

TOWN OF MILTON, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2010

TOWN OF MILTON, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Milton, 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 Milton, Massachusetts, as of and for the fiscal year ended June 30, 2010 (except for the Milton Contributory Retirement System which is as of and for the year ended December 31, 2009), 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 Milton, 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 Milton, Massachusetts, as of June 30, 2010 (except for the Milton Contributory Retirement System which is as of December 31, 2009), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2011, on our consideration of the Town of Milton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, Other Postemployment Benefits Schedule of Funding Progress and Other Postemployment Benefits Actuarial Methods and Assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

January 20, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Financial Highlights

- The assets of the Town of Milton exceeded its liabilities at the close of the most recent fiscal year by \$151.6 million (net assets). Of this amount, \$3.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total governmental net assets decreased by \$8.0 million. The key element of the change for FY2010 continues to be the OPEB liabilities that increased by \$8.4 million for this fiscal period.
- As of the close of the current fiscal year, the Town of Milton's governmental funds reported combined ending fund balances of \$13.5 million, an increase of \$655,000 in comparison with the prior year. The increase is attributable primarily to the completion of several construction projects and the timing of federal and state grant expenditures.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1.9 million or 2.6% percent of total general fund budgetary expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Milton's basic financial statements. The Town of Milton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This approach focuses on both the Town as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Milton's finances, in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the fiscal year. The statements are prepared using the full accrual basis of accounting. All revenues and expenses connected with the fiscal year are considered even if cash involved has not been received or disbursed. The government-wide financial statements include two statements:

The *statement of net assets* presents information on all of the Town of Milton's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Milton is improving or deteriorating. The *statement of activities* presents information showing how government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this

statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Milton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Milton include general government, public safety, highways and streets, public works and cemetery, education, health and human services, employee benefits, capital outlay, and culture and recreation. The business-type activities of the Town of Milton include the Water and Sewer funds.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Milton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Milton 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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Milton 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.

The Town has several governmental funds; four of which are considered major funds for presentation purposes. In addition to the General Fund there are the Stabilization Fund, Capital Projects Fund, and the State Fiscal Stabilization Fund, which are presented in a separate column in the governmental funds balance sheet and in the government funds statement of revenue, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

The depreciation method used in the Town's financial statements is the straight-line method.

Proprietary funds. The Town of Milton maintains proprietary funds that provide the same information as the government-wide financial statements, only in more detail. The Town maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements provide separate information for the sewer funds and water funds.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town of Milton's budgetary basis of accounting.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Milton, governmental assets exceeded liabilities by \$129 million at the close of the most recent fiscal year. Key components of the Town's governmental financial position are listed below.

	Governmental Activities	
	2010	2009
Assets:		
Current assets.....	\$ 26,234,974	\$ 22,513,579
Noncurrent assets (excluding capital).....	84,321	95,895
Capital assets, not being depreciated.....	1,422,758	1,422,758
Capital assets, net of accumulated depreciation.....	162,612,568	165,928,330
Total assets.....	190,354,621	189,960,562
Liabilities:		
Current liabilities (excluding debt).....	6,071,200	5,037,535
Noncurrent liabilities (excluding debt).....	16,456,994	8,101,198
Current debt.....	4,356,172	2,891,312
Noncurrent debt.....	34,505,363	36,961,535
Total liabilities.....	61,389,729	52,991,580
Net Assets:		
Capital assets net of related debt.....	128,661,250	131,583,486
Restricted.....	4,439,939	4,066,903
Unrestricted.....	(4,136,297)	1,318,593
Total net assets.....	\$ 128,964,892	\$ 136,968,982

The largest single portion of the Town of Milton's net assets (99%) reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding. The Town of Milton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Milton's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets 3.4% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

The remaining balance (deficit) of *unrestricted net assets* (\$4.2 million) reflects the impact of the OPEB liability.

At the end of the current fiscal year, the Town of Milton is able to report positive balances in two of the three categories of net assets for governmental activities and all categories of net assets for business-type activities.

Governmental activities. Governmental activities decreased the Town of Milton's net assets by \$7.8 million. Key elements of this decrease are as follows:

	Governmental Activities	
	2010	2009
Program revenues:		
Charges for services.....	\$ 4,148,260	\$ 4,650,624
Operating grants and contributions.....	20,976,882	19,546,180
General Revenues:		
Real estate and personal property taxes.....	60,004,760	53,482,396
Motor vehicle and other excise taxes.....	2,844,512	2,824,872
Penalties and interest on taxes.....	562,745	460,867
Nonrestricted grants.....	4,558,358	5,528,144
Unrestricted investment income.....	292,491	422,323
Other revenues.....	4,089	191,535
Total revenues.....	93,392,097	87,106,941
Expenses:		
General government.....	7,076,717	6,712,706
Public safety.....	18,044,626	17,556,304
Education.....	64,581,133	62,563,028
Public works.....	6,923,834	7,662,927
Human services.....	974,568	871,959
Library.....	1,524,094	443,475
Culture and recreation.....	1,532,961	1,209,396
Interest.....	1,401,828	1,346,218
Total expenses.....	102,059,761	98,366,013
Transfers.....	663,574	655,946
Change in net assets.....	\$ (8,004,090)	\$ (10,603,126)

The governmental activities decreased \$8.0 million in Fiscal 2010. This was due to the District implementing GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement requires a systematic, accrual-basis measurement and recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. In fiscal 2010 the Town, based on its actuarial valuation, recognized an increase of \$8.4 million in its OPEB liability.

Business-type activities. Business-type activities increased the Town of Milton's net assets by \$1.5 million. Key elements of this increase are as follows.

	Business-type Activities	
	2010	2009
Assets:		
Current assets.....	\$ 8,456,014	\$ 7,856,045
Capital assets, net of accumulated depreciation.....	<u>19,825,234</u>	<u>18,823,999</u>
Total assets.....	28,281,248	26,680,044
Liabilities:		
Current liabilities (excluding debt).....	126,899	127,928
Noncurrent liabilities (excluding debt).....	271,207	122,064
Current debt.....	1,496,533	797,095
Noncurrent debt.....	3,759,028	4,502,253
Total liabilities.....	5,653,667	5,549,340
Net Assets:		
Capital assets net of related debt.....	14,569,673	13,524,651
Unrestricted.....	<u>8,057,908</u>	<u>7,606,053</u>
Total net assets.....	\$ 22,627,581	\$ 21,130,704
Program revenues:		
Charges for services.....	\$ 10,839,997	\$ 11,175,192
General Revenues:		
Unrestricted investment income.....	11,911	18,161
Total revenues.....	10,851,908	11,193,353
Expenses:		
Water and sewer.....	8,690,457	8,663,110
Transfers.....	(664,574)	(655,946)
Change in net assets.....	\$ 1,496,877	\$ 1,874,297

Net assets for the business-type activities increased by \$1.5 million. This is because the water and sewer rates are designed primarily to provide additional resources to meet debt service requirements and make infrastructure improvements.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Milton's governmental funds reported combined ending balances of \$13.5 million, an increase of \$662,000 in comparison with the prior year. The increase is attributable primarily to the recognition completion of several construction projects and the timing of federal and state grant expenditures.

Approximately \$1.9 million of this total amount constitutes general fund unreserved fund balance, which is available for spending at the government's discretion when certified as free cash by the Massachusetts Department of Revenue. The remainder of fund balance, not including the school building project is 1) reserved to indicate that it is not available for new spending because it has already been committed to liquidate purchase orders of the prior period, liquidate contracts and pay ongoing capital articles 2) or is restricted for a specific purpose.

The general fund is the chief operating fund of the Town of Milton. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.9 million while the total fund balance was \$2.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.4% of total general fund expenditures, while total fund balance represents 2.8% of that same amount.

The fund balance of the Town of Milton's general fund experienced an increase of \$1.3 million during the current fiscal year. This was due to better than expected revenue collections and actual expenditures being less than budgeted.

Proprietary funds. The Town of Milton's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net assets of the Water and Sewer funds at the end of the year amounted to \$3.7 million and \$4.6 million, respectively. The total growth in net assets for both funds was \$867,000 and \$630,000, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Milton's business-type activities.

State Fiscal Stabilization fund. The *state fiscal stabilization* fund is used to account for the district's use of the federal state fiscal stabilization program which was awarded to Governors to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services. The Governor cut state Chapter 70 funding by 10% and replaced the amount with federal amounts. During fiscal year 2010, the Town received \$341,000 and spent the entire amount.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$976,000. The adjustment was to reduce the original appropriations in order to meet the Towns share of the less than anticipated revenues.

Capital Asset and Debt Administration

Capital assets. The Town of Milton's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$184 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

The major capital asset activity during the current fiscal year was the completion of the library construction project.

Long-term debt. At the end of the current fiscal year, the Town of Milton had total bonded debt outstanding of \$41.9 million. Additionally, short-term borrowing is at \$1.9 million and is due to medical expenses, surface drains and sewer projects.

Town of Milton's General Obligation Bonds Outstanding

	Governmental Activities	Business-type Activities	Total
High School (#2).....	\$ 4,000,000	\$ -	\$ 4,000,000
Glover School (#2).....	1,200,000	-	1,200,000
Senior Center.....	115,000	-	115,000
Storage Tanks.....	2,400,000	-	2,400,000
High School (#1).....	3,750,000	-	3,750,000
Glover School (#1).....	750,000	-	750,000
Middle School (#1).....	2,250,000	-	2,250,000
Tucker School (#2).....	750,000	-	750,000
Tucker School (#1).....	400,000	-	400,000
Traffic Signals & Streets.....	287,000	-	287,000
Ladder Truck.....	439,000	-	439,000
Fire Station Remodeling.....	69,000	-	69,000
Police Station Remodel.....	30,000	-	30,000
Parks Improvement.....	58,000	-	58,000
Surface Drains.....	400,000	-	400,000
Collicot-Cunningham.....	6,108,819	-	6,108,819
Library Engineering Service.....	139,000	-	139,000
Fire Pumper.....	279,000	-	279,000
Departmental Equipment.....	102,000	-	102,000
Surface Drain #1.....	450,000	-	450,000
Surface Drain #2.....	450,000	-	450,000
Surface Drain #3.....	450,000	-	450,000
School Project.....	3,369,000	-	3,369,000
Library.....	7,880,000	-	7,880,000
Medical Expenses.....	225,000	-	225,000
Medical Expenses #2.....	281,000	-	281,000
Water System.....	-	1,320,304	1,320,304
Sewer System.....	-	3,935,257	3,935,257
Total.....	\$ 36,631,819	\$ 5,255,561	\$ 41,887,380

Standard & Poor's Corporation (S&P) has rated the Town's long-term debt in fiscal 2010 as AA, S&P's second highest rating, which indicates the Town's debt is considered "high quality" as an investment.

Requests for Information

This financial report is designed to provide a general overview of the Town of Milton'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 Accountant's Office, 525 Canton Avenue, Milton, MA 02186.

Basic Financial Statements

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STATEMENT OF NET ASSETS

JUNE 30, 2010

		Primary Government		
		Governmental Activities	Business-type Activities	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 19,996,172	\$ 4,289,540	\$ 24,285,712	
Investments.....	1,388,388	-	1,388,388	
Receivables, net of allowance for uncollectibles:				
Real estate and personal property taxes.....	1,691,133	-	1,691,133	
Tax liens.....	1,143,034	-	1,143,034	
Motor vehicle and other excise taxes.....	576,271	-	576,271	
User fees.....	-	4,166,474	4,166,474	
Departmental and other.....	162,669	-	162,669	
Intergovernmental.....	1,265,733	-	1,265,733	
Unamortized issue costs on bonds payable.....	11,574	-	11,574	
NONCURRENT:				
Unamortized issue costs on bonds payable.....	84,321	-	84,321	
Capital assets, not being depreciated.....	1,422,758	-	1,422,758	
Capital assets, net of accumulated depreciation.....	162,612,568	19,825,234	182,437,802	
TOTAL ASSETS	190,354,621	28,281,248	218,635,869	
LIABILITIES				
CURRENT:				
Warrants payable.....	2,589,235	81,272	2,670,507	
Health claims payable.....	605,000	-	605,000	
Tax refunds payable.....	126,200	-	126,200	
Accrued interest.....	616,604	21,546	638,150	
Payroll withholdings.....	25,742	-	25,742	
Abandoned property.....	140,425	1,051	141,476	
Capital lease obligations.....	18,547	-	18,547	
Compensated absences.....	1,949,447	23,030	1,972,477	
Bonds and notes payable.....	4,316,379	1,496,533	5,812,912	
Unamortized premium on bonds and notes payable.....	39,793	-	39,793	
NONCURRENT:				
Capital lease obligations.....	42,704	-	42,704	
Other postemployment benefits.....	16,414,290	271,207	16,685,497	
Bonds and notes payable.....	34,215,440	3,759,028	37,974,468	
Unamortized premium on bonds and notes payable.....	289,923	-	289,923	
TOTAL LIABILITIES	61,389,729	5,653,667	67,043,396	
NET ASSETS				
Invested in capital assets, net of related debt.....	128,661,250	14,569,673	143,230,923	
Restricted for:				
Permanent funds:				
Expendable.....	1,307,467	-	1,307,467	
Nonexpendable.....	2,640,396	-	2,640,396	
Other purposes.....	492,076	-	492,076	
Unrestricted.....	(4,136,297)	8,057,908	3,921,611	
TOTAL NET ASSETS	\$ 128,964,892	\$ 22,627,581	\$ 151,592,473	

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Primary Government:				
<i>Governmental Activities:</i>				
General government.....	\$ 7,076,717	\$ 429,474	\$ 565,800	\$ (6,081,443)
Public safety.....	18,044,626	937,547	323,807	(16,783,272)
Education.....	64,581,133	748,974	18,501,399	(45,330,760)
Public works.....	6,923,834	1,903,704	673,493	(4,346,637)
Human services.....	974,568	71,073	201,076	(702,419)
Library.....	1,524,094	-	81,844	(1,442,250)
Culture and recreation.....	1,532,961	57,488	629,463	(846,010)
Interest.....	1,401,828	-	-	(1,401,828)
Total Governmental Activities.....	<u>102,059,761</u>	<u>4,148,260</u>	<u>20,976,882</u>	<u>(76,934,619)</u>
<i>Business-Type Activities:</i>				
Water.....	3,422,379	4,608,896	-	1,186,517
Sewer.....	5,268,078	6,231,101	-	963,023
Total Business-Type Activities.....	<u>8,690,457</u>	<u>10,839,997</u>	<u>-</u>	<u>2,149,540</u>
Total Primary Government.....	<u>\$ 110,750,218</u>	<u>\$ 14,988,257</u>	<u>\$ 20,976,882</u>	<u>\$ (74,785,079)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (76,934,619)	\$ 2,149,540	\$ (74,785,079)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	60,004,760	-	60,004,760
Motor vehicle and other excise taxes.....	2,844,512	-	2,844,512
Penalties and interest on taxes.....	562,745	-	562,745
Grants and contributions not restricted to specific programs.....	4,558,358	-	4,558,358
Unrestricted investment income.....	292,491	11,911	304,402
Other.....	4,089	-	4,089
Transfers, net	<u>663,574</u>	<u>(664,574)</u>	<u>(1,000)</u>
Total general revenues and transfers.....	<u>68,930,529</u>	<u>(652,663)</u>	<u>68,277,866</u>
Change in net assets.....	(8,004,090)	1,496,877	(6,507,213)
<i>Net Assets:</i>			
Beginning of year.....	<u>136,968,982</u>	<u>21,130,704</u>	<u>158,099,686</u>
End of year.....	<u>\$ 128,964,892</u>	<u>\$ 22,627,581</u>	<u>\$ 151,592,473</u>

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2010

ASSETS	General	Stabilization Fund	Capital Projects	Nonmajor Governmental Funds		Total Governmental Funds
Cash and cash equivalents.....	\$ 4,448,854	\$ 1,406,900	\$ 1,047,454	\$ 9,660,041	\$ 1,388,388	16,563,249
Investments.....	-	-	-	1,388,388		1,388,388
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	1,691,133	-	-	-	-	1,691,133
Tax liens.....	1,143,034	-	-	-	-	1,143,034
Motor vehicle and other excise taxes.....	576,271	-	-	-	-	576,271
Departmental and other.....	-	-	-	162,669	162,669	
Intergovernmental.....	-	-	-	1,265,733	1,265,733	
TOTAL ASSETS.....	\$ 7,859,292	\$ 1,406,900	\$ 1,047,454	\$ 12,476,831	\$ 22,790,477	
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ 2,163,230	\$ -	\$ 32,188	\$ 339,726	\$ 2,535,144	
Tax refunds payable.....	126,200	-	-	-	126,200	
Payroll withholdings.....	25,742	-	-	-	25,742	
Abandoned property.....	140,425	-	-	-	140,425	
Deferred revenues.....	3,126,180	-	-	1,428,402	4,554,582	
Notes payable.....	-	-	300,000	1,600,000	1,900,000	
TOTAL LIABILITIES.....	5,581,777	-	332,188	3,368,128	9,282,093	
FUND BALANCES:						
Reserved for:						
Encumbrances and continuing appropriations.....	375,198	-	-	-	-	375,198
Perpetual permanent funds.....	-	-	-	2,640,396	2,640,396	
Unreserved:						
Undesignated, reported in:						
General fund.....	1,902,317	-	-	-	-	1,902,317
Special revenue funds.....	-	1,406,900	-	3,848,079	5,254,979	
Capital projects funds.....	-	-	715,266	1,312,761	2,028,027	
Permanent funds.....	-	-	-	1,307,467	1,307,467	
TOTAL FUND BALANCES.....	2,277,515	1,406,900	715,266	9,108,703	13,508,384	
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 7,859,292	\$ 1,406,900	\$ 1,047,454	\$ 12,476,831	\$ 22,790,477	

See notes to basic financial statements.

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

JUNE 30, 2010

Total governmental fund balances.....	\$ 13,508,384
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	164,035,326
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	4,554,582
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	2,773,832
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(616,604)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable.....	(36,631,819)
Unamortized premiums on bonds and notes payable.....	(329,716)
Unamortized issue costs on bonds payable.....	95,895
Other postemployment benefits.....	(16,414,290)
Capital lease obligations.....	(61,251)
Compensated absences.....	<u>(1,949,447)</u>
Net effect of reporting long-term liabilities.....	<u>(55,290,628)</u>
Net assets of governmental activities.....	<u>\$ 128,964,892</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	Stabilization Fund	Capital Projects	State Fiscal Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 59,994,250	\$ -	\$ -	\$ -	\$ -	\$ 59,994,250
Motor vehicle and other excise taxes.....	2,781,019	-	-	-	-	2,781,019
Penalties and interest on taxes.....	562,745	-	-	-	-	562,745
Intergovernmental.....	14,987,133	-	-	340,590	7,423,772	22,751,495
Departmental and other.....	2,510,921	-	-	-	4,105,498	6,616,419
Contributions.....	-	-	26,970	-	305,814	332,784
Investment income.....	70,496	42,751	5,526	-	171,661	290,434
Miscellaneous.....	864	-	-	-	-	864
TOTAL REVENUES.....	80,907,428	42,751	32,496	340,590	12,006,745	93,330,010
EXPENDITURES:						
Current:						
General government.....	2,915,714	-	258	-	314,915	3,230,887
Public safety.....	10,339,884	-	26,969	-	1,801,735	12,168,588
Education.....	33,619,511	-	-	340,590	7,748,540	41,708,641
Public works.....	4,277,309	-	111,677	-	435,583	4,824,569
Human services.....	381,918	-	-	-	147,547	529,465
Library.....	985,553	-	421,018	-	151,800	1,558,371
Culture and recreation.....	351,466	-	17,143	-	694,939	1,063,548
Pension benefits.....	10,637,939	-	-	-	-	10,637,939
Employee benefits.....	9,021,968	-	-	-	-	9,021,968
State and county charges.....	3,616,133	-	-	-	-	3,616,133
Capital outlay.....	375,835	-	19,594	-	503,473	898,902
Debt service:						
Principal.....	2,595,834	-	-	-	-	2,595,834
Interest.....	1,485,985	-	-	-	-	1,485,985
TOTAL EXPENDITURES.....	80,605,049	-	596,659	340,590	11,798,532	93,340,830
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....						
	302,379	42,751	(564,163)	-	208,213	(10,820)
OTHER FINANCING SOURCES (USES):						
Premium from issuance of bonds.....	-	-	-	-	3,225	3,225
Transfers in.....	988,668	-	-	-	-	988,668
Transfers out.....	(1,000)	-	-	-	(324,094)	(325,094)
TOTAL OTHER FINANCING SOURCES (USES).....	987,668	-	-	-	(320,869)	666,799
NET CHANGE IN FUND BALANCES.....	1,290,047	42,751	(564,163)	-	(112,656)	655,979
FUND BALANCES AT BEGINNING OF YEAR.....	987,468	1,364,149	1,279,429	-	9,221,359	12,852,405
FUND BALANCES AT END OF YEAR.....	\$ 2,277,515	\$ 1,406,900	\$ 715,266	\$ -	\$ 9,108,703	\$ 13,508,384

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds.....	\$ 655,979
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	2,197,938
Depreciation expense.....	<u>(5,513,700)</u>

Net effect of reporting capital assets.....	(3,315,762)
---	-------------

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..... 56,805

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

Capital lease financing.....	17,583
Debt service principal payments.....	<u>2,595,834</u>

Net effect of reporting long-term debt.....	2,613,417
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(54,385)
Net change in accrued interest on long-term debt.....	38,679
Amortization of issuance costs.....	(13,227)
Amortization of bond premiums.....	45,478
Other postemployment benefits.....	<u>(8,374,343)</u>

Net effect of recording long-term liabilities and amortizing deferred losses.....	(8,357,798)
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Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....	343,269
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Change in net assets of governmental activities.....	<u>\$ (8,004,090)</u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2010

Business-type Activities - Enterprise Funds					
	Water	Sewer	Total	Governmental Activities - Internal Service Funds	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 2,299,205	\$ 1,990,335	\$ 4,289,540	\$ 3,432,923	
Receivables, net of allowance for uncollectibles:					
User fees.....	1,499,278	2,667,196	4,166,474	-	
Total current assets.....	<u>3,798,483</u>	<u>4,657,531</u>	<u>8,456,014</u>	<u>3,432,923</u>	
NONCURRENT:					
Capital assets, net of accumulated depreciation.....	11,929,655	7,895,579	19,825,234	-	
TOTAL ASSETS.....	<u>15,728,138</u>	<u>12,553,110</u>	<u>28,281,248</u>	<u>3,432,923</u>	
LIABILITIES					
CURRENT:					
Warrants payable.....	59,797	21,475	81,272	54,091	
Health claims payable.....	-	-	-	605,000	
Accrued interest.....	17,688	3,858	21,546	-	
Other liabilities.....	1,051	-	1,051	-	
Compensated absences.....	12,872	10,158	23,030	-	
Bonds and notes payable.....	1,355,155	141,378	1,496,533	-	
Total current liabilities.....	<u>1,446,563</u>	<u>176,869</u>	<u>1,623,432</u>	<u>659,091</u>	
NONCURRENT:					
Other postemployment benefits.....	175,419	95,788	271,207	-	
Bonds and notes payable.....	2,580,102	1,178,926	3,759,028	-	
Total noncurrent liabilities.....	<u>2,755,521</u>	<u>1,274,714</u>	<u>4,030,235</u>	<u>-</u>	
TOTAL LIABILITIES.....	<u>4,202,084</u>	<u>1,451,583</u>	<u>5,653,667</u>	<u>659,091</u>	
NET ASSETS					
Invested in capital assets, net of related debt.....	7,818,979	6,479,487	14,298,466	-	
Unrestricted.....	3,707,075	4,622,040	8,329,115	2,773,832	
TOTAL NET ASSETS.....	<u>\$ 11,526,054</u>	<u>\$ 11,101,527</u>	<u>\$ 22,627,581</u>	<u>\$ 2,773,832</u>	

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

Business-type Activities - Enterprise Funds					
	Water	Sewer	Total	Governmental Activities - Internal Service Funds	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ 1,618,745	
Employer contributions	-	-	-	8,165,718	
Charges for services	4,608,896	6,231,101	10,839,997	-	
Contributions.....	-	-	-	502,160	
TOTAL OPERATING REVENUES	4,608,896	6,231,101	10,839,997	10,286,623	
OPERATING EXPENSES:					
Cost of services and administration	1,360,101	878,078	2,238,179	-	
MWRA assessment.....	1,791,954	4,186,619	5,978,573	-	
Depreciation.....	271,698	183,763	455,461	-	
Employee benefits	-	-	-	9,945,411	
TOTAL OPERATING EXPENSES	3,423,753	5,248,460	8,672,213	9,945,411	
OPERATING INCOME (LOSS).....	1,185,143	982,641	2,167,784	341,212	
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	10,673	1,238	11,911	2,057	
Interest expense.....	1,374	(19,618)	(18,244)	-	
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	12,047	(18,380)	(6,333)	2,057	
INCOME (LOSS) BEFORE TRANSFERS.....	1,197,190	964,261	2,161,451	343,269	
TRANSFERS:					
Transfers out.....	(330,617)	(333,957)	(664,574)	-	
TOTAL TRANSFERS.....	(330,617)	(333,957)	(664,574)	-	
CHANGE IN NET ASSETS.....	866,573	630,304	1,496,877	343,269	
NET ASSETS AT BEGINNING OF YEAR.....	10,659,481	10,471,223	21,130,704	2,430,563	
NET ASSETS AT END OF YEAR.....	\$ 11,526,054	\$ 11,101,527	\$ 22,627,581	\$ 2,773,832	

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 4,594,221	\$ 6,471,890	\$ 11,066,111	\$ 10,286,623
Payments to vendors.....	(2,438,232)	(4,621,958)	(7,060,190)	(10,080,119)
Payments to employees.....	(627,743)	(379,041)	(1,006,784)	-
NET CASH FROM OPERATING ACTIVITIES.....	<u>1,528,246</u>	<u>1,470,891</u>	<u>2,999,137</u>	<u>206,504</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers out.....	(330,617)	(333,957)	(664,574)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	753,306	-	753,306	-
Acquisition and construction of capital assets.....	(1,091,453)	(365,243)	(1,456,696)	-
Principal payments on bonds and notes.....	(601,849)	(195,244)	(797,093)	-
Interest expense.....	-	(19,908)	(19,908)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(939,996)</u>	<u>(580,395)</u>	<u>(1,520,391)</u>	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	10,673	1,238	11,911	2,057
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	268,306	557,777	826,083	208,561
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,030,899	1,432,558	3,463,457	3,224,362
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 2,299,205</u>	<u>\$ 1,990,335</u>	<u>\$ 4,289,540</u>	<u>\$ 3,432,923</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 1,185,143	\$ 982,641	\$ 2,167,784	\$ 341,212
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	271,698	183,763	455,461	-
Changes in assets and liabilities:				
User fees.....	(14,675)	240,789	226,114	-
Warrants payable.....	(10,638)	10,822	184	(136,708)
Health claims payable.....	-	-	-	2,000
Postretirement benefits.....	96,466	52,677	149,143	-
Accrued compensated absences.....	252	199	451	-
Total adjustments.....	<u>343,103</u>	<u>488,250</u>	<u>831,353</u>	<u>(134,708)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 1,528,246</u>	<u>\$ 1,470,891</u>	<u>\$ 2,999,137</u>	<u>\$ 206,504</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 724,122	\$ 279,780
Investments.....	<u>72,380,621</u>	-
TOTAL ASSETS.....	<u>73,104,743</u>	279,780
NET ASSETS		
Held in trust for pension benefits and other purposes.....	<u>\$ 73,104,743</u>	<u>\$ 279,780</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 3,874,870	\$ -
Employee.....	<u>1,616,942</u>	-
Total contributions.....	<u>5,491,812</u>	-
Net investment income (loss):		
Net change in fair value of investments.....	8,698,820	-
Interest.....	<u>1,913,788</u>	-
Total investment income (loss).....	10,612,608	-
Intergovernmental.....	<u>169,845</u>	-
Transfers from other systems.....	<u>313,618</u>	-
TOTAL ADDITIONS.....	<u>16,587,883</u>	-
DEDUCTIONS:		
Administration.....	494,990	-
Transfers to other systems.....	207,506	-
Retirement benefits and refunds.....	6,501,006	-
Educational scholarships.....	<u>-</u>	14,355
TOTAL DEDUCTIONS.....	<u>7,203,502</u>	14,355
CHANGE IN NET ASSETS.....	9,384,381	(14,355)
NET ASSETS AT BEGINNING OF YEAR.....	<u>63,720,362</u>	294,135
NET ASSETS AT END OF YEAR.....	<u>\$ 73,104,743</u>	<u>\$ 279,780</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Milton, 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 and an appointed Town Administrator.

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. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

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

In the Fiduciary Funds the Milton Contributory Retirement System (the MCRS) was established to provide retirement benefits to Town employees, the Town Housing Authority employees, and their beneficiaries. The MCRS is governed by a five-member board comprised of the Town Accountant (ex-officio), two elected members, a member appointed by the Board of Selectmen and a member appointed by the other four members. The MCRS is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Joint Ventures

The Town has entered into a joint venture with the Towns of Avon, Canton, Dedham, Braintree, Holbrook, Westwood, Norwood, and Randolph to pool resources and share the costs, risks and rewards of providing vocational education through the Blue Hills Regional Technical School District.

Availability of Financial Information for Component Units

The MCRS did not issue a separate audited financial statement. The MCRS issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the MCRS located at 525 Canton Avenue, Milton, Massachusetts, 02186.

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 restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues. For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water and sewer enterprise fund. 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 *state fiscal stabilization fund* is used to account for the town's use of the federal state fiscal stabilization program which was awarded to Governors to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services.

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

The 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 that do not meet the criteria for a major governmental fund.

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

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

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

The *water and sewer enterprise funds* are used to account for the water and sewer activities.

Additionally, the Town reports an *internal service fund* as a proprietary fund type. This fund is used to account for the risk financing activities related to active employees' and retirees' health insurance.

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 types are reported:

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

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

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

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

Real Estate, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed 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 and Other Excise Taxes

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.

Water and Sewer User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories***Government-Wide and Fund Financial Statements***

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

G. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

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

All purchases and construction costs in excess of \$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 and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Land improvements.....	30
Buildings.....	40
Vehicles and equipment.....	3-40
Infrastructure.....	40-50

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. 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:

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

"Permanent funds - expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds - nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

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.

L. Capital Lease Obligations

The Town leases various assets under capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Investment Income

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

Investment income from proprietary funds is retained by that fund.

O. 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.

Q. 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.

R. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and 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.

The Pension Reserves Investment Management (PRIM) Board is charged with the general supervision of the Pension Reserves Investment Trust (PRIT) Fund. The PRIT Fund is a pooled investment fund established to invest the pension funds of the Massachusetts State Employees' and Teachers' Retirement Systems, and the assets of the county, authority, district, and municipal retirement systems that choose to invest in the Fund. The PRIT Fund was created in December 1983 by the Legislature (chapter 661, acts 1983) with a mandate to accumulate the assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations.

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 formal deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$19,451,101 and the bank balance totaled \$20,133,800. Of the bank balance, \$2,250,000 was covered by Federal Depository Insurance, \$1,444,890 was covered by Depositors Insurance Fund Insurance, \$6,230,099 was collateralized and \$10,208,811 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2009, the carrying amount of deposits for the System totaled \$724,122 and the bank balance of \$865,725 is 100% insured.

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's investments of \$98,271 in U.S. Treasury Notes, \$741,840 in corporate bonds, and \$548,277 in equity securities have a custodial credit risk exposure of \$1,388,388 because the related securities are uninsured, unregistered and held by the counterparty. To mitigate custodial credit risk, it is the Town's policy to invest in the following instruments: The Massachusetts Municipal Depository Trust, United States Treasuries, United States Agency Obligations, Certificates of Deposit, and unsecured bank deposits.

At December 31, 2009 investments of \$72,380,621 in the PRIT Fund do not have any custodial credit risk associated with it.

Investments

The Town had the following investments, with their respective maturities, at June 30, 2010:

Investment Type	Maturity			
	Fair Value	1-5 Years	6-10 Years	Over 10 Years
Debt Securities				
U.S. Treasury Notes.....	\$ 98,271	\$ 98,271	\$ -	\$ -
Corporate Bonds.....	<u>741,840</u>	<u>343,449</u>	<u>296,721</u>	<u>101,670</u>
Total Debt Securities.....	840,111	\$ 441,720	\$ 296,721	\$ 101,670
Other Investments				
Equity Securities.....	548,277			
Money Market Mutual Funds.....	3,603,883			
MMDT.....	<u>1,510,508</u>			
Total Investments.....	\$ <u>6,502,779</u>			

Interest Rate Risk

The Town has an investment policy that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks are mitigated by the diversification and prudent selection of investment instruments and choices of depository institutions. The System 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, however since all of the System's funds are invested in the PRIT fund, PRIT investment guidelines are strictly followed.

Credit Risk

The Town's policy related to Credit Risk consists of tracking the credit worthiness of specific financial institutions through Veribank, Inc. on a quarterly basis. The equity mutual funds, money market mutual funds and MMDT pooled funds are unrated. Standard and Poor's Investors Service rated the corporate and municipal bonds as follows:

Quality Ratings	Corporate Bonds
A.....	\$ 120,519
A-.....	55,868
AA+.....	410,021
BBB.....	10,864
BBB-.....	42,898
BBB+.....	<u>101,670</u>
Fair Value.....	\$ <u>741,840</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. More than 5% of the Town's investments are invested in the following issuers:

Issuer	Percentage Of Total Investments
Corporate Bonds.....	11%
Equity Securities.....	8%
Money Market Mutual Funds.....	56%
MMDT.....	23%

NOTE 3 - RECEIVABLES

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes.....	\$ 1,691,133	\$ -	\$ 1,691,133
Tax liens and foreclosures.....	1,143,034	-	1,143,034
Motor vehicle and other excise taxes.....	655,271	(79,000)	576,271
Departmental and other.....	162,669	-	162,669
Intergovernmental.....	1,265,733	-	1,265,733
 Total.....	 \$ 4,917,840	 \$ (79,000)	 \$ 4,838,840

At June 30, 2010, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water and sewer fees.....	\$ 4,166,474	\$ -	\$ 4,166,474

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	Nonmajor Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,406,875	\$ -	\$ 1,406,875
Tax liens and foreclosures.....	1,143,034	-	1,143,034
Motor vehicle and other excise taxes.....	576,271	-	576,271
Departmental and other.....	-	162,669	162,669
Intergovernmental.....	-	1,265,733	1,265,733
Total.....	\$ 3,126,180	\$ 1,428,402	\$ 4,554,582

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,422,758	\$ -	\$ -	\$ 1,422,758
<u>Capital assets being depreciated:</u>				
Land improvements.....	25,352	-	-	25,352
Buildings.....	173,606,709	1,029,479	-	174,636,188
Vehicles and equipment.....	12,316,593	305,634	-	12,622,227
Infrastructure.....	22,503,201	862,825	-	23,366,026
Total capital assets being depreciated.....	208,451,855	2,197,938	-	210,649,793
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(5,584)	(845)	-	(6,429)
Buildings.....	(21,293,104)	(4,199,399)	-	(25,492,503)
Vehicles and equipment.....	(8,485,582)	(756,069)	-	(9,241,651)
Infrastructure.....	(12,739,255)	(557,387)	-	(13,296,642)
Total accumulated depreciation.....	(42,523,525)	(5,513,700)	-	(48,037,225)
Total capital assets being depreciated, net.....	165,928,330	(3,315,762)	-	162,612,568
Total governmental activities capital assets, net.....	\$ 167,351,088	\$ (3,315,762)	\$ -	\$ 164,035,326

	Beginning Balance	Increases	Decreases	Ending Balance
Water Activities:				
<u>Capital assets being depreciated:</u>				
Buildings.....	\$ 5,000	\$ -	\$ -	\$ 5,000
Vehicles and equipment.....	431,761	-	-	431,761
Infrastructure.....	<u>22,448,015</u>	<u>1,091,453</u>	<u>-</u>	<u>23,539,468</u>
Total capital assets being depreciated.....	<u>22,884,776</u>	<u>1,091,453</u>	<u>-</u>	<u>23,976,229</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,062)	(125)	-	(1,187)
Vehicles and equipment.....	(412,462)	(11,076)	-	(423,538)
Infrastructure.....	<u>(11,361,352)</u>	<u>(260,497)</u>	<u>-</u>	<u>(11,621,849)</u>
Total accumulated depreciation.....	<u>(11,774,876)</u>	<u>(271,698)</u>	<u>-</u>	<u>(12,046,574)</u>
Total capital assets being depreciated, net.....	<u>\$ 11,109,900</u>	<u>\$ 819,755</u>	<u>\$ -</u>	<u>\$ 11,929,655</u>
 Sewer Activities:				
<u>Capital assets being depreciated:</u>				
Buildings.....	\$ 10,000	\$ -	\$ -	\$ 10,000
Vehicles and equipment.....	78,868	-	-	78,868
Infrastructure.....	<u>15,845,283</u>	<u>365,243</u>	<u>-</u>	<u>16,210,526</u>
Total capital assets being depreciated.....	<u>15,934,151</u>	<u>365,243</u>	<u>-</u>	<u>16,299,394</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(10,000)	-	-	(10,000)
Vehicles and equipment.....	(75,911)	(1,300)	-	(77,211)
Infrastructure.....	<u>(8,134,141)</u>	<u>(182,463)</u>	<u>-</u>	<u>(8,316,604)</u>
Total accumulated depreciation.....	<u>(8,220,052)</u>	<u>(183,763)</u>	<u>-</u>	<u>(8,403,815)</u>
Total capital assets being depreciated, net.....	<u>\$ 7,714,099</u>	<u>\$ 181,480</u>	<u>\$ -</u>	<u>\$ 7,895,579</u>

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

Governmental Activities:

General government.....	\$ 41,419
Public safety.....	346,974
Education.....	4,048,813
Public works.....	664,231
Human services.....	27,275
Library.....	358,851
Culture and recreation.....	26,137
Total depreciation expense - governmental activities.....	<u>\$ 5,513,700</u>

Business-Type Activities:

Water.....	\$ 271,698
Sewer.....	<u>183,763</u>
Total depreciation expense - business-type activities.....	<u>\$ 455,461</u>

NOTE 5 - INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

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

Transfers Out:	Transfers In:		
	General Fund	Stabilization Fund	Total
General Fund.....	\$ -	\$ 1,000	\$ 1,000 (1)
Nonmajor Governmental Funds.....	324,094	-	324,094 (2)
Proprietary funds.....	<u>664,574</u>	-	<u>664,574</u> (3)
Total.....	<u>\$ 988,668</u>	<u>\$ 1,000</u>	<u>\$ 989,668</u>

(1) Transferred out of General Fund to the Capital Stabilization fund.
 (2) Transferred out of various account into the General Fund relating to cemetery care and maintenance.
 (3) Reimbursement of indirect expenditures paid by the general fund.

NOTE 6 – CAPITAL LEASES

The Town has entered various lease agreements to finance the acquisition vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The amount capitalized totaled \$98,312 and at year end had a book value, net of accumulated depreciation, of \$78,650.

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2010, are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2011.....	21,546
2012.....	21,546
2013.....	21,546
2014.....	<u>2,504</u>
Total minimum lease payments.....	67,142
Less: amounts representing interest.....	<u>(5,891)</u>
Present value of minimum lease payments..... \$	<u>61,251</u>

NOTE 7 - 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. Details related to the short-term debt activity for the fiscal year ended June 30, 2010, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
BAN	Medical bills.....	2.75	06/30/10	\$ 250,000	\$ -	\$ 250,000	\$ -
BAN	Medical bills.....	1.90	02/11/11	-	400,000	-	400,000
BAN	Surface drains.....	1.50	02/11/11	-	800,000	-	800,000
BAN	Sewer.....	2.45	02/11/11	-	700,000	-	700,000
				\$ 250,000	\$ 1,900,000	\$ 250,000	\$ 1,900,000

NOTE 8 - LONG-TERM DEBT

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

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

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
High School (#2).....	4.14	\$ 4,250,000	-	\$ 250,000	\$ 4,000,000
Glover School (#2).....	4.14	1,275,000	-	75,000	1,200,000
Senior Center.....	4.75	230,000	-	115,000	115,000
Middle School (#2).....	4.14	2,550,000	-	150,000	2,400,000
High School (#1).....	4.27	4,000,000	-	250,000	3,750,000
Glover School (#1).....	4.27	800,000	-	50,000	750,000
Middle School (#1).....	4.27	2,400,000	-	150,000	2,250,000
Tucker School (#2).....	4.27	800,000	-	50,000	750,000
Tucker School (#1).....	4.27	425,000	-	25,000	400,000
Traffic Signals & Streets.....	4.05	346,000	-	59,000	287,000
Departmental Equipment.....	3.90	110,000	-	110,000	-
Ladder Truck.....	4.03	484,000	-	45,000	439,000
Fire Station Remodeling.....	4.10	74,000	-	5,000	69,000
Police Generator.....	3.91	37,000	-	37,000	-
Paving Police Station.....	3.94	6,000	-	6,000	-
Police Station Remodel.....	4.03	34,000	-	4,000	30,000
Parks Improvement.....	4.03	64,000	-	6,000	58,000
Truck.....	3.93	10,000	-	10,000	-
School Truck.....	3.93	10,000	-	10,000	-
Surface Drains.....	4.14	425,000	-	25,000	400,000
Collicot-Cunningham.....	2.00	6,448,198	-	339,379	6,108,819
Library Engineering Service...	4.25	151,000	-	12,000	139,000
Fire Pumper.....	4.25	318,000	-	39,000	279,000
Departmental Equipment.....	4.25	136,000	-	34,000	102,000
Surface Drain #1.....	4.25	475,000	-	25,000	450,000
Surface Drain #2.....	4.25	475,000	-	25,000	450,000
Surface Drain #3.....	4.25	475,000	-	25,000	450,000
School Project.....	4.00	3,547,180	-	178,180	3,369,000
Library.....	3.90	8,332,275	-	452,275	7,880,000
Medical Expenses.....	3.90	240,000	-	15,000	225,000
Medical Expenses #2.....	3.90	300,000	-	19,000	281,000
 Total.....		\$ 39,227,653	\$ -	\$ 2,595,834	\$ 36,631,819

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

Fiscal Year	Principal	Interest	Total
2011.....	2,416,379	1,335,146	3,751,525
2012.....	2,296,379	1,302,267	3,598,646
2013.....	2,291,379	1,224,308	3,515,687
2014.....	2,252,379	1,143,327	3,395,706
2015.....	2,252,379	1,058,927	3,311,306
2016.....	2,197,379	978,720	3,176,099
2017.....	2,197,379	898,208	3,095,587
2018.....	2,187,379	816,710	3,004,089
2019.....	2,152,379	735,194	2,887,573
2020.....	2,148,379	651,828	2,800,207
2021.....	2,098,379	567,511	2,665,890
2022.....	2,098,379	484,535	2,582,914
2023.....	2,098,379	400,747	2,499,126
2024.....	2,088,379	315,671	2,404,050
2025.....	2,088,379	229,952	2,318,331
2026.....	1,584,379	143,172	1,727,551
2027.....	1,059,379	81,163	1,140,542
2028.....	904,376	42,127	946,503
2029.....	<u>220,000</u>	<u>10,452</u>	<u>230,452</u>
Total.....	<u>\$ 36,631,819</u>	<u>\$ 12,419,965</u>	<u>\$ 49,051,784</u>

Bonds and Notes Payable Schedule – Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
MWPAT Bond.....	0.00	\$ 250,522	\$ -	\$ 28,246	\$ 222,276
MWPAT Bond.....	0.00	39,933	-	3,363	36,570
MWRA Notes.....	0.00	406,308	-	135,436	270,872
MWPAT Bond.....	0.00	185,095	-	10,637	174,458
MWRA Notes.....	0.00	677,180	-	135,436	541,744
Woodland Road Sewer (#1).....	4.13	514,000	-	31,000	483,000
Woodland Road Sewer (#2).....	4.13	196,000	-	12,000	184,000
Sewer MWRA.....	0.00	46,090	-	46,090	-
Sewer MWRA.....	0.00	3,850	-	3,850	-
Sewer MWRA.....	0.00	5,060	-	5,060	-
MVRA Notes.....	0.00	406,308	-	67,718	338,590
MVRA Notes.....	0.00	474,026	-	67,718	406,308
MVRA Notes.....	0.00	541,744	-	67,718	474,026
MWRA Notes.....	0.00	529,600	-	52,960	476,640
Sewer MWRA.....	0.00	275,000	-	55,000	220,000
MWRA Note.....	0.00	748,634	-	74,863	673,771
MWRA Note.....	0.00	<u>-</u>	<u>753,306</u>	<u>-</u>	<u>753,306</u>
		<u>\$ 5,299,350</u>	<u>\$ 753,306</u>	<u>\$ 797,095</u>	<u>\$ 5,255,561</u>
Sewer.....		1,515,550	-	195,246	1,320,304
Water.....		<u>3,783,800</u>	<u>753,306</u>	<u>601,849</u>	<u>3,935,257</u>
Total.....		<u>\$ 5,299,350</u>	<u>\$ 753,306</u>	<u>\$ 797,095</u>	<u>\$ 5,255,561</u>

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

Fiscal Year	Principal	Interest	Total
2011.....	818,561	48,743	867,304
2012.....	819,723	45,084	864,807
2013.....	685,511	41,270	726,781
2014.....	687,826	37,153	724,979
2015.....	498,355	32,494	530,849
2016.....	431,639	28,209	459,848
2017.....	364,953	23,887	388,840
2018.....	262,570	19,507	282,077
2019.....	262,574	17,077	279,651
2020.....	133,747	14,647	148,394
2021.....	57,994	12,257	70,251
2022.....	55,054	9,815	64,869
2023.....	55,054	7,373	62,427
2024.....	41,000	5,256	46,256
2025.....	41,000	3,512	44,512
2026.....	40,000	1,750	41,750
Total.....	\$ 5,255,561	\$ 348,034	\$ 5,603,595

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. The loan portion is payable in five equal annual installments. At June 30, 2010, the outstanding principal amount of these loans totaled \$3,935,257.

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of approximately \$106,000 and interest costs for \$83,000. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$315,000. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2010 principal and interest subsidies totaled approximately \$9,000 and \$17,400, respectively.

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

Purpose	Amount
School buildings.....	\$ 16,178,648
Sewer system.....	1,337,159
Main library construction/renovation.....	5,085,725
Surface drain system.....	700,000
Wind turbines.....	6,200,000
Sewer capital needs.....	725,000
Medical expenses.....	850,000
Water system improvements.....	471,071
Total.....	\$ 31,547,603

Changes in Long-term Liabilities

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

Governmental Activities:

	Balance at June 30, 2009	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance at June 30, 2010	Current Portion
Long-term bonds and notes payable.....	\$ 39,227,653	\$ -	\$ (2,595,834)	\$ -	\$ 36,631,819	\$ 2,416,379
Other Postemployment Benefits.....	8,039,947	-	-	8,374,343	16,414,290	-
Unamortized premium.....	375,194	-	(375,194)	329,716	329,716	39,793
Capital leases.....	78,834	-	-	(17,583)	61,251	18,547
Compensated absences.....	1,895,062	-	-	54,385	1,949,447	1,949,447
Total.....	\$ 49,616,690	\$ -	\$ (2,971,028)	\$ 8,740,861	\$ 55,386,523	\$ 4,424,166

Business Type Activities:

	Balance at June 30, 2009	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance at June 30, 2010	Current Portion
Long-term bonds and notes payable.....	\$ 5,299,350	\$ 753,306	\$ (797,095)	\$ -	\$ 5,255,561	\$ 818,561
Other Postemployment Benefits.....	122,064	-	-	149,143	271,207	-
Compensated absences.....	22,579	-	-	451	23,030	23,030
Total.....	\$ 5,443,993	\$ 753,306	\$ (797,095)	\$ 149,594	\$ 5,549,798	\$ 841,591

NOTE 9 - 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 participates in a premium-based health care plan for its active employees.

NOTE 10 - PENSION PLAN

Plan Description - The Town contributes to the MCRS, a cost-sharing multiple-employer defined benefit pension plan administered by the Milton Contributory Retirement Board. Substantially all employees are members of the MCRS, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$6,750,000 million for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The MCRS provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Milton Contributory Retirement Board and are borne by the MCRS.

The MCRS issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the MCRS located at 525 Canton Avenue, Milton, Massachusetts, 02186.

At December 31, 2009, the MCRS's membership consists of the following:

Active members.....	340
Inactive members.....	82
Disabled members.....	37
Retirees and beneficiaries currently receiving benefits.....	<u>236</u>
 Total.....	 <u>695</u>

Funding Policy - Plan members are required to contribute to the MCRS at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the MCRS its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 99% of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town contributions to the MCRS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$3,855,000, \$3,683,000, and \$3,495,000, respectively, which equaled its required contribution for each fiscal year. At June 30, 2010, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2008, actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return and (b) projected salaries at rates ranging from 4.75% to 5.25% per year. The actuarial value of the MCRS's assets was determined using the fair value of the assets. The MCRS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2009, is 12 years.

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)
1/1/2009	\$ 73,278,417	\$ 99,303,806	\$ 26,025,389	73.8%	\$ 17,341,534	150.1%
1/1/2007	74,305,047	92,325,220	18,020,173	80.5%	15,902,647	113.3%
1/1/2005	64,124,023	82,005,047	17,881,024	78.2%	14,024,744	127.5%
1/1/2003	56,388,022	76,045,844	19,657,822	74.2%	13,420,717	146.5%

Funding progress is reported based on the biennial actuarial valuation performed by the MCRS, and is being accumulated on a biennial basis. The Town is responsible for approximately 99% of the unfunded liability.

Noncontributory Retirement Allowance - The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the MCRS. The general fund expenditure for fiscal year 2009 totaled approximately \$33,000.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2009 was the initial year that the Town has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net Other Postemployment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

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

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 70% percent of the general government’s and 95% of the school’s of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 30 or 5 percent of their premium costs. For fiscal year 2010, the Town contributed \$4 million to the plan, and member contributions totaled \$1.5 million.

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

Normal cost.....	\$ 4,684,396
Amortization of unfunded actuarial accrued liability.....	7,383,775
Adjustment to annual required contribution.....	(472,010)
Interest on net OPEB obligation.....	326,480
Adjustment for timing.....	<u>628,256</u>
Annual OPEB cost (expense).....	12,550,897
Contributions made.....	<u>(4,027,412)</u>
Increase in net OPEB obligation.....	8,523,485
Net OPEB obligation--beginning of year.....	<u>8,162,011</u>
Net OPEB obligation--end of year.....	\$ <u>16,685,496</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 12,026,890	32%	\$ 8,162,011
6/30/2010	12,550,897	32%	16,685,496

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$133 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$48,450,119 and the ratio of the UAAL to the covered payroll was 262 percent.

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

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

In the July 1, 2008, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 9% initially, graded to 5% over 5 years. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4% per year. The remaining amortization period at June 30, 2010 is 28 years.

NOTE 12 - COMMITMENTS

The Town is committed to expend \$29,226,532 for the various projects listed below.

Purpose	Amount
School buildings.....	\$ 16,178,648
Sewer system.....	1,337,159
Library design/renovation.....	5,085,725
Surface drain system.....	700,000
Wind turbines.....	6,200,000
Sewer capital needs.....	725,000
 Total.....	 \$ 31,076,532

NOTE 13 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

- The GASB issued Statement #51, Accounting and Financial Reporting for Intangible Assets, which was implemented in fiscal year 2010. This pronouncement did not impact the financial statements.
- The GASB issued Statement #53, Accounting and Financial Reporting for Derivative Instruments, which was implemented in fiscal year 2010. The standards in this statement require all derivative investments to be reported at fair value. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The standards in this statement permits an agent employer that has an individual employer OPEB plan with fewer than 100 members to use an alternative measurement method to produce actuarially based information for purposes of financial reporting, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The standards in this statement provide guidance for bankrupt state and local governments by establishing requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities and for classifying changes in those items and related costs. Management elected to implement this standard early and this standard did not impact the basic financial statements.

Other Future GASB Pronouncements:

- The GASB issued Statement #54, Fund Balance Reporting and Government Fund Type Definitions, which is required to be implemented in fiscal year 2011. 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, 2010

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year		
		Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 59,546,231	\$ 59,546,231	\$ 59,546,231
Motor vehicle and other excise taxes.....	-	3,002,100	3,002,100	3,002,100
Penalties and interest on taxes.....	-	590,000	590,000	590,000
Intergovernmental.....	-	8,279,418	8,279,418	8,279,418
Departmental and other.....	-	2,824,000	2,824,000	2,824,000
Investment income.....	-	115,000	115,000	115,000
TOTAL REVENUES.....	-	74,356,749	74,356,749	74,356,749
EXPENDITURES:				
Current:				
General government.....	148,899	3,361,819	3,510,718	3,299,491
Public safety.....	5,275	10,943,427	10,948,702	10,491,760
Education.....	44,488	33,784,934	33,829,422	33,718,831
Public works.....	7,900	5,295,805	5,303,705	4,704,402
Human services.....	-	374,409	374,409	384,679
Library.....	-	995,803	995,803	986,698
Culture and recreation.....	355	365,126	365,481	351,776
Pension benefits.....	-	3,855,014	3,855,014	3,905,588
Employee benefits.....	-	9,137,554	9,137,554	9,185,127
State and county charges.....	-	3,632,782	3,632,782	3,632,782
Capital outlay.....	-	83,773	83,773	400,627
Debt service:				
Principal.....	-	2,595,834	2,595,834	2,595,834
Interest.....	-	1,518,627	1,518,627	1,518,627
TOTAL EXPENDITURES.....	206,917	75,944,907	76,151,824	75,176,222
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(206,917)	(1,588,158)	(1,795,075)	(819,473)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	988,668	988,668	988,668
Transfers out.....	-	(1,000)	(1,000)	(1,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	987,668	987,668	987,668
NET CHANGE IN FUND BALANCE.....	(206,917)	(600,490)	(807,407)	168,195
BUDGETARY FUND BALANCE, Beginning of year.....	504,259	504,259	504,259	504,259
BUDGETARY FUND BALANCE, End of year.....	\$ 297,342	\$ (96,231)	\$ (303,148)	\$ 672,454

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance Over/(Under)
\$	60,328,333	\$ -	\$ 782,102
	2,781,019	-	(221,081)
	562,745	-	(27,255)
	8,237,133	-	(42,285)
	2,510,921	-	(313,079)
	70,496	-	(44,504)
	<u>74,490,647</u>	<u>-</u>	<u>133,898</u>
	2,924,647	178,026	196,818
	10,339,884	78,597	73,279
	33,619,511	99,381	(61)
	4,277,309	17,899	409,194
	381,918	-	2,761
	985,553	985	160
	351,466	310	-
	3,887,939	-	17,649
	9,021,968	-	163,159
	3,616,133	-	16,649
	375,835	-	24,792
	<u>2,595,834</u>	<u>-</u>	<u>-</u>
	<u>1,485,985</u>	<u>-</u>	<u>32,642</u>
	<u>73,863,982</u>	<u>375,198</u>	<u>937,042</u>
	<u>626,665</u>	<u>(375,198)</u>	<u>1,070,940</u>
	988,668	-	-
	(1,000)	-	-
	<u>987,668</u>	<u>-</u>	<u>-</u>
	1,614,333	(375,198)	1,070,940
	<u>504,259</u>	<u>-</u>	<u>-</u>
\$	<u>2,118,592</u>	<u>\$ (375,198)</u>	<u>\$ 1,070,940</u>

Other Postemployment Benefits Plan Schedules

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

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2008	\$ -	\$ 57,180,418	\$ 57,180,418	0%	\$ 23,002,788	248.6%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2010	\$ 12,550,898	\$ 4,027,412	32%
2009	\$ 12,026,890	\$ 3,864,879	32%

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

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2010

Actuarial Methods:

Valuation date.....	July 1, 2008
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.5%, closed
Remaining amortization period.....	29 years as of July 1, 2009

Actuarial Assumptions:

Investment rate of return.....	4.0%, pay-as-you-go scenario
Medical/drug cost trend rate.....	9.0% graded to 5.0% over 5 years.

Plan Membership:

Current retirees, beneficiaries, and dependents.....	570
Current active members.....	<u>346</u>
Total	<u><u>916</u></u>

See notes to required supplementary information.

NOTE A - BUDGETARY BASIS OF ACCOUNTING**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Warrant Committee. The Warrant Committee presents an annual budget to the Town Meeting Representatives (Representatives), which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Representatives, who have full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Representative approval via a supplemental appropriation.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget authorized approximately \$77 million in appropriations and other amounts to be raised. Included in this amount were carry forwards from prior years and continuing appropriations. During fiscal year 2010, Town Meeting voted to reduce the budget approximately \$976,000

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2010, is presented below:

Net change in fund balance - budgetary basis.....	\$ 1,614,333
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	(207,883)
Tax refunds payable.....	(126,200)
Net change in expenditure accruals.....	8,933
Non recurring miscellaneous revenue.....	864
Recognition of revenue for on-behalf payments.....	6,750,000
Recognition of expenditures for on-behalf payments.....	<u>(6,750,000)</u>
Net change in fund balance - GAAP basis.....	\$ <u>1,290,047</u>

3. Appropriation Deficits

An appropriation deficit exists in the education fund. This deficit will be funded by future taxes.

NOTE B – OTHER POSTEMPLOYMENT BENEFITS

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

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

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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

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