

TOWN OF SUDBURY, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Sudbury, 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 Sudbury, Massachusetts, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Town of Sudbury, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Sudbury, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

We were unable to obtain audited financial statements supporting the Town's investment in the Wayland-Sudbury Septage Facility (the Facility) stated at \$632,185 at June 30, 2009, or its equity in the Facility's change in net assets; nor were we able to satisfy ourselves about the carrying value of the investment or the equity in its change in net assets by other auditing procedures.

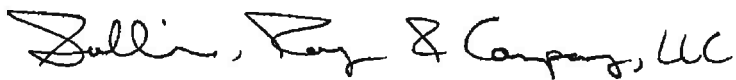
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Facility's financial statements been audited, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities of the Town of Sudbury, Massachusetts, as of June 30, 2009, and the respective change in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sudbury, Massachusetts, as of June 30, 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.

As more fully described in Note 13, the Town implemented Governmental Accounting Standards Board Statement # 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2010, on our consideration of the Town of Sudbury, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 4 through 14) and budgetary comparison and certain pension information (located on pages 57 through 62) 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.

Sullivan, Ray & Company, LLC

April 9, 2010

Management's Discussion and Analysis

As management of the Town of Sudbury, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2009.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$92,258,027 (net assets). Of this amount, \$14,690,577 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$437,707.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$26,922,737 an increase of \$604,852 in comparison with the prior year. Approximately \$17,099,000 represents unreserved fund balance.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$1,038,246 or 1.3 percent of total general fund expenditures and transfers out.
- The Town's total bonded debt (gross) increased by \$1,545,000 during the fiscal year; \$5,045,000 of new debt was issued.

Overview of the Basic Financial Statements

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

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's swimming pool and transfer station operations.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund financial statements

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

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

Governmental Funds

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

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

The Town maintains 396 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, stabilization (special revenue), community preservation (special revenue) and affordable housing (special revenue) funds, each of which are considered to be major funds. Data from the other 392 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 20-25 of this report.

Proprietary funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its swimming pool and transfer station activities, each of which are considered to be major funds.

The basic proprietary funds financial statements can be found on pages 26-28 of this report.

Fiduciary funds

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

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

The basic fiduciary funds financial statements can be found on pages 29-30 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-55 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be found on pages 57-62 of this report.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$92,258,027 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets.....	\$ 34,064,020	\$ 32,833,171	\$ 297,404	\$ 300,029	\$ 34,361,424	\$ 33,133,200
Noncurrent assets (excluding capital assets).....	16,162,676	16,791,593	-	-	16,162,676	16,791,593
Capital assets (net).....	89,721,908	85,699,032	754,423	862,234	90,476,331	86,561,266
Total assets.....	139,948,604	135,323,796	1,051,827	1,162,263	141,000,431	136,486,059
Liabilities						
Current liabilities (excluding debt).....	5,547,137	4,884,810	31,535	28,129	5,578,672	4,912,939
Noncurrent liabilities (excluding debt).....	3,392,079	907,853	46,006	-	3,438,085	907,853
Current debt.....	3,612,098	3,288,886	-	-	3,612,098	3,288,886
Noncurrent debt.....	36,113,549	34,680,647	-	-	36,113,549	34,680,647
Total liabilities.....	48,664,863	43,762,196	77,541	28,129	48,742,404	43,790,325
Net Assets						
Invested in capital assets (net of related debt).....	64,747,670	63,365,796	754,423	862,234	65,502,093	64,228,030
Restricted.....	12,065,357	11,293,988	-	-	12,065,357	11,293,988
Unrestricted.....	14,470,714	16,901,816	219,863	271,900	14,690,577	17,173,716
Total net assets.....	\$ 91,283,741	\$ 91,561,600	\$ 974,286	\$ 1,134,134	\$ 92,258,027	\$ 92,695,734

A significant portion of the Town's net assets (71.0%) reflects its investment in capital assets (e.g., land, intangible assets, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (13.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (15.9% or \$14,690,577) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$14,470,714 may be used to support governmental activities and \$219,863 may be used to support business-type activities.

Changes in Net Assets

The Town's total net assets decreased by \$437,707 during the current fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008	2009	2008	2009	2008
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 3,831,907	\$ 4,059,941	\$ 736,405	\$ 727,116	\$ 4,568,312	\$ 4,787,057
Operating grants and contributions.....	13,141,248	12,642,966	7,938	-	13,149,186	12,642,966
Capital grants and contributions.....	2,257,220	(2,388,625)	-	-	2,257,220	(2,388,625)
<i>General Revenues:</i>						
Real estate, personal property taxes and tax liens.....	63,077,062	60,406,373	-	-	63,077,062	60,406,373
Motor vehicle and other excise taxes.....	2,680,579	3,067,729	-	-	2,680,579	3,067,729
Penalties and interest on taxes.....	168,382	143,367	-	-	168,382	143,367
Payments in lieu of taxes.....	57,494	90,079	-	-	57,494	90,079
Community preservation surcharges.....	1,430,828	1,374,922	-	-	1,430,828	1,374,922
Grants and contributions not restricted to specific programs.....	1,697,519	1,850,319	-	-	1,697,519	1,850,319
Unrestricted investment income.....	379,045	671,911	-	-	379,045	671,911
Total revenues.....	88,721,284	81,918,982	744,343	727,116	89,465,627	82,646,098
Expenses						
General government.....	4,097,471	3,424,767	-	-	4,097,471	3,424,767
Public safety.....	9,689,559	8,864,947	-	-	9,689,559	8,864,947
Education.....	63,231,792	61,374,045	-	-	63,231,792	61,374,045
Public works.....	5,989,846	5,071,976	-	-	5,989,846	5,071,976
Health and human services.....	1,147,667	876,114	-	-	1,147,667	876,114
Culture and recreation.....	2,990,312	3,043,768	-	-	2,990,312	3,043,768
Debt service - interest.....	1,880,170	1,904,610	-	-	1,880,170	1,904,610
Swimming pool.....	-	-	507,235	451,288	507,235	451,288
Transfer station.....	-	-	369,282	257,880	369,282	257,880
Total expenses.....	89,026,817	84,560,227	876,517	709,168	89,903,334	85,269,395
Change in net assets before transfers.....	(305,533)	(2,641,245)	(132,174)	17,948	(437,707)	(2,623,297)
Transfers, net.....	27,674	28,145	(27,674)	(28,145)	-	-
Change in net assets.....	(277,859)	(2,613,100)	(159,848)	(10,197)	(437,707)	(2,623,297)
Net assets - beginning of year.....	91,561,600	94,174,700	1,134,134	1,144,331	92,695,734	95,319,031
Net assets - end of year.....	\$ 91,283,741	\$ 91,561,600	\$ 974,286	\$ 1,134,134	\$ 92,258,027	\$ 92,695,734

Governmental activities decreased the Town's net assets by \$277,859. In the prior year, governmental activities decreased the Town's net assets by \$2,613,100. The key element of this change is the fiscal year 2008 decrease in school construction grants receivable based on audits of school construction projects.

Business-type activities decreased the Town's net assets by \$159,848. In the prior year, business-type activities decreased the Town's net assets by \$10,197. The key elements of this change relate to the following:

- First-time recognition of other post-employment benefits obligations (approximately \$31,000)
- First-time recognition of compensated absences (approximately \$16,000)
- Transfer station repairs and maintenance (approximately \$22,000)
- Transfer station depreciation related to a change in useful life (approximately \$63,000)

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$26,922,737, an increase of \$604,852 in comparison with the prior year. Approximately \$16,778,000 represents undesignated fund balance. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$1,181,167)
- Employee benefits (\$6,661,734)
- Perpetual permanent funds (\$995,855)
- Other specific purposes (\$984,614)
- Fund a portion of the fiscal year 2010 budget (\$321,000)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$1,038,246, while total fund balance was \$9,202,147. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund expenditures and transfers out. Undesignated fund balance represents 1.3% of total general fund expenditures and transfers out, while total fund balance represents 11.5% of that same amount.

The fund balance of the Town's general fund increased \$158,791 during the current fiscal year. This is primarily attributable to the following:

- Use of unreserved fund balance (\$1,826,466)
- Negative budget to actual variance in revenues (\$730,280)
- Conservative spending against budgeted appropriations (positive budget to actual variance of \$2,689,812 before encumbrances and continuing appropriations)

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

The fund balance of the stabilization fund (special revenue) increased by \$61,411 during the current fiscal year. This is attributable to investment income earned by the fund.

The fund balance of the community preservation fund (special revenue) increased by \$291,245 during the current fiscal year. The fund recognized \$1,430,652 in surcharges, \$1,465,898 in intergovernmental revenues, \$250,221 in investment income, \$5,045,000 in proceeds of bonds and \$29,613 in premiums from the issuance of bonds. Expenditures of \$7,180,139 were incurred during the fiscal year. Transfers out of \$750,000 to the affordable housing fund were made during the fiscal year.

The fund balance of the affordable housing fund (special revenue) increased by \$379,446 during the current fiscal year. The fund recognized \$34,251 in revenues, incurred \$404,805 of expenditures and received \$750,000 of transfers from the community preservation fund.

Proprietary funds

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

Unrestricted net assets of the swimming pool and transfer station enterprise funds at the end of the year amounted to \$63,244 and \$156,619, respectively. The swimming pool and transfer station enterprise funds had a change in net assets for the year of (\$67,683) and (\$92,165), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$76,411,703 was increased by \$126,320 (0.2%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Snow and ice expenditures.....	\$ 100,000	Undesignated fund balance
Building expenditures.....	26,320	Insurance recovery special revenue fund
Total increase.....	<u>\$ 126,320</u>	

During the year, revenues and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, while other financing sources were greater than budgetary estimates, resulting in a positive budget to actual variance of \$938,365.

*Capital Asset and Debt Administration*Capital assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$90,476,331 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$3,915,065 or 4.52% (a 4.65% increase for governmental activities and a 0.13% decrease for business-type activities).

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

- Purchase of development restrictions on the Nobscot land (\$5,545,000)
- Purchases/leases of machinery and equipment (\$1,001,472)
- Various roadway and infrastructure improvements (\$796,884)
- Land purchases/tax takings (\$445,799)
- Purchases of vehicles (\$140,807)

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008	2009	2008	2009	2008
Land.....	\$ 26,282,901	\$ 25,837,102	\$ 192,500	\$ 192,500	\$ 26,475,401	\$ 26,029,602
Land improvements.....	1,888,199	2,068,379	-	-	1,888,199	2,068,379
Buildings and improvements.....	47,617,573	49,393,504	523,744	556,656	48,141,317	49,950,160
Machinery and equipment.....	1,583,501	826,511	10,851	9,459	1,594,352	835,970
Vehicles.....	1,378,402	2,153,342	27,328	103,619	1,405,730	2,256,961
Infrastructure.....	5,426,332	5,420,194	-	-	5,426,332	5,420,194
Intangible assets.....	5,545,000	-	-	-	5,545,000	-
Total capital assets.....	<u>\$ 89,721,908</u>	<u>\$ 85,699,032</u>	<u>\$ 754,423</u>	<u>\$ 862,234</u>	<u>\$ 90,476,331</u>	<u>\$ 86,561,266</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 44-45 of this report.

Long-Term Debt

At the end of the current fiscal year, the total gross bonded debt outstanding was \$40,000,000, which is backed by the full faith and credit of the Town and consists entirely of general obligation bonds.

The Town's total gross bonded debt increased \$1,545,000 (4.0%) during the current fiscal year. During the fiscal year, the Town issued long-term debt totaling \$5,045,000 for land development restrictions.

Additional information on the Town's long-term debt can be found in Note 9 on pages 47-50 of this report.

Economic Factors and Next Year's Budgets and Rates

The development of the fiscal year 2010 General Fund operating budget was once again hampered by a dichotomy of rising costs and limited growth in revenues. The fiscal year 2010 projection for General Fund revenues currently stands at approximately \$77.3 million. As Sudbury makes its way through the fiscal year 2010 budget season, it is difficult to say how the State's budget and economic woes will further affect local aid, but the state has indicated that it will not reduce fiscal year 2010 local aid.

Property taxes remain the primary source of revenue for the Town. Property taxes in Massachusetts are limited (by Proposition 2 ½) to a levy growth of 2.5% plus a value for new construction, unless the voters at an election approve an increase for operating expenses or debt service for a specific project. The last override approved by Sudbury taxpayers was for \$2.5 million (or 4.7% more than the normal levy) for fiscal year 2008. Since then, the Town has operated without an override and steady deterioration in other revenue.

State Aid (which includes Chapter 70 school reimbursement, general assistance and a dwindling number of other distributions or offsets) represents our second largest source of revenue. This type of revenue is distributed to municipalities based on a variety of formulas and metrics. While each component represents perhaps only a small fraction of the total revenue available to the State, or for that matter, the costs to deliver specific services at a local level, municipalities remain heavily reliant on this type of revenue to operate each year.

Non-tax revenues continue to decline. Local receipts (i.e. motor vehicle excise, departmental revenues, licensing and permits), are considered elastic revenues meaning that they are sensitive to the economy and tend to fluctuate accordingly over time. Up until fiscal year 2005, local receipts remained relatively stable. In fact, our largest segment, motor vehicle excise, provided 2-3% growth in revenues year over year (Sudbury being in the top 5% of all Massachusetts municipalities for highest average excise tax bills and lowest average vehicles age).

However, even Sudbury has not escaped the economic crisis felt throughout the country since 2008. In fiscal year 2009, local receipt tumbled more than \$600,000 or nearly 13% from the prior year. Economic recovery at the local level is not anticipated until fiscal year 2012, prompting the Town to reduce its revenue estimates for the fiscal year 2010 budget even further to just over \$4 million (which is nearly \$900,000 lower than fiscal year 2008; \$300,000 below our previous decade low in fiscal year 2004).

For fiscal year 2010, the Town's General Fund budget for expenses stands at \$77.3 million (including all town, school and shared expenses). The budget is allocated across four major cost centers (in descending order of relative size of operating resources: Sudbury Public Schools, Town Services, Lincoln-Sudbury Regional High School, and Capital), with the rest providing for shared expenses and other charges to be raised. It is important to note that within these cost centers, the first three in particular, there is a large segment of fixed costs to be paid for each year. These commonly exist in the form of service contracts, utilities, fuel, leases, insurances, etc and all are recurring in nature and increase periodically (often annually) based on economic and inflationary factors.

Of greater concern or impact on the Town's ability to operate and provide all services year in-year out is the growing cost of wages and employee benefits. We are a service organization charged with task of providing for the educational, public safety, cultural, human services and recreational needs of the Town. Beyond the direct, fundamental needs provided, are the growing (often-unfunded) mandates required by State and Federal government alike. At the core of all of these achievements is a labor force, which over the last decade has shrunk despite an increase in service levels and population, being served. Even so, wages and benefits represent nearly 80% of the Town's entire operating budget. With the cost of wages and benefits combined rising beyond the rate of inflation and more importantly the Town's rate of revenue growth, the Town and Schools have had to close the budget gap with significant headcount reductions over the last couple of years.

In fiscal year 2010, Town management, Board of Selectmen and School Committees face similar difficult choices to balance the budget. All remain committed to preserving our most valuable asset – our work force. Doing so will require implementing several initiatives including: reductions in the rate of growth in wages, reductions in the cost of employee health insurance, consolidation and regionalization of services. The largest savings stand to come from successful labor contract negotiations regarding wages, healthcare contributions and benefit plan design. To date, the Town and Schools have produced significant savings for contracts renewing in fiscal year 2010. Between the schools and the Town, we expect to realize approximately \$870,000 in savings for fiscal year 2010 as a result of the changes. Previously, healthcare costs have been rising steadily between 7-12% per year. For fiscal year 2011, we are planning for nearly level funding to the fiscal year 2010 levels. In general, employee contributions are going from 10% by employees up to 30% over the next 3 years. Effective July 1, 2009, all new employees will contribute 30%.

While the Town is already engaged in several regional groups and job sharing opportunities with neighboring communities, more is underway in the areas of recreation, culture, public safety and public health and elsewhere, in order to maintain the same or similar levels of services that Sudbury residents have grown to expect, but can no longer afford under the confines of Proposition 2 1/2, and a tax burden that is levied almost solely on residential properties in Town.

Finally, the Town continues to work on strategies to shift the financial burden from residents by increasing its commercial tax base and developing new non-tax revenue streams. The first strategy represents a long-standing goal to bolster Route 20's commercial corridor. Realistically, the only way to do this is by building the Town's first municipal wastewater treatment plant specifically for this district. The Town has recently identified a suitable site for a wastewater leaching field. If successful in this endeavor, the Town could increase its commercial tax base significantly which in turn would change the current mix of 91% Residential value and only 9% Commercial value property (in current terms, for every 1% shift to commercial value, would reduce the average taxpayer's bill by approximately \$150).

Beyond generating property tax revenues, the Town is very limited in its ability to produce revenues to support general operations. The State has recently passed legislation allowing municipalities to adopt or increase local option taxes, which could generate an additional \$100,000 per year for the Town. Of greater significance is the increased opportunity for the Town to take advantage of various State and Federal grants to offset significant programs and projects. While most grants are not recurring in nature they may afford the opportunity to build emergency command centers, start up regional dispatch systems, purchase equipment or invest in renewable energy sources. Most or perhaps all of these types of new initiatives would not otherwise be possible without grants. Similarly, revolving fund revenues and Enterprise Funds provide some sustainable means for the Town to pay for specific services it may provide. While such activities happen outside the General Fund and therefore do not support general expenditures, their value cannot be overlooked in terms of the positive impact to the Town's overall budget strategy. Revolving funds and Enterprises help to match user groups with the expenses incurred to provide specific services – busing, permitting, recreation, youth activities, solid waste and recycling are only a few of the ways we are able to align costs for very specific services rendered to the segments of population that use them.

The economy and budget outlook for fiscal year 2011 remains guarded. Management continues to take steps to protect the Town's financial health. The financial policies of the Town require making prudent decisions not only to meet today's challenges but also to secure the Town for the future. The key to maintaining our excellent financial condition and retaining our hard won AAA credit rating from Standard & Poor's is to continue to make decisions with multi-year sustainability in mind.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 278 Old Sudbury Road, Sudbury, Massachusetts 01776.

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 13,190,759	\$ 289,404	\$ 13,480,163
Restricted cash and cash equivalents.....	4,500,451	-	4,500,451
Investments.....	6,757,924	-	6,757,924
Restricted investments.....	5,881,819	-	5,881,819
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	623,464	-	623,464
Tax liens.....	447,665	-	447,665
Motor vehicle and other excise taxes.....	95,114	-	95,114
Community preservation surcharges.....	13,399	-	13,399
Departmental and other.....	44,314	8,000	52,314
Intergovernmental.....	1,730,991	-	1,730,991
Tax foreclosures.....	69,824	-	69,824
Working capital deposit.....	708,296	-	708,296
Total current assets.....	34,064,020	297,404	34,361,424
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	1,413,236	-	1,413,236
Intergovernmental.....	14,117,255	-	14,117,255
Investment in joint venture.....	632,185	-	632,185
Capital assets not being depreciated.....	31,827,901	192,500	32,020,401
Capital assets, net of accumulated depreciation.....	57,894,007	561,923	58,455,930
Total noncurrent assets.....	105,884,584	754,423	106,639,007
Total assets.....	139,948,604	1,051,827	141,000,431
LIABILITIES			
Current liabilities:			
Warrants payable.....	720,664	21,450	742,114
Accrued payroll.....	2,685,404	8,444	2,693,848
Tax refunds payable.....	111,234	-	111,234
Other liabilities.....	790,298	-	790,298
Accrued interest.....	159,639	-	159,639
Accrued health claims payable.....	712,740	-	712,740
Capital lease obligations.....	198,924	-	198,924
Workers' compensation claims.....	112,454	-	112,454
Compensated absences.....	55,780	1,641	57,421
Long-term bonds and notes payable.....	3,612,098	-	3,612,098
Total current liabilities.....	9,159,235	31,535	9,190,770
Noncurrent liabilities:			
Capital lease obligations.....	300,041	-	300,041
Workers' compensation claims.....	52,108	-	52,108
Net OPEB obligation.....	2,537,912	31,236	2,569,148
Compensated absences.....	502,018	14,770	516,788
Long-term bonds and notes payable.....	36,113,549	-	36,113,549
Total noncurrent liabilities.....	39,505,628	46,006	39,551,634
Total liabilities.....	48,664,863	77,541	48,742,404
NET ASSETS			
Invested in capital assets, net of related debt.....	64,747,670	754,423	65,502,093
Restricted for:			
Investment in joint venture.....	632,185	-	632,185
Community preservation.....	8,538,777	-	8,538,777
Affordable housing.....	759,810	-	759,810
Permanent funds:			
Expendable.....	154,116	-	154,116
Nonexpendable.....	995,855	-	995,855
Other specific purposes.....	984,614	-	984,614
Unrestricted.....	14,470,714	219,863	14,690,577
Total net assets.....	\$ 91,283,741	\$ 974,286	\$ 92,258,027

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/Revenue
Primary government:					
Governmental activities:					
General government.....	\$ 4,097,471	\$ 515,050	\$ 358,818	\$ 169,600	\$ (3,054,003)
Public safety.....	9,689,559	867,971	279,803	-	(8,541,785)
Education.....	63,231,792	1,285,944	11,271,001	-	(50,674,847)
Public works.....	5,989,846	115,153	107,763	621,722	(5,145,208)
Health and human services.....	1,147,667	170,991	18,508	-	(958,168)
Culture and recreation.....	2,990,312	876,798	255,162	1,465,898	(392,454)
Debt service - interest.....	1,880,170	-	850,193	-	(1,029,977)
Total governmental activities...	89,026,817	3,831,907	13,141,248	2,257,220	(69,796,442)
Business-type activities:					
Swimming pool.....	507,235	436,596	2,956	-	(67,683)
Transfer station.....	369,282	299,809	4,982	-	(64,491)
Total business-type activities...	876,517	736,405	7,938	-	(132,174)
Total primary government.....	\$ 89,903,334	\$ 4,568,312	\$ 13,149,186	\$ 2,257,220	\$ (69,928,616)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/revenue (from previous page).....	\$ (69,796,442)	\$ (132,174)	\$ (69,928,616)
<i>General revenues:</i>			
Real estate, personal property taxes and tax liens.....	63,077,062	-	63,077,062
Motor vehicle and other excise taxes.....	2,680,579	-	2,680,579
Penalties and interest on taxes.....	168,382	-	168,382
Payments in lieu of taxes.....	57,494	-	57,494
Community preservation surcharges.....	1,430,828	-	1,430,828
Grants and contributions not restricted to specific programs.....	1,697,519	-	1,697,519
Unrestricted investment income.....	379,045	-	379,045
Transfers, net	27,674	(27,674)	-
Total general revenues and transfers.....	69,518,583	(27,674)	69,490,909
Change in net assets.....	(277,859)	(159,848)	(437,707)
Net assets - beginning of year.....	91,561,600	1,134,134	92,695,734
Net assets - end of year.....	\$ 91,283,741	\$ 974,286	\$ 92,258,027

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

ASSETS	General	Stabilization	Community Preservation
Cash and cash equivalents.....	\$ 8,330,255	\$ 15,882	\$ -
Investments.....	4,916,249	1,841,675	-
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	623,464	-	-
Real estate tax deferrals.....	1,413,236	-	-
Tax liens.....	431,554	-	16,111
Motor vehicle and other excise taxes.....	95,114	-	-
Community preservation surcharges.....	-	-	13,399
Departmental and other.....	-	-	-
Intergovernmental.....	15,047,970	-	500,000
Tax foreclosures.....	69,824	-	-
Working capital deposit.....	708,296	-	-
Restricted assets:			
Cash and cash equivalents.....	-	-	3,149,489
Investments.....	-	-	4,866,151
TOTAL ASSETS.....	\$ 31,635,962	\$ 1,857,557	\$ 8,545,150
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 559,955	\$ -	\$ 2,947
Accrued payroll.....	2,685,404	-	-
Tax refunds payable.....	111,234	-	-
Other liabilities.....	786,872	-	3,426
Deferred revenue.....	17,413,048	-	29,510
Accrued health claims payable.....	712,740	-	-
Workers' compensation claims.....	164,562	-	-
TOTAL LIABILITIES.....	22,433,815	-	35,883
FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	1,181,167	-	-
Employee benefits.....	6,661,734	-	-
Perpetual permanent funds.....	-	-	-
Other specific purposes.....	-	-	-
Unreserved:			
Designated for subsequent year's expenditures.....	321,000	-	-
Undesignated, reported in:			
General fund.....	1,038,246	-	-
Special revenue funds.....	-	1,857,557	8,509,267
Capital projects funds.....	-	-	-
Permanent funds.....	-	-	-
TOTAL FUND BALANCES.....	9,202,147	1,857,557	8,509,267
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 31,635,962	\$ 1,857,557	\$ 8,545,150

See notes to basic financial statements.

Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,844,622	\$ 13,190,759
-	-	6,757,924
-	-	623,464
-	-	1,413,236
-	-	447,665
-	-	95,114
-	-	13,399
-	44,314	44,314
-	300,276	15,848,246
-	-	69,824
-	-	708,296
759,810	591,152	4,500,451
-	1,015,668	5,881,819
<u>\$ 759,810</u>	<u>\$ 6,796,032</u>	<u>\$ 49,594,511</u>

\$ -	\$ 157,762	\$ 720,664
-	-	2,685,404
-	-	111,234
-	-	790,298
-	44,314	17,486,872
-	-	712,740
-	-	164,562
-	202,076	22,671,774

-	-	1,181,167
-	-	6,661,734
-	995,855	995,855
-	984,614	984,614
-	-	321,000
-	-	1,038,246
759,810	4,256,968	15,383,602
-	202,403	202,403
-	154,116	154,116
<u>759,810</u>	<u>6,593,956</u>	<u>26,922,737</u>
<u>\$ 759,810</u>	<u>\$ 6,796,032</u>	<u>\$ 49,594,511</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Stabilization	Community Preservation
REVENUES			
Real estate and personal property taxes.....	\$ 62,447,823	\$ -	\$ -
Motor vehicle and other excise taxes.....	2,805,055	-	-
Tax liens.....	336,130	-	-
Payments in lieu of taxes.....	57,494	-	-
Community preservation surcharges.....	-	-	1,430,652
Charges for services.....	-	-	-
Intergovernmental.....	12,030,554	-	1,465,898
Penalties and interest on taxes.....	168,382	-	-
Licenses and permits.....	471,819	-	-
Fines and forfeitures.....	105,004	-	-
Departmental and other.....	402,154	-	-
Contributions.....	-	-	-
Investment income (loss).....	379,045	61,411	250,221
TOTAL REVENUES.....	79,203,460	61,411	3,146,771
EXPENDITURES			
Current:			
General government.....	2,529,341	-	198,819
Public safety.....	6,744,733	-	-
Education.....	45,156,609	-	-
Public works.....	3,847,177	-	90,208
Health and human services.....	560,600	-	-
Culture and recreation.....	1,049,432	-	6,081,657
Pension benefits.....	7,272,633	-	-
Employee benefits.....	8,280,859	-	-
Property and liability insurance.....	215,912	-	-
State and county charges.....	166,240	-	-
Debt service:			
Principal.....	3,070,000	-	430,000
Interest.....	1,277,060	-	379,455
TOTAL EXPENDITURES.....	80,170,596	-	7,180,139
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(967,136)	61,411	(4,033,368)
OTHER FINANCING SOURCES (USES)			
Transfers in.....	889,470	-	-
Proceeds of bonds and notes.....	-	-	5,045,000
Premium from issuance of bonds and notes.....	-	-	29,613
Capital leases.....	239,695	-	-
Transfers out.....	(3,238)	-	(750,000)
TOTAL OTHER FINANCING SOURCES (USES).....	1,125,927	-	4,324,613
NET CHANGE IN FUND BALANCES.....	158,791	61,411	291,245
FUND BALANCES AT BEGINNING OF YEAR.....	9,043,356	1,796,146	8,218,022
FUND BALANCES AT END OF YEAR.....	\$ 9,202,147	\$ 1,857,557	\$ 8,509,267

See notes to basic financial statements.

<u>Affordable Housing</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 62,447,823
-	-	2,805,055
-	-	336,130
-	-	57,494
-	-	1,430,652
-	359,443	359,443
-	3,320,976	16,817,428
-	-	168,382
-	61,715	533,534
-	9,033	114,037
25,439	2,666,760	3,094,353
-	349,619	349,619
<u>8,812</u>	<u>(22,474)</u>	<u>677,015</u>
<u>34,251</u>	<u>6,745,072</u>	<u>89,190,965</u>
-	251,543	2,979,703
-	237,288	6,982,021
-	3,703,928	48,860,537
-	858,159	4,795,544
404,805	110,276	1,075,681
-	891,361	8,022,450
-	-	7,272,633
-	120,000	8,400,859
-	-	215,912
-	-	166,240
-	-	3,500,000
-	-	<u>1,656,515</u>
<u>404,805</u>	<u>6,172,555</u>	<u>93,928,095</u>
<u>(370,554)</u>	<u>572,517</u>	<u>(4,737,130)</u>
750,000	-	1,639,470
-	-	5,045,000
-	-	29,613
-	-	239,695
-	(858,558)	(1,611,796)
<u>750,000</u>	<u>(858,558)</u>	<u>5,341,982</u>
379,446	(286,041)	604,852
<u>380,364</u>	<u>6,879,997</u>	<u>26,317,885</u>
<u>\$ 759,810</u>	<u>\$ 6,593,956</u>	<u>\$ 26,922,737</u>

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

JUNE 30, 2009

Total governmental fund balances (page 21).....	\$ 26,922,737
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	89,721,908
The equity interest in the assets of the governmental joint venture is not reported in the governmental funds.....	632,185
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....	17,486,872
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....	(159,639)
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.....	(39,725,647)
Capital lease obligations.....	(498,965)
Net OPEB obligation.....	(2,537,912)
Compensated absences.....	(557,798)
Net assets of governmental activities (page 17).....	\$ <u>91,283,741</u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 23).....	\$ 604,852
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital outlays.....	7,760,362
Capital contributions.....	169,600
Depreciation.....	(3,493,172)
<p>In the statement of activities, the <i>gain</i> or <i>loss</i> on the disposal of capital assets is reported, whereas in the governmental funds the disposal is not reported. As a result, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.....</p>	
	(413,914)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(668,894)
<p>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 impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Bond proceeds.....	(5,045,000)
Bond maturities.....	3,500,000
Amortization of deferred losses on refundings.....	(211,114)
Capital lease proceeds.....	(239,695)
Capital lease maturities.....	251,364
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>	
	(12,541)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Net OPEB obligation.....	(2,537,912)
Compensated absences.....	58,205
Changes in net assets of governmental activities (page 19).....	\$ <u>(277,859)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Swimming Pool</u>	<u>Transfer Station</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 115,945	\$ 173,459	\$ 289,404
Receivables, net of allowance for uncollectible amounts:			
Departmental and other.....	-	8,000	8,000
Total current assets.....	<u>115,945</u>	<u>181,459</u>	<u>297,404</u>
Noncurrent assets:			
Capital assets not being depreciated.....	-	192,500	192,500
Capital assets, net of accumulated depreciation.....	<u>534,595</u>	<u>27,328</u>	<u>561,923</u>
Total noncurrent assets.....	<u>534,595</u>	<u>219,828</u>	<u>754,423</u>
Total assets.....	<u>650,540</u>	<u>401,287</u>	<u>1,051,827</u>
LIABILITIES			
Current liabilities:			
Warrants payable.....	12,062	9,388	21,450
Accrued payroll.....	4,685	3,759	8,444
Compensated absences.....	<u>1,300</u>	<u>341</u>	<u>1,641</u>
Total current liabilities.....	<u>18,047</u>	<u>13,488</u>	<u>31,535</u>
Noncurrent liabilities:			
Net OPEB obligation.....	22,950	8,286	31,236
Compensated absences.....	<u>11,704</u>	<u>3,066</u>	<u>14,770</u>
Total noncurrent liabilities.....	<u>34,654</u>	<u>11,352</u>	<u>46,006</u>
Total liabilities.....	<u>52,701</u>	<u>24,840</u>	<u>77,541</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	534,595	219,828	754,423
Unrestricted.....	<u>63,244</u>	<u>156,619</u>	<u>219,863</u>
Total net assets.....	<u>\$ 597,839</u>	<u>\$ 376,447</u>	<u>\$ 974,286</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Swimming Pool</u>	<u>Transfer Station</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services.....	\$ 436,596	\$ 299,809	\$ 736,405
OPERATING EXPENSES			
Cost of service and administration.....	435,713	246,374	682,087
Repairs and maintenance.....	40,002	46,617	86,619
Depreciation.....	31,520	76,291	107,811
TOTAL OPERATING EXPENSES.....	507,235	369,282	876,517
OPERATING INCOME (LOSS).....	(70,639)	(69,473)	(140,112)
NONOPERATING REVENUES (EXPENSES)			
Investment income.....	2,956	4,982	7,938
INCOME (LOSS) BEFORE TRANSFERS.....	(67,683)	(64,491)	(132,174)
TRANSFERS			
Transfers in.....	-	3,238	3,238
Transfers out.....	-	(30,912)	(30,912)
TOTAL TRANSFERS.....	-	(27,674)	(27,674)
CHANGE IN NET ASSETS.....	(67,683)	(92,165)	(159,848)
NET ASSETS AT BEGINNING OF YEAR.....	665,522	468,612	1,134,134
NET ASSETS AT END OF YEAR.....	\$ 597,839	\$ 376,447	\$ 974,286

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds		
	Swimming Pool	Transfer Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users.....	\$ 436,596	\$ 291,809	\$ 728,405
Payments to vendors.....	(132,787)	(171,401)	(304,188)
Payments to employees.....	(305,436)	(109,670)	(415,106)
NET CASH FROM OPERATING ACTIVITIES.....	(1,627)	10,738	9,111
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in.....	-	3,238	3,238
Transfers out.....	-	(30,912)	(30,912)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	-	(27,674)	(27,674)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income.....	2,956	4,982	7,938
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,329	(11,954)	(10,625)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	114,616	185,413	300,029
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 115,945	\$ 173,459	\$ 289,404
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss).....	\$ (70,639)	\$ (69,473)	\$ (140,112)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	31,520	76,291	107,811
Changes in assets and liabilities:			
Departmental and other.....	-	(8,000)	(8,000)
Warrants payable.....	3,061	1,463	4,524
Accrued payroll.....	(1,523)	(1,236)	(2,759)
Accrued compensated absences.....	13,004	3,407	16,411
Net OPEB obligation.....	22,950	8,286	31,236
Total adjustments.....	69,012	80,211	149,223
NET CASH FROM OPERATING ACTIVITIES.....	\$ (1,627)	\$ 10,738	\$ 9,111

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

ASSETS	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 127,937	\$ 682,031
Receivables, net of allowance for uncollectible amounts:		
Departmental and other.....	-	250,938
Total assets.....	<u>127,937</u>	<u>932,969</u>
LIABILITIES		
Warrants payable.....	-	3,269
Liabilities due depositors.....	-	929,700
Total liabilities.....	<u>-</u>	<u>932,969</u>
NET ASSETS		
Held in trust for other purposes.....	<u>\$ 127,937</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations.....	\$ 2,451
Net investment income:	
Net appreciation/(depreciation) in fair value of investments.....	(4,929)
Interest.....	<u>2,617</u>
Total investment income (loss).....	<u>(2,312)</u>
TOTAL ADDITIONS.....	139
DEDUCTIONS	
Scholarships awarded.....	4,925
Other.....	<u>500</u>
TOTAL DEDUCTIONS.....	<u>5,425</u>
CHANGE IN NET ASSETS.....	(5,286)
NET ASSETS AT BEGINNING OF YEAR.....	<u>133,223</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 127,937</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

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

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

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/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in the following joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

Wayland-Sudbury Septage Disposal Facility (Facility)

The Town is a participant in a joint venture with the Town of Wayland for the operation of a septage disposal facility. The Towns of Sudbury and Wayland each appoint five members of the Operational Review Committee who oversee the operations. Each town has a 50 percent interest in the venture. The Town of Sudbury is the custodian of the Facility's cash and investments, which is reported in the Agency Fund. As of June 30, 2009, the Town's unaudited equity interest (departure from GAAP) in the operation of the Facility totaled \$632,185 and is reported in governmental activities.

Lincoln Sudbury Regional High School District (LSRHSD)

The LSRHSD is governed by a six member school district committee consisting of three elected representatives of the Town. The Town is indirectly liable for the LSRHSD debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2009, the Town's assessment totaled \$18,728,612. Separate financial statements may be obtained by writing to the Treasurer of the LSRHSD at 390 Lincoln Road, Sudbury, MA 01776.

Minuteman Regional High School (MRHS)

The MRHS is governed by a seventeen member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the MRHS debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2009, the Town's assessment totaled \$237,788. Separate financial statements may be obtained by writing to the Treasurer of the MRHS at 758 Marrett Road, Lexington, MA 02421-7313.

C. Government-Wide and Fund Financial StatementsGovernment-Wide Financial Statements

The government-wide financial statements (statement of net assets and the statement activities) report information on all 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 primarily supported by user fees.

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. Fiduciary funds are reported by fund type.

D. Measurement Focus, Basis of Accounting and Basis of PresentationGovernment-Wide and Fund Financial Statements

The government-wide and enterprise fund financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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 function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental funds 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, capital lease obligations, 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 the end of the fiscal year. 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 required to be accounted for in another fund.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and capital reserves. Use of this fund is subject to Town Meeting approval.

The *community preservation fund* is a special revenue fund used to account for the 3% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Property exempt from the surcharge consists of the first \$100,000 of all residential property and also property owned by low-income residents or seniors with low or moderate income as defined by Massachusetts Department of Revenue (DOR) guidelines. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

The *affordable housing fund* is a special revenue fund (established in accordance with MGL, Chapter 44, Section 55C) used to provide for the creation and preservation of affordable housing within the Town.

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 capital projects funds or permanent funds) that are restricted by law or administrative action to expenditures for specified purposes.

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

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

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

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

The following major proprietary funds are reported:

The *swimming pool enterprise fund* is used to account for recreational swimming pool activities.

The *transfer station enterprise fund* is used to account for transfer station activities.

Fiduciary funds 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 government's programs.

The following fiduciary fund types are reported:

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

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of performance bonds, bid deposits and cash receipt collections for the Facility. Agency funds do not present the results of operations or have a measurement focus.

E. Deposits 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.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Real Estate Taxes, Real Estate Tax Deferrals, 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 approximately one-year after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle and Other Excise Taxes

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

Community Preservation Surcharges

Community preservation surcharges are levied annually and at a rate of 3% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax 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. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

Departmental and Other

Departmental and other receivables primarily represent amounts due for the Facility and from vendors related to police details and are recorded as receivables in the fiscal year accrued.

Intergovernmental

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

G. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

As of June 30, 2009, the allowance for uncollectible amounts for departmental and other receivables is immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

- Real estate taxes and real estate tax deferrals
- Tax liens
- Community preservation surcharges

Intergovernmental receivables are considered 100% collectible.

H. 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.

I. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

J. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, intangible assets, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities column of the government-wide 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.

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

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

<u>Capital Asset Type</u>	Estimated Useful Life (in years)
Land improvements.....	30
Buildings and improvements.....	10 - 40
Machinery and equipment.....	5 - 20
Vehicles.....	4 - 20
Infrastructure.....	20

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.

K. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Deferred Revenue

Deferred revenue at the 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 financial statements (full accrual).

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

Net assets are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net assets have been "restricted" for the following:

"Investment in joint venture" represents the Town's equity interest in the operation of the Facility.

"Community preservation" represents amounts restricted for affordable housing, open space and historic purposes.

"Affordable housing" represents amounts restricted for a fund (established in accordance with MGL, Chapter 44, Section 55C) used to provide for the creation and preservation of affordable housing within the Town.

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

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

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

Fund Financial Statements (Fund Balances)

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

Fund balances have been "reserved for" the following:

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

"Employee benefits" represents amounts accumulated for self-insurance activities.

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

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

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2010 operating budget.

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. 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.

P. 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 in the funds.

Q. 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 Funds Financial Statements

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

*R. Post Retirement Benefits*Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 13, the Town provides health, dental and life insurance coverage for current and future retirees and their spouses.

*S. 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.

*T. 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 presented 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 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any appropriation at the functional level, adopts the expenditure budget by majority vote.

Increases to the original budget subsequent to Annual Town Meeting require Special Town Meeting approval.

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.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget for the general fund authorized \$76,411,703 in appropriations and other amounts to be raised. During fiscal year 2009, \$126,320 of supplemental appropriations were authorized.

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

NOTE 3 - DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool - the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds and private purpose trust funds are held separately from other town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy for custodial credit risk is to rely on FDIC and DIF insurance coverage. As of June 30, 2009, \$9,854,692 of the Town's bank balance of \$15,025,416 was uninsured, uncollateralized and exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2009 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Treasuries.....	\$ 624,645	\$ 305,613	\$ 319,032
U.S. Agencies.....	2,490,112	724,717	1,765,395
Corporate bonds.....	3,450,511	294,505	3,156,006
Money market mutual funds.....	1,052,121	1,052,121	-
Certificates of deposit.....	5,095,971	4,508,490	587,481
External investment pools.....	3,435,681	3,435,681	-
Total debt securities.....	16,149,041	\$ 10,321,127	\$ 5,827,914
<u>Other Investments:</u>			
Equity mutual funds.....	391,022		
Total investments.....	\$ 16,540,063		

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town's policy for interest rate risk of debt securities is to follow the municipal finance laws of the Commonwealth, which requires (with the exception of certain trust funds) the Town to limit investments to U.S. backed securities with a maturity of one year or less.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2009, the Town's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities.

As of June 30, 2009, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *	
		AAA	Unrated
Corporate bonds.....	\$ 3,450,511	\$ 3,156,006	\$ 294,505
Money market mutual funds.....	1,052,121	-	1,052,121
Certificates of deposit.....	5,095,971	-	5,095,971
External investment pools.....	3,435,681	-	3,435,681
Total.....	\$ 13,034,284	\$ 3,156,006	\$ 9,878,278

* Per the rating scale of Standard and Poor's (a national credit rating organization)

Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have a policy for foreign currency risk. As of June 30, 2009, the Town was not exposed to foreign currency risk.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2009, the Town was not exposed to concentration of credit risk.

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2009, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 669,213	\$ (45,749)	\$ 623,464
Real estate tax deferrals.....	1,413,236	-	1,413,236
Tax liens.....	447,665	-	447,665
Motor vehicle and other excise taxes.....	121,601	(26,487)	95,114
Community preservation surcharges.....	13,399	-	13,399
Departmental and other.....	295,252	-	295,252
Intergovernmental.....	15,848,246	-	15,848,246
	<u>\$ 18,808,612</u>	<u>\$ (72,236)</u>	<u>\$ 18,736,376</u>

At June 30, 2009, receivables for the transfer station enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Departmental and other.....	\$ 8,000	\$ -	\$ 8,000

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 355,350	\$ -	\$ 355,350
Real estate tax deferrals.....	1,413,236	-	1,413,236
Tax liens.....	431,554	16,111 (a)	447,665
Motor vehicle and other excise taxes.....	95,114	-	95,114
Community preservation surcharges.....	-	13,399 (a)	13,399
Departmental and other.....	-	44,314 (b)	44,314
Intergovernmental (state school construction).....	15,047,970	-	15,047,970
Tax foreclosures.....	69,824	-	69,824
<u>Total.....</u>	<u>\$ 17,413,048</u>	<u>\$ 73,824</u>	<u>\$ 17,486,872</u>

(a) Community preservation major fund

(b) Nonmajor governmental funds

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2009, approximately \$1,703,000 of such assistance was received. \$20,431,164 will be received in future fiscal years. Of this amount, \$5,383,194 represents reimbursement of long-term interest costs, and \$15,047,970 represents reimbursement of approved construction costs. Accordingly, a \$15,047,970 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 25,837,102	\$ 445,799	\$ -	\$ 26,282,901
Intangible assets.....	-	5,545,000	-	5,545,000
Total capital assets not being depreciated.....	25,837,102	5,990,799	-	31,827,901
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,605,982	-	(89,521)	2,516,461
Buildings and improvements.....	67,287,626	-	-	67,287,626
Machinery and equipment.....	4,739,772	1,001,472	(86,760)	5,654,484
Vehicles.....	4,938,299	140,807	(620,551)	4,458,555
Infrastructure.....	11,814,824	796,884	-	12,611,708
Total capital assets being depreciated.....	91,386,503	1,939,163	(796,832)	92,528,834
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(537,603)	(90,659)	-	(628,262)
Buildings and improvements.....	(17,894,122)	(1,775,931)	-	(19,670,053)
Machinery and equipment.....	(3,913,261)	(244,482)	86,760	(4,070,983)
Vehicles.....	(2,784,957)	(591,354)	296,158	(3,080,153)
Infrastructure.....	(6,394,630)	(790,746)	-	(7,185,376)
Total accumulated depreciation.....	(31,524,573)	(3,493,172)	382,918	(34,634,827)
Total capital assets being depreciated, net.....	59,861,930	(1,554,009)	(413,914)	57,894,007
Total governmental activities capital assets, net.....	\$ 85,699,032	\$ 4,436,790	\$ (413,914)	\$ 89,721,908

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 192,500	\$ -	\$ -	\$ 192,500
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	1,160,406	-	-	1,160,406
Machinery and equipment.....	62,564	-	(49,000)	13,564
Vehicles.....	136,640	-	-	136,640
Total capital assets being depreciated.....	1,359,610	-	(49,000)	1,310,610
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(603,750)	(32,912)	-	(636,662)
Machinery and equipment.....	(53,105)	1,392	49,000	(2,713)
Vehicles.....	(33,021)	(76,291)	-	(109,312)
Total accumulated depreciation.....	(689,876)	(107,811)	49,000	(748,687)
Total capital assets being depreciated, net.....	669,734	(107,811)	-	561,923
Total business-type activities capital assets, net.....	\$ 862,234	\$ (107,811)	\$ -	\$ 754,423

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

Governmental Activities:

General government.....	\$ 129,413
Public safety.....	460,450
Education.....	1,461,820
Public works.....	1,301,515
Health and human services.....	13,447
Culture and recreation.....	126,527

Total depreciation expense - governmental activities..... \$ 3,493,172

Business-Type Activities:

Swimming pool.....	\$ 31,520
Transfer station.....	76,291

Total depreciation expense - business-type activities..... \$ 107,811

NOTE 6 - CAPITAL LEASES

The Town has entered into certain capital lease agreements for vehicles under which the vehicles will become the property of the Town when all terms of the lease agreements are met. The agreements also contain early purchase options which would allow the Town to purchase the vehicles before the end of the lease terms.

The following schedule presents future minimum lease payments as of June 30, 2009:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2010.....	\$ 222,165
2011.....	148,372
2012.....	123,140
2013.....	<u>52,573</u>
Total minimum lease payments.....	546,250
Less: amounts representing interest.....	<u>(47,285)</u>
Present value of minimum lease payments.....	\$ <u><u>498,965</u></u>

Vehicles and related accumulated amortization under capital lease are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 1,019,023
Less: accumulated amortization.....	<u>(457,912)</u>
Total.....	\$ <u><u>561,111</u></u>

Amortization of leased vehicles under capital assets is included with depreciation expense, which is allocated functionally.

NOTE 7 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Affordable Housing Fund</u>	<u>Transfer Station Enterprise Fund</u>	<u>Total</u>
General Fund.....	\$ -	\$ -	\$ 3,238	\$ 3,238 (1)
Community Preservation Fund.....	-	750,000	-	750,000 (2)
Nonmajor Governmental Funds.....	858,558	-	-	858,558 (3)
Transfer Station Enterprise Fund.....	<u>30,912</u>	<u>-</u>	<u>-</u>	<u>30,912 (4)</u>
	\$ <u><u>889,470</u></u>	\$ <u><u>750,000</u></u>	\$ <u><u>3,238</u></u>	\$ <u><u>1,642,708</u></u>

(1) Represents budgeted transfer to fund the transfer station enterprise fund

(2) Represents budgeted transfer to the affordable housing fund

(3) Represents budgeted transfers from the ambulance receipts reserved special revenue (\$547,238), insurance recovery over \$20,000 special revenue (\$26,320), retirement special revenue (\$25,000) and the DPW mining special revenue (\$100,000) funds to fund the fiscal year 2009 operating budget. Also represents fund close-out transfers from the insurance recovery special revenue (\$42,556) and retirement special revenue (\$117,444) funds.

(4) Represents budgeted transfer of indirect costs

NOTE 8 - 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 anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, is as follows:

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
BAN	Land purchase....	10/15/08	6/15/09	3.00%	\$ -	\$ 3,000,000	\$ (3,000,000)	\$ -
BAN	Land purchase....	10/15/08	6/15/09	3.50%	-	2,545,000	(2,545,000)	-
Total.....					\$ -	\$ 5,545,000	\$ (5,545,000)	\$ -

Subsequent Events

On December 15, 2009, the Town issued a BAN in the amount of \$420,000 for land acquisition. The BAN carries an interest rate of 1.65% and matures on July 2, 2010.

NOTE 9 - LONG-TERM OBLIGATIONS

Chapter 44, Section 10, of the MGL 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". 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".

During fiscal year 2005, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2009, \$12,425,000 of bonds outstanding from this advance refunding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2008	Additions	Reductions	Outstanding at June 30, 2009
Land Acquisition.....	4.63	\$ 440,000	\$ -	\$ (440,000)	\$ -
School Construction.....	5.00	995,370	-	(331,790)	663,580
School Construction.....	5.00	2,799,630	-	(933,210)	1,866,420
School Construction.....	4.44	6,723,000	-	(546,000)	6,177,000
Municipal Purpose.....	4.00	60,000	-	(20,000)	40,000
Municipal Purpose.....	4.00	42,000	-	(14,000)	28,000
Municipal Purpose.....	4.00	60,000	-	(20,000)	40,000
Land Acquisition Refunding.....	3.50	335,000	-	(115,000)	220,000
School & Public Works Construction.....	2.89	2,625,000	-	(525,000)	2,100,000
Land Acquisition.....	4.18	4,120,000	-	(295,000)	3,825,000
School Construction Refunding.....	3.81	13,400,000	-	-	13,400,000
Land Acquisition Refunding.....	3.60	4,350,000	-	-	4,350,000
Municipal Purpose.....	3.93	2,505,000	-	(260,000)	2,245,000
Land Development Rights.....	2.00 - 4.00	-	5,045,000	-	5,045,000
Sub-total.....		38,455,000	5,045,000	(3,500,000)	40,000,000
Deferred loss on refundings.....		(485,467)	-	211,114	(274,353)
Total governmental funds (net).....		\$ 37,969,533	\$ 5,045,000	\$ (3,288,886)	\$ 39,725,647

During fiscal year 2009, the Town issued \$5,045,000 in general obligation bonds for the acquisition of a conservation restriction on a portion of the Nobscot Boy Scout Reservation.

Debt service requirements for principal and interest for governmental bonds and notes payable (gross) in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2010.....	\$ 3,795,000	\$ 1,523,860	\$ 5,318,860
2011.....	3,840,000	1,392,369	5,232,369
2012.....	3,675,000	1,238,732	4,913,732
2013.....	3,560,000	1,107,757	4,667,757
2014.....	3,010,000	979,457	3,989,457
2015.....	2,935,000	869,054	3,804,054
2016.....	2,820,000	758,320	3,578,320
2017.....	2,745,000	649,927	3,394,927
2018.....	2,725,000	540,221	3,265,221
2019.....	2,480,000	434,134	2,914,134
2020.....	2,560,000	336,458	2,896,458
2021.....	2,630,000	200,708	2,830,708
2022.....	615,000	122,084	737,084
2023.....	615,000	97,833	712,833
2024.....	615,000	73,144	688,144
2025.....	380,000	48,027	428,027
2026.....	250,000	33,594	283,594
2027.....	250,000	24,375	274,375
2028.....	250,000	14,844	264,844
2029.....	250,000	5,000	255,000
Total.....	\$ <u>40,000,000</u>	\$ <u>10,449,898</u>	\$ <u>50,449,898</u>

Authorized and Unissued Debt

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, 2009, the Town had the following authorized and unissued debt:

Purpose	Amount
Septic system.....	\$ 200,000
Wastewater feasibility.....	90,000
Libby land.....	30,000
Capital equipment/renovation.....	13,500
Dickson land.....	6,500
Public works facility.....	3,800
Total.....	\$ <u>343,800</u>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion
Governmental Activities:					
Bonds and notes payable (net).....	\$ 37,969,533	\$ 5,045,000	\$ (3,288,886)	\$ 39,725,647	\$ 3,612,098
Capital lease obligations.....	510,634	239,695	(251,364)	498,965	198,924
Workers' compensation claims.....	128,717	135,709	(99,864)	164,562	112,454
Net OPEB obligation.....	-	2,537,912	-	2,537,912	-
Compensated absences.....	616,003	-	(58,205)	557,798	55,780
Total.....	<u>\$ 39,224,887</u>	<u>\$ 7,958,316</u>	<u>\$ (3,698,319)</u>	<u>\$ 43,484,884</u>	<u>\$ 3,979,256</u>
Business-type Activities:					
Net OPEB obligation.....	\$ -	\$ 31,236	\$ -	\$ 31,236	\$ -
Compensated absences.....	-	16,411	-	16,411	1,641
Total.....	<u>\$ -</u>	<u>\$ 47,647</u>	<u>\$ -</u>	<u>\$ 47,647</u>	<u>\$ 1,641</u>

Except for bonds issued for the community preservation fund, long-term liabilities of governmental activities are generally liquidated by the general fund. Long-term debt issued for the community preservation fund is liquidated by the community preservation fund.

NOTE 10 - 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 is self-insured for its health insurance, workers' compensation (excluding public safety employees injured on duty), and municipal building insurance activities. These activities are accounted for in the general fund, where revenues are recorded when earned and expenses are recorded when incurred.

A. Health Insurance

The estimated "Incurred But Not Reported (IBNR)" claims are based on actual and historical lag claims. The liability at June 30, 2009 totaled \$712,740. Changes in the reported liability since July 1, 2007, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2008.....	\$ 377,864	\$ 7,414,477	\$ (7,212,642)	\$ 579,699
Fiscal year 2009.....	579,699	8,425,978	(8,292,937)	712,740

B. Workers' Compensation

Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The Town has recorded a liability of \$164,562 at June 30, 2009, which represents an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2007, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2008.....	\$ 63,742	\$ 127,735	\$ (62,760)	\$ 128,717
Fiscal year 2009.....	128,717	135,709	(99,864)	164,562

C. Municipal Building Insurance

The Town is self-insured for municipal building insurance. There is no liability at June 30, 2009.

NOTE 11 - PENSION PLAN

Plan Description – The Town contributes to the Middlesex Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases 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 authorized by the Middlesex Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, Massachusetts, 01865.

Funding Policy – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the System for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,621,713, \$2,308,957, and \$2,065,921, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators 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 \$4,651,000 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Town provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2007, the latest actuarial valuation, is as follows:

Active employees.....	590
Retired employees and spouses.....	314
Total.....	904

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health (including Medicare Part B) contribution rates of Plan members and the Town are 50%. The required dental insurance contribution rate of Plan members is 100%. The Plan members and the Town each contribute 50% towards a \$1,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table identifies the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town's net OPEB obligation:

	<u>Amount</u>
Annual required contribution.....	\$ 3,341,000
Interest on net OPEB obligation.....	-
Adjustment to annual required contribution.....	-
Annual OPEB cost.....	3,341,000
Contributions made.....	<u>(771,852)</u>
Increase in net OPEB obligation.....	2,569,148
Net OPEB obligation at beginning of year.....	-
Net OPEB obligation at end of year.....	<u>\$ 2,569,148</u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009*	\$ 3,341,000	23.1%	\$ 2,569,148

* Transition year

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2007, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/07	\$ -	\$ 27,874,000	\$ 27,874,000	0.0%	\$ 30,539,000	91%

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.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2007
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar
Remaining amortization period:	30 years at July 1, 2007
Interest discount rate:	5.0%
Healthcare/Medical cost trend rate:	12.0% grading down to 5.0% in year 2013 and thereafter

Allocation of AOPEBC – AOPEBC costs were allocated to the Town's functions as follows:

Governmental Activities:

General government.....	\$ 184,366
Public safety.....	544,921
Education.....	2,236,709
Public works.....	198,001
Health and human services.....	47,015
Culture and recreation.....	89,368

Total AOPEBC - governmental activities.....	\$ 3,300,380
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Business-Type Activities:

Swimming pool.....	\$ 29,845
Transfer station.....	10,775

Total AOPEBC - business-type activities.....	\$ 40,620
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NOTE 14 - CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2009.

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, 2009, 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 the Town expects such amounts, if any, to be immaterial.

NOTE 15 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

The Town implemented the following GASB pronouncements during fiscal year 2009:

- Statement #45, Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions. This pronouncement requires the recording of an OPEB liability that relates to the Town's future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance. The statement is recorded prospectively in the first year of implementation. Details related to the Town's OPEB liability and its calculation are provided at Note 13.
- Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations. The implementation of this Statement had no impact on the financial statements.
- Statement #51, Accounting and Financial Reporting for Intangible Assets. This pronouncement requires the capitalization of assets that are intangible in form and substance with a useful life of greater than one year. Details related to the Town's intangible assets are provided at Note 5.

- Statement #52, Land and Other Real Estate Held as Investments by Endowments. The implementation of this Statement had no impact on the financial statements.

NOTE 16 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #53, Accounting and Financial Reporting for Derivative Instruments, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 62,554,175	\$ -	\$ 62,554,175
Motor vehicle and other excise taxes.....	-	2,934,171	-	2,934,171
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	124,000	-	124,000
Intergovernmental.....	-	8,101,714	-	8,101,714
Penalties and interest on taxes.....	-	200,000	-	200,000
Licenses and permits.....	-	557,000	-	557,000
Fines and forfeitures.....	-	120,000	-	120,000
Departmental and other.....	-	362,772	-	362,772
Investment income.....	-	210,000	-	210,000
TOTAL REVENUES.....	-	75,163,832	-	75,163,832
EXPENDITURES				
Current:				
General government.....	233,159	2,856,488	(134,865)	2,954,782
Public safety.....	265,367	6,691,792	26,320	6,983,479
Education.....	603,226	46,155,033	-	46,758,259
Public works.....	52,224	3,356,231	234,365	3,642,820
Health and human services.....	3,898	571,406	-	575,304
Culture and recreation.....	12,884	1,110,873	500	1,124,257
Pension benefits.....	-	2,621,713	-	2,621,713
Employee benefits.....	10,987	8,170,124	-	8,181,111
Property and liability insurance.....	-	230,160	-	230,160
State and county charges.....	-	297,585	-	297,585
Debt service:				
Principal.....	-	3,070,000	-	3,070,000
Interest.....	-	1,277,060	-	1,277,060
TOTAL EXPENDITURES.....	1,181,745	76,408,465	126,320	77,716,530
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,181,745)	(1,244,633)	(126,320)	(2,552,698)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	703,150	26,320	729,470
Transfers out.....	-	(3,238)	-	(3,238)
TOTAL OTHER FINANCING SOURCES (USES).....	-	699,912	26,320	726,232
NET CHANGE IN FUND BALANCE.....	(1,181,745)	(544,721)	(100,000)	(1,826,466)
FUND BALANCE AT BEGINNING OF YEAR.....	2,090,467	2,090,467	2,090,467	2,090,467
FUND BALANCE AT END OF YEAR.....	\$ 908,722	\$ 1,545,746	\$ 1,990,467	\$ 264,001

See notes to required supplementary information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 62,541,904	\$ -	\$ 62,541,904	\$ (12,271)
2,805,055	-	2,805,055	(129,116)
336,130	-	336,130	336,130
57,494	-	57,494	(66,506)
7,379,634	-	7,379,634	(722,080)
168,382	-	168,382	(31,618)
471,819	-	471,819	(85,181)
105,004	-	105,004	(14,996)
402,154	-	402,154	39,382
165,976	-	165,976	(44,024)
<u>74,433,552</u>	<u>-</u>	<u>74,433,552</u>	<u>(730,280)</u>
2,529,340	312,871	2,842,211	112,571
6,744,733	75,108	6,819,841	163,638
45,156,609	765,979	45,922,588	835,671
3,607,482	8,419	3,615,901	26,919
560,600	2,069	562,669	12,635
1,049,432	1,721	1,051,153	73,104
2,621,713	-	2,621,713	-
8,027,597	15,000	8,042,597	138,514
215,912	-	215,912	14,248
166,240	-	166,240	131,345
3,070,000	-	3,070,000	-
1,277,060	-	1,277,060	-
<u>75,026,718</u>	<u>1,181,167</u>	<u>76,207,885</u>	<u>1,508,645</u>
<u>(593,166)</u>	<u>(1,181,167)</u>	<u>(1,774,333)</u>	<u>778,365</u>
889,470	-	889,470	160,000
<u>(3,238)</u>	<u>-</u>	<u>(3,238)</u>	<u>-</u>
<u>886,232</u>	<u>-</u>	<u>886,232</u>	<u>160,000</u>
293,066	(1,181,167)	(888,101)	938,365
<u>2,090,467</u>	<u>2,090,467</u>	<u>2,090,467</u>	<u>-</u>
<u>\$ 2,383,533</u>	<u>\$ 909,300</u>	<u>\$ 1,202,366</u>	<u>\$ 938,365</u>

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/08	\$ 774,863,669	\$ 1,529,806,307	\$ 754,942,638	50.7%	\$ 360,206,302	209.6%
01/01/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
01/01/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
01/01/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%
01/01/00	570,263,467	905,280,472	335,017,005	63.0%	253,228,818	132.3%
01/01/98	476,708,969	763,093,878	286,384,909	62.5%	215,380,186	133.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2003	\$ 39,275,816	100
2004	44,502,111	100
2005	50,660,236	100
2006	57,553,642	100
2007	64,053,064	100
2008	71,233,749	100

The following schedule provides information related to the Town's portion of the System's ARC:

TOWN SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2004	\$ 1,547,807	100	3.9%
2005	1,677,686	100	3.8%
2006	1,789,065	100	3.5%
2007	2,065,921	100	3.6%
2008	2,308,957	100	3.6%
2009	2,621,713	100	3.7%

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts 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, 2009, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 74,433,552	\$ 76,207,885	\$ 886,232
<u>Reclassifications</u>			
Activity of health insurance and workers' compensation trusts recorded in the general fund for GAAP purposes.....	213,069	253,263	-
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	(51,398)	-	-
Net change in recording tax refunds payable.....	(42,683)	-	-
To record activity for MTRS on-behalf payments.....	4,650,920	4,650,920	-
To record capital leases.....	-	239,695	239,695
To record encumbrances and continuing appropriations.....	-	(1,181,167)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 79,203,460</u>	<u>\$ 80,170,596</u>	<u>\$ 1,125,927</u>

NOTE B - PENSION PLAN

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2008
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar for the 1992, 2002 and 2003 ERIs and 4.50% increasing for the remaining unfunded liability
Remaining amortization period:	As of July 1, 2008, 2 years remaining for 1992 ERI liability; 11 years remaining for 2002 ERI liability, 12 years remaining for the 2003 ERI liability and 20 years for remaining unfunded liability
Asset valuation method:	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40

Actuarial assumptions:

Investment rate of return:	8.25%
Projected salary increases:	4.00% for the next 2 years; then 4.75% for Group 1 and 5.25% for Group 4
Cost of living adjustments:	3.00% of first \$12,000 of retirement income