ 488,257
Connection fee.....	70,950	-	70,950
Licenses and permits.....	700	-	700
TOTAL OPERATING REVENUES	<u>306,447</u>	<u>253,460</u>	<u>559,907</u>
<u>OPERATING EXPENSES:</u>			
Salaries, wages, and fringe benefits	102,282	2,997	105,279
Maintenance and operations.....	189,854	470,369	660,223
Depreciation.....	226,385	-	226,385
TOTAL OPERATING EXPENSES	<u>518,521</u>	<u>473,366</u>	<u>991,887</u>
OPERATING INCOME (LOSS).....	<u>(212,074)</u>	<u>(219,906)</u>	<u>(431,980)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Investment income.....	11,288	5,011	16,299
Interest expense.....	(479,178)	-	(479,178)
Special assessments.....	2,234	-	2,234
Penalties and interest.....	45,012	-	45,012
Intergovernmental.....	273,881	-	273,881
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>(146,763)</u>	<u>5,011</u>	<u>(141,752)</u>
INCOME (LOSS) BEFORE TRANSFERS.....	<u>(358,837)</u>	<u>(214,895)</u>	<u>(573,732)</u>
<u>TRANSFERS:</u>			
Transfers in.....	-	11,686	11,686
CHANGE IN NET ASSETS.....	<u>(358,837)</u>	<u>(203,209)</u>	<u>(562,046)</u>
NET ASSETS AT BEGINNING OF YEAR (as restated)...	<u>4,102,387</u>	<u>226,493</u>	<u>4,328,880</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 3,743,550</u>	<u>\$ 23,284</u>	<u>\$ 3,766,834</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Solid Waste/ Recycling</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 336,872	\$ 253,460	\$ 590,332
Payments to vendors.....	(172,635)	(452,710)	(625,345)
Payments to employees.....	(101,386)	(2,997)	(104,383)
NET CASH FROM OPERATING ACTIVITIES.....	62,851	(202,247)	(139,396)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	-	11,686	11,686
Advances to/from other funds.....	284,578	444,021	728,599
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	284,578	455,707	740,285
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Proceeds from the issuance of bonds and notes.....	4,154,298	-	4,154,298
Acquisition and construction of capital assets.....	(89,634)	-	(89,634)
Special assessments.....	229,226	-	229,226
Principal payments on bonds and notes.....	(674,423)	-	(674,423)
Interest expense.....	(208,040)	-	(208,040)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	3,411,427	-	3,411,427
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment income.....	11,288	5,011	16,299
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,770,144	258,471	4,028,615
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,797,672	329,082	2,126,754
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,567,816	\$ 587,553	\$ 6,155,369
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (212,074)	\$ (219,906)	\$ (431,980)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	226,385	-	226,385
Other receipts from customers.....	45,012	-	45,012
Changes in assets and liabilities:			
User fees.....	(14,587)	-	(14,587)
Warrants payable.....	17,219	17,659	34,878
Accrued payroll.....	896	-	896
Total adjustments.....	274,925	17,659	292,584
NET CASH FROM OPERATING ACTIVITIES.....	\$ 62,851	\$ (202,247)	\$ (139,396)
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>			
Intergovernmental debt service subsidy.....	\$ 348,306	\$ -	\$ 348,306

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ <u>459,965</u>
LIABILITIES	
Due to other funds.....	<u>18,500</u>
NET ASSETS	
Held in trust for other purposes.....	\$ <u><u>441,465</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	\$ 828
Net investment income (loss):	
Interest.....	<u>19,423</u>
TOTAL ADDITIONS.....	<u>20,251</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>16,690</u>
CHANGE IN NET ASSETS.....	3,561
NET ASSETS AT BEGINNING OF YEAR.....	<u>437,904</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 441,465</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 *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 beginning balance of this fund has been adjusted for an overstatement of an asset.

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.

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.

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

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the subsequent year’s operating budget.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

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. Post Retirement benefits*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50 to 80% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2008, this expense/expenditure totaled \$945,413. There were 123 participants eligible to receive benefits at June 30, 2008.

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

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

Q. 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.

R. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2008, 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 \$11,254,166 and the bank balance totaled \$11,470,680. Of the bank balance, \$959,003 was covered by Federal Depository Insurance, \$3,251,505 was covered by the depositor’s insurance fund and \$7,260,172 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2008, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt Securities</u>			
Government Sponsored Enterprises.....	\$ 1,374,334	\$ 1,075,740	\$ 298,594
Corporate Bonds.....	225,551	225,551	-
Total Debt Securities.....	1,599,885	\$ 1,301,291	\$ 298,594
<u>Other Investments</u>			
Equity Mutual Funds.....	11,168		
Money Market Mutual Funds.....	210,819		
MMDT.....	430,757		
Total Investments.....	\$ 2,252,629		

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 \$1,599,885 because the 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.

Credit Risk

Standard and Poor’s Investors Service rated \$1,374,334 of government sponsored enterprise securities AAA and \$225,551 of corporate bonds were rated A. 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 have investments in corporate bonds or equity securities and therefore does not have exposure to concentration of credit risk.

NOTE 3 - RECEIVABLES

At June 30, 2008, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 442,610	\$ (40,000)	\$ 402,610
Tax liens and foreclosures.....	457,568	-	457,568
Motor vehicle and other excise taxes.....	158,637	(53,000)	105,637
Departmental and other.....	408,223	(194,000)	214,223
Special assessments.....	131,592	-	131,592
Intergovernmental.....	<u>6,413,321</u>	<u>-</u>	<u>6,413,321</u>
 Total.....	 <u>\$ 8,011,951</u>	 <u>\$ (287,000)</u>	 <u>\$ 7,724,951</u>

At June 30, 2008, receivables for the sewer enterprise fund are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer user fees.....	\$ 34,216	\$ -	\$ 34,216
Special assessments.....	1,493,027	-	1,493,027
Intergovernmental.....	<u>1,754,502</u>	<u>-</u>	<u>1,754,502</u>
 Total.....	 <u>\$ 3,281,745</u>	 <u>\$ -</u>	 <u>\$ 3,281,745</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.....	\$ 307,706	\$ -	\$ 307,706
Tax liens and foreclosures.....	457,568	-	457,568
Motor vehicle and other excise taxes.....	105,637	-	105,637
Departmental and other.....	214,223	-	214,223
Special assessments.....	131,508	84	131,592
Intergovernmental.....	6,137,269	275,127	6,412,396
 Total.....	 \$ <u>7,353,911</u>	 \$ <u>275,211</u>	 \$ <u>7,629,122</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, is as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,400,354	\$ -	\$ (110,000)	\$ 4,290,354
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	26,710,663	254,607	(92,048)	26,873,222
Machinery and equipment.....	2,508,577	1,049,813	-	3,558,390
Infrastructure.....	22,172,111	825,018	(174,922)	22,822,207
 Total capital assets being depreciated.....	 <u>51,391,351</u>	 <u>2,129,438</u>	 <u>(266,970)</u>	 <u>53,253,819</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(4,940,476)	(652,419)	28,765	(5,564,130)
Machinery and equipment.....	(1,625,973)	(210,851)	-	(1,836,824)
Infrastructure.....	(13,371,331)	(622,265)	174,922	(13,818,674)
 Total accumulated depreciation.....	 <u>(19,937,780)</u>	 <u>(1,485,535)</u>	 <u>203,687</u>	 <u>(21,219,628)</u>
 Total capital assets being depreciated, net.....	 <u>31,453,571</u>	 <u>643,903</u>	 <u>(63,283)</u>	 <u>32,034,191</u>
 Total governmental activities capital assets, net.....	 \$ <u>35,853,925</u>	 \$ <u>643,903</u>	 \$ <u>(173,283)</u>	 \$ <u>36,324,545</u>

Sewer Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Infrastructure.....	\$ 11,274,431	\$ 89,634	\$ -	\$ 11,364,065
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(900,979)	(226,385)	-	(1,127,364)
Total sewer activities capital assets, net.....	<u>\$ 10,373,452</u>	<u>\$ (136,751)</u>	<u>\$ -</u>	<u>\$ 10,236,701</u>

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

Governmental Activities:

General government.....	\$ 34,917
Public safety.....	294,443
Education.....	439,829
Public works.....	663,278
Culture and recreation.....	<u>53,068</u>
Total depreciation expense - governmental activities.....	<u>\$ 1,485,535</u>

Business-Type Activities:

Sewer.....	<u>\$ 226,385</u>
------------	-------------------

NOTE 5 - INTERFUND TRANSFERS/BALANCES

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>			
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Solid Waste Recycling Fund</u>	<u>Total</u>
General Fund.....	\$ -	\$ 527,008	\$ 11,686	\$ 538,694 (1)
Stabilization Fund.....	-	250,000	-	250,000 (2)
Nonmajor Governmental Funds....	<u>141,372</u>	<u>-</u>	<u>-</u>	<u>141,372 (3)</u>
	<u>\$ 141,372</u>	<u>\$ 777,008</u>	<u>\$ 11,686</u>	<u>\$ 930,066</u>

- (1) Represents budgeted transfers from the general fund to the zoning incentive stabilization fund, capital projects fund, and the solid waste recycling enterprise fund.
- (2) Represents a budgeted transfer from the stabilization fund to the capital projects fund for the purpose of funding the fiscal 2008 capital plan.
- (3) Represents budgeted transfers from septic receipts, sewer betterments and sale of real estate reserved for appropriation to the general fund to reimburse payments on long-term debt.

Interfund balances for the fiscal year ended June 30, 2008, are summarized as follows:

<u>Due to Other Funds:</u>	<u>Due From Other Funds</u>
	<u>General Fund</u>
Nonmajor Governmental Funds.. \$	314,867
Sewer Enterprise Fund.....	348,371
Solid Waste/Recycling.....	512,035
Private Purpose Trust Funds.....	<u>18,500</u>
	<u>\$ 1,193,773</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, 2008, are as follows:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>
BAN	MWPAT - Wastewater Planning.....	1.76	12/31/2007	\$ 160,600	\$ -	\$ 160,600	\$ -
BAN	Track and Field.....	3.95	1/28/2008	200,000	-	200,000	-
BAN	MWPAT - Wastewater Planning.....	0.79	12/31/2008	-	280,000	-	280,000
BAN	Equipment.....	2.75	6/25/2009	-	1,009,960	-	1,009,960
BAN	Track and Field.....	2.75	6/25/2009	-	450,000	-	450,000
BAN	Landfill Engineering.....	2.75	6/25/2009	-	75,000	-	75,000
Total governmental activities short-term debt.....				<u>\$ 360,600</u>	<u>\$ 1,814,960</u>	<u>\$ 360,600</u>	<u>\$ 1,814,960</u>

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>
BAN	Wastewater Treatment.....	3.95	1/28/2008	\$ 200,000	\$ -	\$ 200,000	\$ -
BAN	Wastewater Treatment.....	2.75	6/25/2009	-	4,154,298	-	4,154,298
Total business-type activities short-term debt.....				<u>\$ 200,000</u>	<u>\$ 4,154,298</u>	<u>\$ 200,000</u>	<u>\$ 4,154,298</u>

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, 2008, 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	\$ 330,000	\$ -	\$ 120,000	\$ 210,000
Mass. Water Pollution Trust - Pool 4, Loan T5-97-1185.....	0.00	130,444	-	10,872	119,572
Municipal Purpose.....	4.79	385,000	-	100,000	285,000
Municipal Purpose-Public Safety Building.....	3.62	4,640,000	-	290,000	4,350,000
Municipal Purpose-School Construction.....	3.62	8,985,000	-	415,000	8,570,000
Municipal Purpose-Land Acquisition II.....	3.62	300,000	-	20,000	280,000
Municipal Purpose-Land Acquisition.....	3.62	150,000	-	10,000	140,000
Municipal Purpose-School Remodeling.....	3.94	130,000	-	10,000	120,000
Municipal Purpose-School Planning.....	3.94	85,000	-	5,000	80,000
Municipal Purpose-School Heating System.....	3.94	1,320,000	-	80,000	1,240,000
Municipal Purpose-Library.....	3.94	1,620,000	-	90,000	1,530,000
Municipal Purpose-Departmental Equipment I.....	3.94	260,000	-	20,000	240,000
Municipal Purpose-Departmental Equipment II.....	3.94	40,000	-	15,000	25,000
Municipal Purpose-Planning.....	3.94	25,000	-	10,000	15,000
Municipal Purpose-Parking Lot.....	3.94	70,000	-	15,000	55,000
Municipal Purpose-Landfill Closure.....	3.94	150,000	-	10,000	140,000
Municipal Purpose - Wastewater Planning.....	3.94	56,000	-	6,000	50,000
Total governmental bonds and notes payable.....		\$ 18,676,444	\$ -	\$ 1,226,872	\$ 17,449,572

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

Fiscal Year	Principal	Interest	Total
2009.....	\$ 1,230,872	\$ 699,168	\$ 1,930,040
2010.....	1,225,872	641,074	1,866,946
2011.....	1,115,872	600,227	1,716,099
2012.....	1,040,872	562,775	1,603,647
2013.....	1,050,872	530,577	1,581,449
2014.....	1,070,872	470,818	1,541,690
2015.....	1,090,868	427,597	1,518,465
2016.....	1,115,868	383,478	1,499,346
2017.....	1,125,868	338,657	1,464,525
2018.....	1,150,868	293,263	1,444,131
2019.....	1,170,868	247,208	1,418,076
2020.....	1,180,000	200,896	1,380,896
2021.....	1,185,000	153,669	1,338,669
2022.....	1,215,000	106,495	1,321,495
2023.....	1,220,000	56,733	1,276,733
2024.....	175,000	8,117	183,117
2025.....	95,000	2,176	97,176
Totals.....	\$ 17,459,572	\$ 5,722,928	\$ 23,182,500

The General Fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for interest costs totaling \$40,492. Thus, net MWPAT loan repayments, including interest, are schedule to be \$125,293. 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 2008 interest subsidy totaled \$5,720.

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	\$ 93,646	\$ -	\$ 8,225	\$ 85,421
Mass. Water Pollution Trust - Pool 5, Loan CW-98-70.....	1.83	280,771	-	18,115	262,656
Mass. Water Pollution Trust - Pool 7, Loan CW-00-39.....	various	1,639,826	-	95,658	1,544,168
Mass. Water Pollution Trust - Pool 9, Loan CW-00-39-A....	various	5,668,205	-	267,850	5,400,355
Mass. Water Pollution Trust - Pool 13, Loan CW-00-39-B....	0.00	89,123	-	-	89,123
Mass. Water Pollution Trust - Pool 13, Loan CW-00-39-C...	0.00	397,830	-	-	397,830
Mass. Water Pollution Trust - Pool 13, Loan CW-00-39-D...	0.00	282,293	-	-	282,293
Municipal Purpose - Sewer Construction.....	3.62	480,000	-	30,000	450,000
Municipal Purpose - Sewer Construction.....	3.94	385,000	-	25,000	360,000
Municipal Purpose - Sewer Construction.....	3.94	365,000	-	25,000	340,000
Municipal Purpose - Sewer Construction.....	3.94	850,000	-	45,000	805,000
Municipal Purpose - Sewer Construction.....	3.94	689,000	-	34,000	655,000
Total Sewer Enterprise bonds and notes payable.....		\$ 11,220,694	\$ -	\$ 548,848	\$ 10,671,846

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
2009.....	\$ 598,841	\$ 469,095	\$ 1,067,936
2010.....	612,300	448,084	1,060,384
2011.....	612,177	421,551	1,033,728
2012.....	629,959	396,921	1,026,880
2013.....	630,562	364,195	994,757
2014.....	646,339	333,048	979,387
2015.....	665,044	303,486	968,530
2016.....	674,761	270,277	945,038
2017.....	689,278	237,075	926,353
2018.....	697,531	202,392	899,923
2019.....	716,732	167,765	884,497
2020.....	740,635	134,098	874,733
2021.....	745,044	104,829	849,873
2022.....	620,230	74,842	695,072
2023.....	618,274	47,833	666,107
2024.....	592,683	20,321	613,004
2025.....	139,114	4,520	143,634
2026.....	14,114	-	14,114
2027.....	14,114	-	14,114
2028.....	14,114	-	14,114
Totals.....	\$ 10,671,846	\$ 4,000,332	\$ 14,672,178

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 \$1,754,502 and interest costs for \$2,314,367. Thus, net MWPAT loan repayments, including interest, are schedule to be \$6,652,553. The principal subsidies are guaranteed and therefore a \$1,754,502 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 2008 principal and interest subsidies totaled \$74,425 and \$273,881, 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 \$7,702,000 will be received in future fiscal years. Of this amount, approximately \$1,564,000 represents reimbursement of long-term interest costs, and approximately \$6,137,000 represents reimbursement of approved construction costs. Accordingly, a \$6,137,000 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, 2008, the Town had the following authorized and unissued debt.

Purpose	Amount
Sewer construction.....	\$ 406,972
Building renovation.....	125,000
School building heating.....	56,550
Wastewater management	241,000
Water and wastewater rural development.....	4,154,298
Track and field.....	450,000
Capital program.....	1,009,960
Landfill engineering and construction.....	75,000
Total.....	<u>\$ 6,518,780</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Long-term bonds and notes.....	\$ 18,676,444	\$ -	\$ (1,226,872)	\$ 17,449,572	\$ 1,230,872
Landfill closure.....	454,000	-	(148,000)	306,000	17,000
Compensated absences.....	248,000	94,000	(122,000)	220,000	96,000
Total governmental.....	<u>\$ 19,378,444</u>	<u>\$ 94,000</u>	<u>\$ (1,496,872)</u>	<u>\$ 17,975,572</u>	<u>\$ 1,343,872</u>
Business-Type Activities:					
Long-term bonds and notes.....	<u>\$ 11,220,694</u>	<u>\$ -</u>	<u>\$ (548,848)</u>	<u>\$ 10,671,846</u>	<u>\$ 598,841</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 amount of these on-behalf payments totaled \$2,617,000 for the fiscal year ended June 30, 2008 and, accordingly, are reported in the General Fund as Intergovernmental Revenues and Fixed Charge Expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth. 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, 2008, 2007 and 2006 totaled \$438,971, \$435,584 and \$442,008, 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 - COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$4,200,000 to complete the construction of water and wastewater systems. As of June 30, 2008 the Town has incurred expenditures totaling approximately \$346,000.

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, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2008.

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 \$306,000 post-closure care liability at June 30, 2008 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 2008, the following GASB pronouncements were implemented:

The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2008. The basic financial statements were not impacted by this GASB.

The GASB issued Statement #50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, which is required to be implemented in fiscal year 2008. This GASB changed the disclosures related to pensions.

The GASB issued Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented in fiscal year 2010. The standards require governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Management elected to implement this standard early and this standard did not impact the basic financial statements.

The GASB issued Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, which is required to be implemented in fiscal year 2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. 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 #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2008

	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.....	\$ -	\$ 16,047,007	\$ 16,047,007	\$ 16,077,007
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,330,000	1,330,000	1,330,000
Penalties and interest on taxes.....	-	85,000	85,000	85,000
Fees and rentals.....	-	496,000	496,000	496,000
Payments in lieu of taxes.....	-	1,600	1,600	1,600
Licenses and permits.....	-	200,000	200,000	200,000
Fines and forfeitures.....	-	65,000	65,000	65,000
Intergovernmental.....	-	6,321,312	6,321,312	6,327,032
Special assessments.....	-	26,000	26,000	26,000
Investment income.....	-	200,000	200,000	200,000
TOTAL REVENUES.....	-	24,771,919	24,771,919	24,807,639
EXPENDITURES:				
Current:				
General government.....	57,734	1,735,202	1,792,936	1,825,774
Public safety.....	676	2,120,117	2,120,793	2,198,571
Education.....	117,836	14,851,959	14,969,795	14,992,394
Public works.....	63,110	845,295	908,405	1,143,543
Human services.....	-	159,511	159,511	167,770
Culture and recreation.....	-	368,250	368,250	371,497
Pension benefits.....	-	438,971	438,971	438,971
Property and liability insurance.....	-	176,000	176,000	142,190
Employee benefits.....	-	1,789,382	1,789,382	1,768,517
State and county charges.....	-	684,878	684,878	684,878
Debt service:				
Principal.....	-	1,223,256	1,223,256	1,226,872
Interest.....	-	758,069	758,069	764,439
TOTAL EXPENDITURES.....	239,356	25,150,890	25,390,246	25,725,416
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(239,356)	(378,971)	(618,327)	(917,777)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	10,872	10,872	141,372
Transfers out.....	-	(154,045)	(154,045)	(538,694)
TOTAL OTHER FINANCING SOURCES (USES)..	-	(143,173)	(143,173)	(397,322)
NET CHANGE IN FUND BALANCE.....	(239,356)	(522,144)	(761,500)	(1,315,099)
BUDGETARY FUND BALANCE, Beginning of year.....	-	2,659,456	2,659,456	2,659,456
BUDGETARY FUND BALANCE, End of year.....	\$ (239,356)	\$ 2,137,312	\$ 1,897,956	\$ 1,344,357

See notes to required supplementary information.

<u>Actual Budgetary Amounts</u>	<u>Amounts Carried Forward To Next Year</u>	<u>Variance To Final Budget</u>
\$ 15,836,288	\$ -	\$ (240,719)
91,397	-	91,397
1,274,995	-	(55,005)
109,731	-	24,731
418,974	-	(77,026)
1,651	-	51
161,526	-	(38,474)
79,375	-	14,375
6,403,026	-	75,994
17,347	-	(8,653)
<u>210,819</u>	<u>-</u>	<u>10,819</u>
<u>24,605,129</u>	<u>-</u>	<u>(202,510)</u>
1,557,165	140,621	127,988
2,161,390	25,270	11,911
14,716,124	196,290	79,980
1,058,042	46,672	38,829
158,547	-	9,223
351,519	-	19,978
438,971	-	-
142,190	-	-
1,768,517	-	-
734,464	-	(49,586)
1,226,872	-	-
<u>725,845</u>	<u>-</u>	<u>38,594</u>
<u>25,039,646</u>	<u>408,853</u>	<u>276,917</u>
<u>(434,517)</u>	<u>(408,853)</u>	<u>74,407</u>
141,372	-	-
<u>(538,694)</u>	<u>-</u>	<u>-</u>
<u>(397,322)</u>	<u>-</u>	<u>-</u>
(831,839)	(408,853)	74,407
<u>2,659,456</u>	<u>-</u>	<u>-</u>
<u>\$ 1,827,617</u>	<u>\$ (408,853)</u>	<u>\$ 74,407</u>

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%.

Worcester County Regional Retirement System
Schedule of Employer Contributions

Plan Year Ended December 31	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
2005	\$ 17,562,285	\$ 17,562,285	100%	\$ 369,912	2.11%
2006	21,012,959	21,012,959	100%	442,008	2.10%
2007	21,982,772	21,982,772	100%	435,584	1.98%
2008	22,997,682	22,997,682	100%	438,971	1.91%

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

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 2008 approved budget for the General Fund authorized approximately \$25,544,000 in appropriations and other amounts to be raised. During fiscal year 2008, Town Meeting also approved supplemental appropriations totaling approximately \$720,000.

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, 2008, is presented below:

Net change in fund balance - budgetary basis.....	\$ (831,839)
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	94,906
Recognition of revenue for on-behalf payments.....	2,616,849
Recognition of expenditures for on-behalf payments.....	<u>(2,616,849)</u>
Net change in fund balance - gaap basis.....	<u>\$ (736,933)</u>

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2008, state and county charges exceeded appropriations. These over-expenditures will be funded with available funds in fiscal 2009.

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..... 21 years remaining as of July 1, 2007
 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..... 8.50%
 Projected salary increases..... 4.00%
 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>