

TOWN OF BRAINTREE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2010

TOWN OF BRAINTREE, MASSACHUSETTS

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JUNE 30, 2010

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Independent Auditors' Report

To the Honorable Mayor and the Town Council
Town of Braintree, 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 Braintree, Massachusetts, as of and for the fiscal year ended June 30, 2010 (except for the Braintree Contributory Retirement System and the Braintree Electric Light Department which are as of and for the year ended December 31, 2009), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Braintree, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Braintree Electric Light Department as of December 31, 2009. The Braintree Electric Light Department is a major fund and reflects approximately 79% of the total assets, 64% of the net assets, and approximately 84% of the total revenues of the business-type activities. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the Braintree Electric Light Department, is based solely on the report of another auditor.

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 and the report of another auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of another auditor, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Braintree, Massachusetts, as of June 30, 2010 (except for the Braintree Contributory Retirement System and the Braintree Electric Light Department which are as of December 31, 2009), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2011 on our consideration of the Town of Braintree, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, retirement system schedule of funding progress, retirement system schedule of employer contributions, other postemployment benefits schedule of funding progress and schedule of employer contributions, and other postemployment benefit plan actuarial methods and assumptions, located after the notes to the basic financial statements are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Bowers + Sullivan".

Wakefield, Massachusetts
February 15, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the Town of Braintree itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Braintree is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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

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

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

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

The Town's general fund is shown separately and the remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains two types of propriety funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer, golf course and electric light activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance and municipal building insurance activities.

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

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

Financial Highlights.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Braintree's governmental assets exceeded liabilities for governmental activities by \$54.4 million and the business-type activities assets exceeded liabilities by \$90.1 million at the close of the most recent fiscal year. Key components of the Town's activities are presented below.

Governmental Activities

	2010	2009
Assets:		
Current assets.....	\$ 47,165,819	\$ 42,544,891
Noncurrent assets (excluding capital).....	2,506,133	2,506,133
Capital assets.....	57,530,175	53,414,081
Total assets.....	107,202,127	98,465,105
Liabilities:		
Current liabilities (excluding debt).....	10,623,910	10,110,370
Noncurrent liabilities (excluding debt).....	26,590,972	16,608,518
Current debt.....	2,513,532	5,587,407
Noncurrent debt.....	13,065,878	8,797,410
Total liabilities.....	52,794,292	41,103,705
Net Assets:		
Invested in capital assets, net of related debt.....	44,776,089	43,952,129
Restricted.....	17,909,375	15,387,436
Unrestricted.....	(8,277,629)	(1,978,165)
Total net assets.....	\$ 54,407,835	\$ 57,361,400

Invested in capital assets, net of related debt of \$44.8 million (82%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$17.9 million (33%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net* assets resulted in a (\$8.3) million deficit mainly relating to the cumulative effect of recording \$24.8 million of other postemployment benefit liabilities through June 30, 2010.

	2010	2009
Program revenues:		
Charges for services.....	\$ 7,536,716	\$ 9,734,552
Operating grants and contributions.....	30,924,968	28,083,776
Capital grants and contributions.....	1,127,450	927,140
General Revenues:		
Real estate and personal property taxes.....	65,822,590	62,817,377
Motor vehicle and other excise taxes.....	4,812,393	4,789,673
Nonrestricted grants.....	5,072,674	6,619,494
Affordable housing development fees.....	1,800,000	-
Unrestricted investment income.....	486,914	530,782
Other revenues.....	3,147,147	1,990,455
Total revenues.....	120,730,852	115,493,249
Expenses:		
General government.....	5,547,521	5,734,392
Public safety.....	23,103,086	22,235,903
Education.....	82,719,562	79,763,519
Public works.....	6,004,346	6,576,806
Sanitation.....	1,531,123	1,654,683
Community preservation.....	41,392	35,109
Human services.....	980,215	978,727
Culture and recreation.....	3,504,511	3,508,767
Interest.....	543,891	367,644
Total expenses.....	123,975,647	120,855,550
Excess (Deficiency) before transfers.....	(3,244,795)	(5,362,301)
Transfers.....	291,230	154,634
Change in net assets.....	\$ (2,953,565)	\$ (5,207,667)

The governmental net assets decreased by \$3.0 million during the current fiscal year. This was primarily due to the recognition of an additional \$10.0 million for the other postemployment benefit plan liability. Revenues increased by approximately \$5.2 million mainly from real estate taxes, a one-time Affordable Housing development fee of \$1.8 million, and an increase of approximately \$1.1 million of PILOT payments from the Braintree Electric Light Department (BELD). Charges for services decreased approximately \$2.2 million relating mainly to building permit revenues that were higher in the past two years due to several significant private development projects and the construction of the new generating plant at the BELD. Expenses increased approximately 2.6% mainly in the areas of employee benefits.

Business-type Activities. Business-type activities increased the Town's net assets by \$2.1 compared to an increase of \$468,000 in 2009. The Electric Light fund (BELD) contributed all of the increase during the year as the Water and Sewer and Golf funds both virtually broke even, reflecting management's goals of setting user rates sufficient to cover each activity's operating costs.

Electric Activities

Electric business-type activities assets exceeded liabilities by \$57.4 million at December 31, 2009. Invested in capital assets, net of related debt were \$50.8 million (88%) and unrestricted net assets were \$6.6 million (12%). There was an increase of \$2.1 million in net assets compared to an increase of \$348,000 in the prior year. The change relates mainly to sales increases associated with the new power generating station and to overall lower energy costs.

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets.....	\$ 42,967,899	\$ 50,856,683
Noncurrent assets (excluding capital).....	671,680	652,200
Capital assets.....	<u>156,148,908</u>	<u>134,085,310</u>
Total assets.....	<u>199,788,487</u>	<u>185,594,193</u>
Liabilities:		
Current liabilities (excluding debt).....	13,316,480	13,243,497
Non-current liabilities (excluding debt).....	9,505,200	5,143,707
Current debt.....	5,248,835	110,723,028
Noncurrent debt.....	<u>114,312,299</u>	<u>1,150,000</u>
Total liabilities.....	<u>142,382,814</u>	<u>130,260,232</u>
Net Assets:		
Invested in capital assets, net of related debt.....	50,756,956	53,380,209
Unrestricted.....	<u>6,648,717</u>	<u>1,953,752</u>
Total net assets.....	<u>\$ 57,405,673</u>	<u>\$ 55,333,961</u>
	<u>2010</u>	<u>2009</u>
Program revenues:		
Charges for services.....	\$ 73,443,746	\$ 65,900,014
General Revenues:		
Unrestricted investment income.....	<u>49,204</u>	<u>12,013</u>
Total revenues.....	<u>73,492,950</u>	<u>65,912,027</u>
Expenses:		
Electric Light.....	<u>71,421,238</u>	<u>65,563,538</u>
Change in net assets.....	<u>\$ 2,071,712</u>	<u>\$ 348,489</u>

Water and Sewer Activities

Water and sewer business-type activities assets exceeded liabilities by \$31.8 million at the close of fiscal year 2010. Invested in capital assets, net of related debt were \$20.5 million (64%) while unrestricted net assets were \$11.3 million (36%). There was a decrease of approximately (\$20,000) in net assets compared to an increase of \$285,000 in the prior year.

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets.....	\$ 12,051,952	\$ 25,545,777
Capital assets.....	<u>40,957,311</u>	<u>38,635,351</u>
Total assets.....	<u>53,009,263</u>	<u>64,181,128</u>
Liabilities:		
Current liabilities (excluding debt).....	357,146	660,423
Non-current liabilities (excluding debt).....	385,627	585,075
Current debt.....	1,867,187	10,649,187
Noncurrent debt.....	<u>18,634,366</u>	<u>20,501,553</u>
Total liabilities.....	<u>21,244,326</u>	<u>32,396,238</u>
Net Assets:		
Invested in capital assets, net of related debt.....	20,455,758	19,293,176
Unrestricted.....	<u>11,309,179</u>	<u>12,491,714</u>
Total net assets.....	<u>\$ 31,764,937</u>	<u>\$ 31,784,890</u>
	<u>2010</u>	<u>2009</u>
Program revenues:		
Charges for services.....	\$ 12,561,820	\$ 12,580,294
General Revenues:		
Unrestricted investment income.....	<u>2,533</u>	<u>35,432</u>
Total revenues.....	<u>12,564,353</u>	<u>12,615,726</u>
Expenses:		
Water and sewer.....	<u>12,357,150</u>	<u>12,234,294</u>
Excess (Deficiency) before transfers.....	207,203	381,432
Transfers.....	<u>(227,156)</u>	<u>(96,385)</u>
Change in net assets.....	<u>\$ (19,953)</u>	<u>\$ 285,047</u>

Golf Course Activities

Golf Course business-type activities assets exceeded liabilities by \$899,000 at the close of fiscal year 2010. Invested in capital assets, net of related debt was \$1.1 million while unrestricted net assets were in a deficit in the amount of (\$176,000). There was an increase of approximately \$2,900 in net assets compared to a decrease of (\$166,000) in the prior year.

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets.....	\$ 172,120	\$ 271,484
Capital assets.....	<u>1,074,488</u>	<u>1,098,373</u>
Total assets.....	<u>1,246,608</u>	<u>1,369,857</u>
Liabilities:		
Current liabilities (excluding debt).....	237,993	263,747
Non-current liabilities (excluding debt).....	<u>109,639</u>	<u>210,058</u>
Total liabilities.....	<u>347,632</u>	<u>473,805</u>
Net Assets:		
Invested in capital assets, net of related debt.....	1,074,488	1,098,373
Unrestricted.....	<u>(175,512)</u>	<u>(202,321)</u>
Total net assets.....	<u>\$ 898,976</u>	<u>\$ 896,052</u>
	<u>2010</u>	<u>2009</u>
Program revenues:		
Charges for services.....	\$ 1,172,533	\$ 1,174,675
Expenses:		
Golf.....	<u>1,105,535</u>	<u>1,282,255</u>
Excess (Deficiency) before transfers.....	66,998	(107,580)
Transfers.....	<u>(64,074)</u>	<u>(58,249)</u>
Change in net assets.....	<u>\$ 2,924</u>	<u>\$ (165,829)</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$32.9 million, which represents an increase of \$7.2 million from the prior year. The general fund increased by \$2.5 million and the nonmajor funds increased by \$4.7 million. The nonmajor fund increase is mainly from the issuance of bonds to fund the Town's ongoing projects.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$9.2 million, while total fund balance was \$10.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 8.9% of total general fund expenditures, while total fund balance represents 9.8% of that same amount.

General Fund Budgetary Highlights

The Town of Braintree adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Actual revenues exceeded budgeted amounts by approximately \$618,000, while actual expenditures were less than budgeted amounts (including carryovers) by approximately \$1.2 million.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares capital budgets for the upcoming fiscal year.

During fiscal year 2010 the Town expended approximately \$6.7 million on governmental activities capital assets consisting mainly of land acquisitions, school buildings, and roadway improvements. The business type activities expended approximately \$31.0 million during 2010. This consisted mainly of approximately \$27.5 million on the new power plant at the electric light plant and approximately \$3.5 million water mains in the water and sewer fund.

Outstanding long-term debt of the general government, as of June 30, 2010, totaled \$15.4 million, of which \$8.3 million is related to public building construction, \$5.3 million relates to road construction, and \$1.8 million relates to land acquisition.

The enterprise fund has \$19.8 million in water and sewer enterprise debt and \$110.9 million in Electric Light debt that is fully supported by the rates and do not rely on a general fund subsidy.

During fiscal year 2010 the Town issued long-term general obligation bonds in the amounts of \$6.8 million for governmental funds, and \$109.7 million for the electric light enterprise fund.

Please refer to Notes 4, 6, 7, and 8 of the notes to the financial statements for further discussion of the major capital and debt activity, respectively.

Requests for Information

This financial report is designed to provide a general overview of the Town of Braintree's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, One JFK Memorial Drive, Braintree, Massachusetts 02184.

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<i>Primary Government</i>		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 36,704,940	\$ 39,096,173	\$ 75,801,113
Investments.....	3,024,460	-	3,024,460
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,627,473	-	1,627,473
Tax liens.....	755,884	63,100	818,984
Motor vehicle and other excise taxes.....	599,212	-	599,212
User fees.....	-	10,012,947	10,012,947
Departmental and other.....	320,750	308,932	629,682
Intergovernmental.....	3,021,267	-	3,021,267
Loans.....	51,552	-	51,552
Tax foreclosures.....	78,281	-	78,281
Inventory.....	-	3,994,640	3,994,640
Working capital deposit.....	982,000	-	982,000
Prepaid expenses.....	-	415,013	415,013
Purchased power advanced deposits.....	-	1,301,166	1,301,166
NONCURRENT:			
Restricted assets:			
Investments.....	2,506,133	-	2,506,133
Investment in Hydro Quebec.....	-	70,396	70,396
Investment in Energy New England.....	-	464,284	464,284
Other assets.....	-	137,000	137,000
Capital assets, net of accumulated depreciation.....	57,530,175	198,180,707	255,710,882
TOTAL ASSETS.....	107,202,127	254,044,358	361,246,485
LIABILITIES			
CURRENT:			
Warrants payable.....	1,840,987	11,962,460	13,803,447
Accrued payroll.....	4,001,400	58,261	4,059,661
Health claims payable.....	1,042,472	-	1,042,472
Tax refunds payable.....	1,078,000	-	1,078,000
Accrued interest.....	66,619	128,836	195,455
Unearned revenue.....	879,094	330,114	1,209,208
Capital lease obligations.....	81,532	29,318	110,850
Compensated absences.....	1,465,246	213,028	1,678,274
Workers' compensation.....	250,092	-	250,092
Bonds and notes payable.....	2,432,000	7,116,022	9,548,022
NONCURRENT:			
Capital lease obligations.....	85,878	74,100	159,978
Customer deposits payable.....	-	1,447,563	1,447,563
Compensated absences.....	1,438,513	51,039	1,489,552
Workers' compensation.....	315,118	-	315,118
Unearned revenue.....	-	6,339,200	6,339,200
Other postemployment benefits.....	24,837,341	3,278,166	28,115,507
Bonds and notes payable.....	12,980,000	132,946,665	145,926,665
TOTAL LIABILITIES.....	52,794,292	163,974,772	216,769,064
NET ASSETS			
Invested in capital assets, net of related debt.....	44,776,089	72,287,202	117,063,291
Restricted for:			
Permanent funds:			
Expendable.....	7,857,627	-	7,857,627
Nonexpendable.....	2,506,133	-	2,506,133
Grants and gifts.....	3,493,774	-	3,493,774
Community preservation.....	4,051,841	-	4,051,841
Unrestricted.....	(8,277,629)	17,782,384	9,504,755
TOTAL NET ASSETS.....	\$ 54,407,835	\$ 90,069,586	\$ 144,477,421

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 5,547,521	\$ 596,828	\$ 1,008,575	\$ -	\$ (3,942,118)
Public safety.....	23,103,086	2,144,216	365,186	-	(20,593,684)
Education.....	82,719,562	2,443,837	28,796,437	-	(51,479,288)
Public works.....	6,004,346	334,823	47,762	765,955	(4,855,806)
Sanitation.....	1,531,123	1,613,247	-	-	82,124
Community preservation.....	41,392	-	-	361,495	320,103
Human services.....	980,215	24,205	371,159	-	(584,851)
Culture and recreation.....	3,504,511	379,560	335,849	-	(2,789,102)
Interest.....	543,891	-	-	-	(543,891)
Total Governmental Activities.....	123,975,647	7,536,716	30,924,968	1,127,450	(84,386,513)
<i>Business-Type Activities:</i>					
Water and Sewer.....	12,357,150	12,561,820	-	-	204,670
Golf.....	1,105,535	1,172,533	-	-	66,998
Electric.....	71,421,238	73,443,746	-	-	2,022,508
Total Business-Type Activities.....	84,883,923	87,178,099	-	-	2,294,176
Total Primary Government.....	\$ 208,859,570	\$ 94,714,815	\$ 30,924,968	\$ 1,127,450	\$ (82,092,337)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (84,386,513)	\$ 2,294,176	\$ (82,092,337)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	65,822,590	-	65,822,590
Motor vehicle and other excise taxes.....	4,067,074	-	4,067,074
Hotel/motel tax.....	745,319	-	745,319
Community preservation tax.....	530,249	-	530,249
Penalties and interest on taxes.....	345,208	-	345,208
Payments in lieu of taxes.....	2,193,890	-	2,193,890
Grants and contributions not restricted to specific programs.....	5,072,674	-	5,072,674
Unrestricted investment income.....	486,914	51,737	538,651
Affordable housing development fees.....	1,800,000	-	1,800,000
Miscellaneous.....	77,800	-	77,800
<i>Transfers, net</i>	291,230	(291,230)	-
Total general revenues and transfers.....	<u>81,432,948</u>	<u>(239,493)</u>	<u>81,193,455</u>
Change in net assets.....	(2,953,565)	2,054,683	(898,882)
<i>Net Assets:</i>			
Beginning of year.....	<u>57,361,400</u>	<u>88,014,903</u>	<u>145,376,303</u>
End of year.....	\$ <u><u>54,407,835</u></u>	\$ <u><u>90,069,586</u></u>	\$ <u><u>144,477,421</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 17,115,652	\$ 16,554,277	\$ 33,669,929
Investments.....	-	2,720,865	2,720,865
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	1,627,473	-	1,627,473
Tax liens.....	753,904	1,980	755,884
Motor vehicle and other excise taxes.....	599,212	-	599,212
Departmental and other.....	100,404	8,110	108,514
Intergovernmental.....	143,895	2,877,372	3,021,267
Loans.....	-	51,552	51,552
Tax foreclosures.....	78,281	-	78,281
Restricted assets:			
Investments.....	-	2,506,133	2,506,133
TOTAL ASSETS.....	\$ 20,418,821	\$ 24,720,289	\$ 45,139,110
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 1,695,705	-	\$ 1,695,705
Accrued payroll.....	3,938,589	62,811	4,001,400
Tax refunds payable.....	1,078,000	-	1,078,000
Deferred revenues.....	3,632,594	1,869,009	5,501,603
TOTAL LIABILITIES.....	10,344,888	1,931,820	12,276,708
 FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	895,787	-	895,787
Perpetual permanent funds.....	-	2,506,133	2,506,133
Unreserved:			
Undesignated, reported in:			
General fund.....	9,178,146	-	9,178,146
Special revenue funds.....	-	9,599,385	9,599,385
Capital projects funds.....	-	2,825,324	2,825,324
Permanent funds.....	-	7,857,627	7,857,627
TOTAL FUND BALANCES.....	10,073,933	22,788,469	32,862,402
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 20,418,821	\$ 24,720,289	\$ 45,139,110

See notes to basic financial statements.

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

JUNE 30, 2010

Total governmental fund balances.....		\$ 32,862,402
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		57,530,175
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		4,622,509
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		3,345,088
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(66,619)
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.....	(15,412,000)	
Other postemployment benefits.....	(24,837,341)	
Capital lease obligations.....	(167,410)	
Worker' compensation.....	(565,210)	
Compensated absences.....	<u>(2,903,759)</u>	
Net effect of reporting long-term liabilities.....		<u>(43,885,720)</u>
Net assets of governmental activities.....		<u>\$ 54,407,835</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 65,496,774	\$ -	\$ 65,496,774
Tax liens.....	57,843	-	57,843
Motor vehicle and other excise taxes.....	3,985,784	-	3,985,784
Hotel/motel tax.....	745,319	-	745,319
Penalties and interest on taxes.....	345,208	-	345,208
Payments in lieu of taxes.....	2,193,890	-	2,193,890
Intergovernmental.....	27,355,197	8,385,386	35,740,583
Departmental and other.....	4,387,224	3,374,518	7,761,742
Community preservation.....	-	530,249	530,249
Affordable housing development fees.....	800,000	1,000,000	1,800,000
Contributions.....	-	640,918	640,918
Investment income.....	432,101	563,745	995,846
Miscellaneous.....	-	69,100	69,100
TOTAL REVENUES.....	105,799,340	14,563,916	120,363,256
EXPENDITURES:			
Current:			
General government.....	3,097,998	2,505,585	5,603,583
Public safety.....	14,080,293	480,032	14,560,325
Education.....	46,229,494	10,940,592	57,170,086
Public works.....	3,919,009	2,648,748	6,567,757
Sanitation.....	1,522,144	-	1,522,144
Community development.....	-	41,392	41,392
Human services.....	614,912	134,037	748,949
Culture and recreation.....	2,109,624	434,899	2,544,523
Pension benefits-Town.....	4,759,946	-	4,759,946
Pension benefits-Teachers.....	11,884,275	-	11,884,275
Property and liability insurance.....	402,567	-	402,567
Employee benefits.....	7,833,635	-	7,833,635
State and county charges.....	4,158,266	-	4,158,266
Debt service:			
Principal.....	1,910,000	-	1,910,000
Interest.....	524,464	-	524,464
TOTAL EXPENDITURES.....	103,046,627	17,185,285	120,231,912
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,752,713	(2,621,369)	131,344
OTHER FINANCING SOURCES (USES):			
Issuance of bonds and notes.....	-	6,782,000	6,782,000
Transfers in.....	317,330	664,094	981,424
Transfers out.....	(565,000)	(125,194)	(690,194)
TOTAL OTHER FINANCING SOURCES (USES).....	(247,670)	7,320,900	7,073,230
NET CHANGE IN FUND BALANCES.....	2,505,043	4,699,531	7,204,574
FUND BALANCES AT BEGINNING OF YEAR.....	7,568,890	18,088,938	25,657,828
FUND BALANCES AT END OF YEAR.....	\$ 10,073,933	\$ 22,788,469	\$ 32,862,402

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds.....	\$	7,204,574
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		6,704,291
Depreciation expense.....		<u>(2,588,197)</u>
Net effect of reporting capital assets.....		4,116,094
<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>		
		146,417
<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 effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....		77,407
Proceeds from bonds and notes.....		(6,782,000)
Debt service principal payments.....		<u>1,910,000</u>
Net effect of reporting long-term debt.....		(4,794,593)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(11,014)
Net change in accrued interest on long-term debt.....		(19,427)
Net change in other postemployment benefits accrual.....		(10,027,193)
Net change in workers' compensation accrual.....		<u>(8,925)</u>
Net effect of recording long-term liabilities.....		(10,066,559)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>440,502</u>
Change in net assets of governmental activities.....	\$	<u><u>(2,953,565)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2009	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 9,131,237	\$ 172,120	\$ 29,792,816	\$ 39,096,173	\$ 3,035,011
Investments.....	-	-	-	-	303,595
Receivables, net of allowance for uncollectibles:					
User fees.....	2,857,615	-	7,155,332	10,012,947	-
Water and sewer liens.....	63,100	-	-	63,100	-
Departmental and other.....	-	-	308,932	308,932	212,236
Inventory.....	-	-	3,994,640	3,994,640	-
Working capital deposit.....	-	-	-	-	982,000
Prepaid expenses.....	-	-	415,013	415,013	-
Purchased power advanced deposits.....	-	-	1,301,166	1,301,166	-
Total current assets.....	12,051,952	172,120	42,967,899	55,191,971	4,532,842
NONCURRENT:					
Investment in Hydro Quebec.....	-	-	70,396	70,396	-
Investment in Energy New England.....	-	-	464,284	464,284	-
Other assets.....	-	-	137,000	137,000	-
Capital assets, net of accumulated depreciation.....	40,957,311	1,074,488	156,148,908	198,180,707	-
Total noncurrent assets.....	40,957,311	1,074,488	156,820,588	198,852,387	-
TOTAL ASSETS.....	53,009,263	1,246,608	199,788,487	254,044,358	4,532,842
LIABILITIES					
CURRENT:					
Warrants payable.....	128,101	28,563	10,970,545	11,127,209	145,282
Accrued liabilities.....	-	-	835,251	835,251	-
Accrued payroll.....	32,518	25,743	-	58,261	-
Health claims payable.....	-	-	-	-	1,042,472
Accrued interest.....	128,836	-	-	128,836	-
Participant advances and reserves.....	-	-	1,189,602	1,189,602	-
Unearned revenue.....	-	145,014	185,100	330,114	-
Capital lease obligations.....	-	-	29,318	29,318	-
Compensated absences.....	67,691	38,673	106,664	213,028	-
Bonds and notes payable.....	1,867,187	-	5,248,835	7,116,022	-
Total current liabilities.....	2,224,333	237,993	18,565,315	21,027,641	1,187,754
NONCURRENT:					
Capital lease obligations.....	-	-	74,100	74,100	-
Customer deposits payable.....	-	2,150	255,811	257,961	-
Compensated absences.....	28,673	22,366	-	51,039	-
Unearned revenue.....	-	-	6,339,200	6,339,200	-
Other postemployment benefits.....	356,954	85,123	2,836,089	3,278,166	-
Bonds and notes payable.....	18,634,366	-	114,312,299	132,946,665	-
Total noncurrent liabilities.....	19,019,993	109,639	123,817,499	142,947,131	-
TOTAL LIABILITIES.....	21,244,326	347,632	142,382,814	163,974,772	1,187,754
NET ASSETS					
Invested in capital assets, net of related debt.....	20,455,758	1,074,488	50,756,956	72,287,202	-
Unrestricted.....	11,309,179	(175,512)	6,648,717	17,782,384	3,345,088
TOTAL NET ASSETS.....	\$ 31,764,937	\$ 898,976	\$ 57,405,673	\$ 90,069,586	\$ 3,345,088

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2009	Total	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 5,986,306
Employer contributions	-	-	-	-	7,507,567
Charges for services	12,524,260	1,172,533	73,443,746	87,140,539	-
Utility liens.....	37,560	-	-	37,560	-
Stop loss reimbursements.....	-	-	-	-	219,229
TOTAL OPERATING REVENUES	12,561,820	1,172,533	73,443,746	87,178,099	13,713,102
OPERATING EXPENSES:					
Cost of services and administration	2,850,958	847,082	17,558,188	21,256,228	-
MWRA Assessment.....	6,880,530	-	-	6,880,530	-
Fuel for generation.....	-	-	2,682,528	2,682,528	-
Purchased power.....	-	-	37,024,638	37,024,638	-
Repairs and maintenance.....	359,291	186,108	6,086,161	6,631,560	-
Depreciation.....	1,370,018	72,345	5,217,149	6,659,512	-
Employee benefits	-	-	-	-	13,274,550
TOTAL OPERATING EXPENSES	11,460,797	1,105,535	68,568,664	81,134,996	13,274,550
OPERATING INCOME.....	1,101,023	66,998	4,875,082	6,043,103	438,552
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	2,533	-	49,204	51,737	1,950
Interest expense.....	(896,353)	-	(2,852,574)	(3,748,927)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(893,820)	-	(2,803,370)	(3,697,190)	1,950
INCOME BEFORE TRANSFERS.....	207,203	66,998	2,071,712	2,345,913	440,502
TRANSFERS:					
Transfers out.....	(227,156)	(64,074)	-	(291,230)	-
CHANGE IN NET ASSETS.....	(19,953)	2,924	2,071,712	2,054,683	440,502
NET ASSETS AT BEGINNING OF YEAR.....	31,784,890	896,052	55,333,961	88,014,903	2,904,586
NET ASSETS AT END OF YEAR.....	\$ 31,764,937	\$ 898,976	\$ 57,405,673	\$ 90,069,586	\$ 3,345,088

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2009	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 12,755,253	\$ 1,145,497	\$ 77,665,653	\$ 91,566,403	\$ 5,986,306
Receipts from interfund services provided.....	-	-	-	-	7,507,567
Receipts from insurance recoveries.....	-	-	-	-	311,061
Payments to vendors.....	(9,181,992)	(580,389)	(57,842,012)	(67,604,393)	-
Payments to employees.....	(1,218,388)	(551,938)	(9,252,628)	(11,022,954)	-
Payments for interfund services used.....	-	-	-	-	(13,509,391)
NET CASH FROM OPERATING ACTIVITIES.....	2,354,873	13,170	10,571,013	12,939,056	295,543
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	(227,156)	(64,074)	-	(291,230)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	-	-	118,411,134	118,411,134	-
Acquisition and construction of capital assets.....	(3,691,978)	(48,460)	(26,839,253)	(30,579,691)	-
Principal payments on bonds and notes.....	(10,649,187)	-	(110,723,028)	(121,372,215)	-
Principal payments on capital lease obligations.....	-	-	(20,661)	(20,661)	-
Interest expense.....	(1,089,477)	-	(2,852,574)	(3,942,051)	-
Participant advances and reserves.....	-	-	1,189,602	1,189,602	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(15,430,642)	(48,460)	(20,834,780)	(36,313,882)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	-	-	-	-	281,067
Purchase of investments.....	-	-	-	-	(303,595)
Investment in Hydro Quebec.....	-	-	8,560	8,560	-
Investment in Energy New England.....	-	-	(23,040)	(23,040)	-
Investment income.....	2,533	-	49,204	51,737	1,950
NET CASH FROM INVESTING ACTIVITIES.....	2,533	-	34,724	37,257	(20,578)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(13,300,392)	(99,364)	(10,229,043)	(23,628,799)	274,965
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	22,431,629	271,484	40,021,859	62,724,972	2,760,046
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,131,237	\$ 172,120	\$ 29,792,816	\$ 39,096,173	\$ 3,035,011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income.....	\$ 1,101,023	\$ 66,998	\$ 4,875,082	\$ 6,043,103	\$ 438,552
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	1,370,018	72,345	5,217,149	6,659,512	-
Changes in assets and liabilities:					
Water and sewer liens.....	(54,033)	-	-	(54,033)	-
User fees.....	247,466	-	153,516	400,982	-
Departmental and other.....	-	-	718,661	718,661	91,832
Inventory.....	-	-	(2,967,047)	(2,967,047)	-
Working capital deposit.....	-	-	-	-	(20,800)
Other assets.....	-	-	(5,000)	(5,000)	-
Prepaid expenses.....	-	-	(61,240)	(61,240)	-
Purchased power advance deposits.....	-	-	(501,564)	(501,564)	-
Warrants payable.....	(113,430)	(6,120)	(1,387,157)	(1,506,707)	(34,501)
Accrued liabilities.....	-	-	331,944	331,944	-
Accrued payroll.....	1,674	7,321	-	8,995	-
Health claims payable.....	-	-	-	-	(179,540)
Customer deposits payable.....	-	-	123,190	123,190	-
Unearned revenues.....	-	(27,036)	3,226,540	3,199,504	-
Accrued compensated absences.....	(99)	1,139	(98,424)	(97,384)	-
Other postemployment benefits.....	(197,746)	(101,477)	945,363	646,140	-
Total adjustments.....	1,253,850	(53,828)	5,695,931	6,895,953	(143,009)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,354,873	\$ 13,170	\$ 10,571,013	\$ 12,939,056	\$ 295,543

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 2,873,435	\$ 54,651	\$ 1,361,391
Investments.....	124,520,853	49,950	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	17,119	-	-
Prepaid expenses.....	4,009	-	-
TOTAL ASSETS.....	127,415,416	104,601	1,361,391
LIABILITIES			
Warrants payable.....	14,947	-	-
Liabilities due depositors.....	-	-	1,361,391
TOTAL LIABILITIES.....	14,947	-	1,361,391
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ <u>127,400,469</u>	\$ <u>104,601</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 6,747,969	\$ -
Employee.....	3,234,436	-
Private donations.....	-	40,340
Total contributions.....	9,982,405	40,340
Net investment income:		
Net change in fair value of investments.....	19,178,639	4,034
Interest.....	765,838	-
Dividends.....	1,530,027	-
Total investment income.....	21,474,504	4,034
Less: investment expense.....	(529,911)	-
Net investment income.....	20,944,593	4,034
Intergovernmental.....	336,609	-
Transfers from other systems.....	307,316	-
TOTAL ADDITIONS.....	31,570,923	44,374
DEDUCTIONS:		
Administration.....	239,610	7,000
Transfers to other systems.....	277,491	-
Retirement benefits and refunds.....	12,307,127	-
TOTAL DEDUCTIONS.....	12,824,228	7,000
CHANGE IN NET ASSETS.....	18,746,695	37,374
NET ASSETS AT BEGINNING OF YEAR.....	108,653,774	67,227
NET ASSETS AT END OF YEAR.....	\$ 127,400,469	\$ 104,601

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Mayor. A nine-member Town Council, 3 members elected at large and 6 district members, serves as a representative legislature.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

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

In the Fiduciary Funds:

- (1) The Braintree Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, Braintree Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Counsel (ex-officio), two members elected by the System's participants, and two appointed members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 74 Pond Street, Braintree, Massachusetts, 02184.

In accordance with Massachusetts General Laws, Chapter 164, the Braintree Electric Light Department (the BELD) was established to generate and distribute electricity for municipal and residential use within the Town. The BELD is governed by an elected three-member board and is operated by a manager appointed by the BELD's elected board. The manager has charge of BELD's operations and is subject to the direction and control of the Braintree Municipal Light Board. It is not a separate legal entity and therefore the condensed financial statements of the BELD are reported as an enterprise fund. A complete audited financial statement for the BELD, for the year ended December 31, 2009, can be obtained directly from their administrative office located at 150 Potter Road, Braintree, Massachusetts, 02184.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Internal service funds and fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

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

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

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

Fund Financial Statements

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

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

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

The following major governmental fund is reported:

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

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes. Included within the special revenue funds is a stabilization fund. The balance in the fund has increased from \$1,511,000 in 2009 to \$2,083,000 in 2010. The stabilization fund balance can be used for general and/or capital purposes upon Town Council approval.

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

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

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

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

The following major proprietary funds are reported:

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

The *golf course enterprise fund* is used to account for the operations of the municipal golf course.

The *electric light enterprise fund* is used to account for electric light activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to municipal building insurance and health insurance.

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

The following fiduciary fund types are reported:

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

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

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments*Government-Wide and Fund Financial Statements*

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

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

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are 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.

Tax liens are imposed three years after the original tax is considered delinquent and are processed subsequent to July 1st every year.

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

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

Motor Vehicle Excise

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

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Trash

Trash fees have been levied on an annual basis for each residential property that utilizes the collection service. Each per living unit is billed annually by the Public Works Department for all residents not choosing one of the several opt-out methods. The collection service includes weekly curbside collection.

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

Water and Sewer

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

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

Departmental and Other

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

Intergovernmental

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

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

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

Inventories of the governmental funds and the water and sewer and golf course enterprise funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

Inventories of the BELD enterprise fund are stated at the lower of cost or market. Cost for materials and supplies inventories are determined by the first-in, first-out method.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	10 - 30
Plant in service.....	30 - 40
Buildings.....	40
Machinery and equipment.....	5 - 15
Infrastructure.....	20 - 50

Capital assets of the BELD are depreciated at an annual rate of 3%. The statutory provision for depreciation of a utility plant is computed on the straight-line method at 3 percent of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Massachusetts law stipulates that the Electric Department may change from the statutory depreciation rate only with the approval of the Massachusetts Department of Public Utilities. The Department has consistently used an overall depreciation rate of 5%, which approximates GAAP.

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred and Unearned Revenue

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

Unearned revenue at the government-wide and fund financial statement level represents resources that have been received, but not yet earned.

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

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

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

Net assets have been “restricted for” the following:

“Permanent funds - expendable” represents amounts of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts.

“Grants and gifts” represents amounts held for school and other Town grants, and for gift funds.

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

Fund Financial Statements (Fund Balances)

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

Fund balances have been “reserved for” the following:

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

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

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$32,102,761, and the bank balances totaled \$36,520,729. Of the bank balance, \$2,135,286 was covered by Federal Depository Insurance, \$5,908,015 was covered by the Depositors Insurance Fund, and \$28,477,428 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Braintree Retirement System limits its custodial credit risk by utilizing an institutional custodial bank, currently State Street Bank, to custody all separately held securities which are registered under a nominee name that is specific to the System. Assets held in commingled fund accounts are also held in a similar fashion, with individual fund securities held in the fund’s name at their custodian bank. A small percentage of the System’s assets (typically less than 5%) may be held from time to time in commingled cash equivalent vehicles where the assets are subject to counterparty risk. At December 31, 2009, the carrying amount of deposits for the System totaled \$2,852,507 and the bank balance totaled \$2,935,934. The bank balance was fully covered by Federal Depository Insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Town’s investments totaling \$5,580,543; \$2,083 in corporate bonds, \$5,054,532 in equity securities and \$261,576 in U.S. Government Sponsored Enterprises are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

The Retirement System investments are not subjected to custodial credit risk as all of the securities are insured or registered, and held by its agents in the name of the Town of Braintree.

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>Over 10 Years</u>
<u>Debt Securities:</u>				
Government Sponsored Enterprises.....	\$ 261,576	\$ 102,233	\$ 159,343	\$ -
Corporate Bonds.....	2,083	-	-	2,083
Total Debt Securities.....	263,659	\$ 102,233	\$ 159,343	\$ 2,083
<u>Other Investments:</u>				
Equity Securities.....	5,054,532			
Equity Mutual Funds.....	262,352			
Money Market Mutual Funds.....	11,395,061			
MMDT.....	33,719,333			
Total Investments.....	\$ 50,694,937			

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

As of December 31, 2009, the System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6-10 Years</u>	<u>Over 10 Years</u>
<u>Debt Securities:</u>			
Fixed Income Mutual Funds.....	\$ 51,098,069	\$ <u>19,004,667</u>	\$ <u>32,093,402</u>
<u>Other Investments:</u>			
Domestic Equity Mutual Fund.....	27,047,950		
International Equity Mutual Fund.....	17,811,554		
Money Market Mutual Fund.....	20,928		
Pension Reserve Investment Trust (PRIT)...	<u>28,563,280</u>		
Total Investments.....	\$ <u>124,541,781</u>		

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 8.58 years.

Interest Rate Risk

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

All of the Braintree Retirement System’s fixed income assets are held in professionally managed, institutional commingled funds. The System limits its effective exposure to interest rate risk by benchmarking its commingled fixed income investment accounts to an intermediate duration benchmark (LB Aggregate) with duration of 4-5 years.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. The investments in equity securities, equity mutual funds, and MMDT are unrated. The remaining Town investments are rated as follows by Moody’s Investor’s Service:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>AAA</u>	<u>B2</u>
Government Sponsored Enterprises.....	\$ 261,576	\$ 261,576	\$ -
Corporate Bonds.....	<u>2,083</u>	<u>-</u>	<u>2,083</u>
Total.....	\$ <u>263,659</u>	\$ <u>261,576</u>	\$ <u>2,083</u>

The remaining System investments are rated as follow by Moody's Investor's Service:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>AA2</u>	<u>A1</u>
Fixed Income Mutual Funds.....	\$ 51,098,069	\$ 19,004,667	\$ 32,093,402

The Retirement System controls and limits its exposure to credit risk by investing in well diversified, commingled fixed income funds that are both passively and actively managed to the Barclays Aggregate Index, which represents the overall U.S. investment-grade bond market. In the case of the actively managed fixed income fund, investments in below-investment grade securities are permitted, up to a maximum position of 10% of that individual commingled fund's assets, which would represent approximately 2% of the Braintree Retirement System's total assets.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. No investments with any one issuer exceeded 5% of the total investments of the Town.

NOTE 3 – RECEIVABLES

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

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Real estate and personal property taxes.....	\$ 1,708,876	\$ (81,403)	\$ 1,627,473
Tax liens.....	755,884	-	755,884
Motor vehicle and other excise taxes.....	930,918	(331,706)	599,212
Departmental and other.....	108,514	-	108,514
Intergovernmental.....	3,021,267	-	3,021,267
Total.....	\$ 6,525,459	\$ (413,109)	\$ 6,112,350

At June 30, 2010, receivables for the proprietary funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
<i>Water and Sewer</i>			
Tax liens.....	\$ 63,100	\$ -	\$ 63,100
User fees.....	2,857,615	-	2,857,615
<i>Electric Light</i>			
User fees.....	7,263,801	(108,469)	7,155,332
Departmental and other.....	308,932	-	308,932
<i>Internal Service</i>			
Departmental and other.....	212,236	-	212,236
Total.....	<u>\$ 10,705,684</u>	<u>\$ (108,469)</u>	<u>\$ 10,597,215</u>

At December 31, 2009 the Pension Trust Fund had departmental and other receivables totaling \$17,119.

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

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,129,356	\$ -	\$ 1,129,356
Tax liens.....	753,904	1,980	755,884
Motor vehicle and other excise taxes.....	599,212	-	599,212
Departmental and other.....	927,946	8,110	936,056
Intergovernmental.....	143,895	1,807,367	1,951,262
Loans.....	-	51,552	51,552
Tax foreclosures.....	78,281	-	78,281
Total.....	<u>\$ 3,632,594</u>	<u>\$ 1,869,009</u>	<u>\$ 5,501,603</u>

Department and other deferred revenues include approximately \$828,000 of 2011 trash fees that were collected in advance.

The golf course and electric light enterprise funds defer revenue for amounts that have been received in advance of being earned. These amounts are reported as *unearned revenue* on the Proprietary Statement of Net Assets and total \$145,014 and \$6,524,300, respectively.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 11,913,668	\$ 1,842,000	\$ -	\$ 13,755,668
Construction in progress.....	-	135,632	-	135,632
Total capital assets not being depreciated.....	<u>11,913,668</u>	<u>1,977,632</u>	<u>-</u>	<u>13,891,300</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,497,620	-	-	7,497,620
Buildings.....	37,967,548	1,882,893	-	39,850,441
Machinery and equipment.....	12,971,902	268,012	-	13,239,914
Infrastructure.....	47,214,488	2,575,754	-	49,790,242
Total capital assets being depreciated.....	<u>105,651,558</u>	<u>4,726,659</u>	<u>-</u>	<u>110,378,217</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(6,975,847)	(38,248)	-	(7,014,095)
Buildings.....	(25,597,973)	(985,475)	-	(26,583,448)
Machinery and equipment.....	(11,118,006)	(553,249)	-	(11,671,255)
Infrastructure.....	(20,459,319)	(1,011,225)	-	(21,470,544)
Total accumulated depreciation.....	<u>(64,151,145)</u>	<u>(2,588,197)</u>	<u>-</u>	<u>(66,739,342)</u>
Total capital assets being depreciated, net.....	<u>41,500,413</u>	<u>2,138,462</u>	<u>-</u>	<u>43,638,875</u>
Total governmental activities capital assets, net.....	<u>\$ 53,414,081</u>	<u>\$ 4,116,094</u>	<u>\$ -</u>	<u>\$ 57,530,175</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,315,384	\$ -	\$ -	\$ 1,315,384
Construction in progress.....	91,104,309	23,706,734	(110,943,010)	3,868,033
Total capital assets not being depreciated.....	<u>92,419,693</u>	<u>23,706,734</u>	<u>(110,943,010)</u>	<u>5,183,417</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,121,475	-	-	1,121,475
Plant in service.....	104,567,698	114,752,817	(425,434)	218,895,081
Buildings.....	1,492,692	-	-	1,492,692
Machinery and equipment.....	2,792,213	151,494	-	2,943,707
Infrastructure.....	59,887,197	3,353,150	-	63,240,347
Total capital assets being depreciated.....	<u>169,861,275</u>	<u>118,257,461</u>	<u>(425,434)</u>	<u>287,693,302</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(618,665)	(24,229)	-	(642,894)
Plant in service.....	(61,586,697)	(5,217,149)	425,434	(66,378,412)
Buildings.....	(960,016)	(26,412)	-	(986,428)
Machinery and equipment.....	(2,481,610)	(109,173)	-	(2,590,783)
Infrastructure.....	(22,814,946)	(1,282,549)	-	(24,097,495)
Total accumulated depreciation.....	<u>(88,461,934)</u>	<u>(6,659,512)</u>	<u>425,434</u>	<u>(94,696,012)</u>
Total capital assets being depreciated, net.....	<u>81,399,341</u>	<u>111,597,949</u>	<u>-</u>	<u>192,997,290</u>
Total business-type activities capital assets, net.....	<u>\$ 173,819,034</u>	<u>\$ 135,304,683</u>	<u>\$ (110,943,010)</u>	<u>\$ 198,180,707</u>

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

Governmental Activities:

General government.....	\$ 172,934
Public safety.....	350,368
Education.....	745,680
Public works.....	1,028,258
Human services.....	14,098
Culture and recreation.....	<u>276,859</u>
Total depreciation expense - governmental activities.....	<u>\$ 2,588,197</u>

Business-Type Activities:

Water and Sewer.....	\$ 1,370,018
Golf.....	72,345
Electric light.....	<u>5,217,149</u>
Total depreciation expense - business-type activities.....	<u>\$ 6,659,512</u>

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 565,000	\$ 565,000 (1)
Nonmajor Governmental Funds.....	26,100	99,094	125,194 (2)
Water and Sewer Enterprise Fund.....	227,156	-	227,156 (3)
Golf Course Enterprise Fund.....	64,074	-	64,074 (3)
Total.....	\$ 317,330	\$ 664,094	\$ 981,424

- (1) Represents budgeted transfer from the general fund to the stabilization fund.
- (2) Represents budgeted transfers to the general fund from various nonmajor special revenue funds including \$4,100 from waterways and \$22,000 from sale of lots and graves. Also represents a transfer between the nonmajor governmental funds.
- (3) Represents budgeted transfers from water and sewer and golf enterprise funds to the general fund.

NOTE 6 – LEASES

Capital Leases

The Town has entered into lease agreements to finance the acquisition of two fire trucks and certain heavy equipment for the highway and parks departments. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The following identifies the assets acquired through capital lease agreements:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 1,486,907
Less: accumulated depreciation.....	<u>(834,973)</u>
Total.....	\$ <u>651,934</u>

The following schedule presents the future minimum lease payments as of June 30, 2010:

Fiscal Years <u>Ending June 30,</u>	<u>Governmental Activities</u>
2011.....	\$ 90,455
2012.....	<u>90,455</u>
Total minimum lease payments.....	180,911
Less: amounts representing interest.....	<u>(13,500)</u>
Present value of minimum lease payments.....	<u>\$ 167,410</u>

The BELD entered into a capitalized lease in 2009 for equipment expiring 2013. The assets and liabilities under the capital lease are recorded at the present value of the minimum lease payments. The assets are depreciated over the life of the equipment.

The following schedule presents the future minimum lease payments as of December 31, 2009:

Fiscal Years <u>Ending December 31,</u>	<u>Business-Type Activities</u>
2010.....	\$ 35,740
2011.....	35,740
2012.....	35,740
2013.....	<u>8,936</u>
Total minimum lease payments.....	116,156
Less: amounts representing interest.....	<u>(12,738)</u>
Present value of minimum lease payments.....	<u>\$ 103,418</u>

Operating Leases

The Town leases school buses under noncancelable operating leases that are scheduled to expire June 25, 2011. The cost of the leases for the fiscal year ended June 30, 2010 totaled approximately \$464,000, and are reported as education expenditures in the general fund.

The future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2011.....	<u>\$ 385,000</u>

The Golf Course leases golf carts under a noncancelable operating lease that was entered into in April 2010. The first of three annual payments is scheduled to begin on July 1, 2011.

The future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Business-Type Activities</u>
2011.....	\$ 45,474
2012.....	45,474
2013.....	<u>45,474</u>
Total.....	<u>\$ 136,422</u>

The BELD leases cable converter boxes and office equipment under separate operating lease agreements. The cost of the leases for the year ended December 31, 2009, totaled approximately \$547,000.

The future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Business-Type Activities</u>
2010.....	\$ 596,189
2011.....	596,189
2012.....	<u>49,682</u>
Total.....	<u>\$ 1,242,060</u>

NOTE 7 – SHORT-TERM FINANCING

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

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

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

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
Governmental Funds:							
BAN	Renovations to Town Hall.....	2.50	08/14/09	\$ 500,000	\$ -	\$ 500,000	\$ -
BAN	Road Projects.....	2.50	08/14/09	2,400,000	-	2,400,000	-
BAN	School Remodeling.....	2.50	08/14/09	700,000	-	700,000	-
Total Governmental Funds.....				\$ 3,600,000	\$ -	\$ 3,600,000	\$ -

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
Water and Sewer Enterprise Fund:							
BAN	Water Main Replacement.....	2.50	08/14/09	\$ 5,700,000	\$ -	\$ 5,700,000	\$ -
BAN	Water Treatment Plant Planning.....	2.50	08/14/09	700,000	-	700,000	-
BAN	Water Distribution System.....	2.50	08/14/09	2,070,000	-	2,070,000	-
BAN	Water - Penn Hill Standpipe.....	2.50	08/14/09	300,000	-	300,000	-
Total Water and Sewer Enterprise Funds.....				\$ 8,770,000	\$ -	\$ 8,770,000	\$ -

Type	Purpose	Rate (%)	Due Date	Balance at December 31, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at December 31, 2009
Electric Light Enterprise Fund:							
BAN	Watson Power Plant.....	2.50	08/14/09	\$ 110,223,028	\$ -	\$ 110,223,028	\$ -

NOTE 8 – LONG-TERM DEBT

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

Details related to the Town's general obligation indebtedness at June 30, 2010, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Library Construction.....	4.20 - 5.20	\$ 985,000	\$ -	\$ 250,000	\$ 735,000
Roads.....	3.30 - 5.25	170,000	-	85,000	85,000
Roads.....	2.50 - 3.75	1,210,000	-	525,000	685,000
School.....	4.14	595,000	-	35,000	560,000
School Improvements.....	4.14	395,000	-	25,000	370,000
School Improvements.....	4.43	90,000	-	45,000	45,000
School Improvements.....	4.14	595,000	-	35,000	560,000
Road Repairs.....	4.44	125,000	-	65,000	60,000
Road Repairs.....	4.34	260,000	-	40,000	220,000
Library Construction.....	4.20 - 5.20	1,045,000	-	5,000	1,040,000
Road Repairs.....	4.90	420,000	-	140,000	280,000
Road Repairs.....	4.90	420,000	-	140,000	280,000
School Remodeling.....	4.30 - 4.90	630,000	-	35,000	595,000
Town Buildings Renovations.....	3.00 - 5.00	500,000	-	30,000	470,000
Road Projects.....	3.00 - 5.00	2,400,000	-	415,000	1,985,000
School Improvements.....	3.00 - 5.00	700,000	-	40,000	660,000
Town Hall/Water Building.....	1.50 - 4.50	-	150,000	-	150,000
South Middle School.....	1.50 - 4.50	-	1,385,000	-	1,385,000
School Capital.....	1.50 - 4.50	-	700,000	-	700,000
Roads I.....	1.50 - 4.50	-	850,000	-	850,000
Roads II.....	1.50 - 4.50	-	850,000	-	850,000
Police HVAC Repairs.....	1.50 - 4.50	-	640,000	-	640,000
South Middle School Fire Protection.....	1.50 - 4.50	-	365,000	-	365,000
Land Acquisition.....	1.50 - 4.50	-	1,842,000	-	1,842,000
Total.....		\$ 10,540,000	\$ 6,782,000	\$ 1,910,000	\$ 15,412,000

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....\$	2,432,000	\$ 600,374	\$ 3,032,374
2012.....	1,790,000	506,857	2,296,857
2013.....	1,505,000	439,873	1,944,873
2014.....	1,180,000	384,305	1,564,305
2015.....	1,170,000	337,187	1,507,187
2016.....	995,000	289,929	1,284,929
2017.....	950,000	246,799	1,196,799
2018.....	700,000	206,867	906,867
2019.....	540,000	180,261	720,261
2020.....	540,000	161,457	701,457
2021.....	445,000	139,151	584,151
2022.....	445,000	119,301	564,301
2023.....	440,000	102,703	542,703
2024.....	440,000	86,184	526,184
2025.....	440,000	69,668	509,668
2026.....	400,000	52,465	452,465
2027.....	310,000	36,666	346,666
2028.....	270,000	27,807	297,807
2029.....	210,000	16,800	226,800
2030.....	210,000	8,400	218,400
Total.....\$	<u>15,412,000</u>	<u>\$ 4,013,054</u>	<u>\$ 19,425,054</u>

Bonds and Notes Payable Schedule – Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Sewer.....	4.60 - 6.50	\$ 860,000	\$ -	\$ 110,000	\$ 750,000
Sewer.....	3.30 - 5.25	2,580,500	-	198,500	2,382,000
Water.....	3.30 - 5.25	1,124,500	-	91,500	1,033,000
Water.....	2.50 - 4.25	1,260,000	-	140,000	1,120,000
Water Mains.....	4.14	1,020,000	-	60,000	960,000
Water Distribution Center.....	4.14	1,530,000	-	90,000	1,440,000
Water - Middle/Liberty.....	4.14	750,000	-	50,000	700,000
Water - Hollingsworth.....	4.14	255,000	-	15,000	240,000
Water - Hillside.....	4.14	235,000	-	15,000	220,000
MWRA.....	-	110,000	-	55,000	55,000
Water.....	4.60 - 6.50	1,805,000	-	255,000	1,550,000
Water Distribution System.....	4.14	995,000	-	65,000	930,000
Sewer.....	4.30 - 4.90	270,000	-	15,000	255,000
Water - Penn Hill Standpipe.....	3.00 - 5.00	300,000	-	35,000	265,000
Water Main Replacement.....	3.00 - 5.00	5,700,000	-	285,000	5,415,000
Water Treatment Plant Planning.....	3.00 - 5.00	700,000	-	175,000	525,000
Water Distribution System.....	3.00 - 5.00	2,070,000	-	170,000	1,900,000
Water Treatment Plant.....	3.00 - 5.00	72,000	-	17,000	55,000
Sub-Total.....		21,637,000	-	1,842,000	19,795,000
Unamortized Premiums on Bonds.....		743,740	-	37,187	706,553
Total.....		<u>\$ 22,380,740</u>	<u>\$ -</u>	<u>\$ 1,879,187</u>	<u>\$ 20,501,553</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....\$	1,830,000	\$ 916,369	\$ 2,746,369
2012.....	1,750,000	833,819	2,583,819
2013.....	1,750,000	751,827	2,501,827
2014.....	1,565,000	668,772	2,233,772
2015.....	1,500,000	594,239	2,094,239
2016.....	1,485,000	522,282	2,007,282
2017.....	1,480,000	448,420	1,928,420
2018.....	1,195,000	379,029	1,574,029
2019.....	925,000	329,153	1,254,153
2020.....	925,000	286,218	1,211,218
2021.....	925,000	243,118	1,168,118
2022.....	920,000	201,643	1,121,643
2023.....	615,000	164,124	779,124
2024.....	615,000	135,656	750,656
2025.....	615,000	107,186	722,186
2026.....	615,000	78,610	693,610
2027.....	405,000	50,034	455,034
2028.....	340,000	30,172	370,172
2029.....	340,000	15,318	355,318
Total.....\$	<u>19,795,000</u>	<u>\$ 6,755,989</u>	<u>\$ 26,550,989</u>

Bonds and Notes Payable Schedule – Electric Light Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2009</u>
Cable.....	3.30 - 5.25	\$ 1,050,000	\$ -	\$ 350,000	\$ 700,000
Cable.....	2.50 - 3.75	600,000	-	150,000	450,000
Generation Station.....	3.00 - 5.00	-	109,700,000	-	109,700,000
Sub-Total.....		1,650,000	109,700,000	500,000	110,850,000
Unamortized Premiums on Bonds.....		-	9,089,162	378,028	8,711,134
Total.....		<u>\$ 1,650,000</u>	<u>\$ 118,789,162</u>	<u>\$ 878,028</u>	<u>\$ 119,561,134</u>

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....\$	4,435,000	\$ 5,332,769	\$ 9,767,769
2011.....	4,550,000	5,195,750	9,745,750
2012.....	4,410,000	4,974,494	9,384,494
2013.....	4,415,000	4,789,856	9,204,856
2014.....	4,630,000	4,583,794	9,213,794
2015.....	4,855,000	4,352,294	9,207,294
2016.....	5,085,000	4,123,194	9,208,194
2017.....	5,335,000	3,875,944	9,210,944
2018.....	5,600,000	3,610,244	9,210,244
2019.....	5,875,000	3,330,244	9,205,244
2020.....	6,175,000	3,036,494	9,211,494
2021.....	6,480,000	2,727,744	9,207,744
2022.....	6,810,000	2,403,744	9,213,744
2023.....	7,150,000	2,063,244	9,213,244
2024.....	7,510,000	1,705,744	9,215,744
2025.....	7,855,000	1,354,844	9,209,844
2026.....	8,245,000	962,094	9,207,094
2027.....	7,930,000	549,844	8,479,844
2028.....	3,505,000	153,344	3,658,344
Total.....\$	<u>110,850,000</u>	<u>\$ 59,125,679</u>	<u>\$ 169,975,679</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, 2010, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water and sewer projects.....	\$ 594,485
MWRA.....	760,000
Renovations to Town Hall.....	850,000
School projects.....	<u>1,813,000</u>
Total.....	<u>\$ 4,017,485</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 10,540,000	\$ 6,782,000	\$ (1,910,000)	\$ 15,412,000	\$ 2,432,000
Other postemployment benefits.....	14,810,148	14,879,857	(4,852,664)	24,837,341	-
Workers' compensation.....	556,285	236,307	(227,382)	565,210	250,092
Compensated absences.....	2,892,745	1,434,292	(1,423,278)	2,903,759	1,465,246
Capital lease obligations.....	244,817	-	(77,407)	167,410	81,532
Total governmental activity long-term liabilities.....	<u>\$ 29,043,995</u>	<u>\$ 23,332,456</u>	<u>\$ (8,490,731)</u>	<u>\$ 43,885,720</u>	<u>\$ 4,228,870</u>
Business-Type Activities:					
Bonds and notes payable.....	\$ 23,287,000	\$ 109,700,000	\$ (2,342,000)	\$ 130,645,000	\$ 7,078,835
Unamortized premium on bonds.....	743,740	9,089,162	(415,215)	9,417,687	37,187
Other postemployment benefits.....	2,632,026	1,150,696	(504,556)	3,278,166	-
Compensated absences.....	361,451	212,384	(309,768)	264,067	213,028
Capital lease obligations.....	-	103,418	-	103,418	29,318
Customer deposits payable.....	134,771	1,312,792	-	1,447,563	-
Unearned revenue.....	3,469,810	3,548,954	(349,450)	6,669,314	330,114
Total business-type activity long-term liabilities.....	<u>\$ 30,628,798</u>	<u>\$ 125,117,406</u>	<u>\$ (3,920,989)</u>	<u>\$ 151,825,215</u>	<u>\$ 7,688,482</u>

The governmental activities long-term liabilities are generally liquidated by the general fund. Business-type activities long-term liabilities are liquidated by each respective fund.

NOTE 9 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town is self-insured for its health and workers' compensation insurance activities. Health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

(a) *Health Insurance*

The estimate of IBNR claims is based on 10% of the previous 12 months claims. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$100,000 per claim. At June 30, 2010, the amount of the liability for health insurance claims totaled \$1,042,472 which is the best estimate based on available information. Changes in the reported liability since July 1, 2008 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 2009.....	\$ 840,725	\$	13,007,732	\$	(12,626,445)	\$	1,222,012
Fiscal Year 2010.....	1,222,012		11,767,555		(11,947,095)		1,042,472

(b) *Workers' Compensation*

The estimated future workers' compensation liability is based on history and injury type. The Town purchases individual workers' compensation insurance for claims in excess of the coverage provided by the Town in the amounts ranging between \$300,000 and \$500,000 per claim. At June 30, 2010, the amount of the liability for workers' compensation claims totaled \$565,210. Changes in the reported liability since July 1, 2008 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 2009.....	\$ 742,775	\$	424,397	\$	(610,887)	\$	556,285
Fiscal Year 2010.....	556,285		427,623		(418,698)		565,210

The BELD participates in the Massachusetts Municipal Self-Insurance Trust (the Trust) with 17 other municipal light departments for the purpose of sharing excess liability and directors' and officers' liability risks. Through the Trust, BELD is commercially insured for \$25,000,000 per occurrence, with a \$500,000 deductible that would be paid by the Trust. Each of the participating light department's contributes to the Trust based on its share of the group's total kilowatt-hour sales. Payments for claims under the deductible limit are funded by trust assets or, if required, additional contributions from the participants. The BELD considers its share of potential losses to be immaterial to its financial statements as of December 31, 2009.

NOTE 10 – PENSION PLAN

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Braintree Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$11,884,000 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Braintree Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth’s PERAC. That report may be obtained by contacting the System located at 74 Pond Street, Braintree, Massachusetts, 02184.

At December 31, 2009, the System’s membership consists of the following:

Active members.....	756
Inactive members.....	42
Disabled members.....	68
Retirees and beneficiaries currently receiving benefits.....	<u>436</u>
Total.....	<u><u>1,302</u></u>

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

Annual Pension Cost - The Town contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,646,676, \$6,251,721, and \$6,075,623, which equaled its required contribution for each fiscal year. At June 30, 2010, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.875% investment rate of return and projected salary increases of 4.25% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at January 1, 2010, was 19 years. The general fund and the enterprise funds each pay their respective portions of the total pension expense annually.

Schedule of Funding Progress (dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/10	\$ 137,153	\$ 202,777	\$ 65,624	67.6%	\$ 35,051	187.2%
1/1/08	141,346	189,266	47,920	74.7%	33,894	141.4%
1/1/06	119,722	167,313	47,591	71.6%	30,861	154.2%
1/1/04	103,345	151,324	47,979	68.3%	29,450	162.9%
1/1/02	91,927	132,850	40,923	69.2%	28,775	142.2%
1/1/00	89,822	117,318	27,496	76.6%	24,276	113.3%
1/1/98	68,898	112,687	43,789	61.1%	22,658	193.3%

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description –The Town maintains a single employer defined benefit healthcare plan. The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, and Tufts Health Plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period.

At January 1, 2010, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependants.....	969
Current active members.....	<u>1,467</u>
Total.....	<u><u>2,436</u></u>

Funding Policy – Contributions requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 33% and 50% of the cost of benefits provided depending on the plan they choose. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. For fiscal year 2010, the Town contributed approximately \$5.3 million towards these benefits. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

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

OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligations are summarized in the following table:

Annual required contribution.....	\$ 15,913,801
Interest on net OPEB obligation.....	631,564
Adjustment to annual required contribution.....	<u>(602,651)</u>
Annual OPEB cost/expense.....	15,942,714
Contributions made.....	<u>(5,269,381)</u>
Increase/(Decrease) in net OPEB obligation.....	10,673,333
Net OPEB obligation - beginning of year.....	<u>17,442,174</u>
Net OPEB obligation - end of year.....	<u>\$ 28,115,507</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 15,942,714	33%	\$ 28,115,507
6/30/2009	14,500,459	38%	17,442,174
6/30/2008	13,479,497	37%	8,439,337

Funded Status and Funding Progress — The funded status of the Plan as of the most recent actuarial valuation date, January 1, 2010, is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (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>
1/1/2010	\$ -	\$ 192,200,348	\$ 192,200,348	0.00%	\$ 61,475,231	312.65%

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

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

The following additional information is provided as of the latest actuarial valuation:

Valuation date.....	January 1, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.25%
Remaining amortization period.....	27 years as of July 1, 2010, closed
Actuarial assumptions:	
Investment rate of return.....	4.25%, pay-as-you-go scenario
Inflation rate.....	3.25%
Projected salary increases.....	3.25%
Medical/drug cost trend rate.....	11.15% graded to 5.50% in year 2019

NOTE 12 – COMMITMENTS

Under the terms of an Administrative Consent Order (ACO) from the Commonwealth’s Department of Environmental Protection, the Town is obligated to make various repairs and improvements to its sewer and drainage system. Accordingly, the Town has authorized appropriations totaling approximately \$5.9 million to comply with the ACO.

The Town has entered into contracts totaling approximately \$5.7 million for various school and public works projects, and for the Police Department building repairs. The Town also plans to authorize and contract for an additional \$5.1 million in FY2011 for school and public works projects.

The BELD has entered into a Power Sales Agreement (PSA), as a participant in Nuclear Project No. 5, with Massachusetts Municipal Wholesale Electric Company (MMWEC) for a share of the power supply capability of Seabrook Unit 1. BELD effectively participates in a 0.6% (7MW) share of Seabrook Unit 1. Under the terms of the PSA, the BELD is obligated to pay for its share of MMWEC’s actual operating and capital costs, including decommissioning, interest and financing costs related to this generating unit. Seabrook Unit 1 began commercial operations in 1990, and its operating license expires in 2030. The BELD’s obligations to pay are not contingent on the future operation of the unit. The BELD’s total principal obligation, excluding operating and maintenance, interest and decommissioning expenses associated with its share of MMWEC’s Seabrook Unit 1 outstanding debt, is approximately \$19,317,000 at December 31, 2009.

The BELD has also entered into various long-term agreements to purchase power from other utilities. At December 31, 2009, the estimated annual capacity costs relating to these agreements total approximately \$26,617,000. The amount estimated for 2010 is \$3,949,000 with annual decrease estimated as contract entitlements decreases and expires through 2019.

NOTE 13 – CONTINGENCIES

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

The BELD is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment. These standards affect the sighting of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on the BELD's operations in the past and they will continue to have an impact on future operations, capital costs and construction schedules.

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

NOTE 14 – LAND TAKING

During fiscal year 2003, the Metropolitan District Commission took, by eminent domain, a conservation easement on a portion of Town owned land, for which it compensated the Town \$2,000,000. The Town subsequently voted that the funds received would be managed by the Trust Fund Commissioners. The yearly income from such funds is to be spent under the direction of the Braintree School Committee for the support of the public schools. The fund is included with other Permanent funds in the Nonmajor Governmental Fund group.

NOTE 15 – AFFORDABLE HOUSING DEVELOPMENT FEES

During fiscal year 2010, the Town received a settlement of \$1.8 million related to an affordable housing project built by a developer. Under MGL Chapter 40b a developer is limited to the profit it can achieve on certain affordable housing projects in exchange for bypassing certain local zoning codes. The Town plans to use \$1 million of the settlement to help create additional lower-cost housing.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

- The GASB issued Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The standards in this statement permits an agent employer that has an individual employer OPEB plan with fewer than 100 members to use an alternative measurement method to produce actuarially based information for purposes of financial reporting, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The standards in this statement provide guidance for bankrupt state and local governments by establishing requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities and for classifying changes in those items and related costs. Management elected to implement this standard early and this standard did not impact the basic financial statements.

Other Future GASB Pronouncements:

- The GASB issued Statement #54 *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in Fiscal 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 65,212,277	\$ 65,212,277	\$ 65,496,774	\$ -	284,497
Tax liens.....	-	-	57,843	-	57,843
Motor vehicle and other excise taxes.....	3,620,000	3,620,000	3,985,784	-	365,784
Hotel/motel tax.....	1,075,000	1,075,000	745,319	-	(329,681)
Penalties and interest on taxes.....	295,000	295,000	345,208	-	50,208
Payments in lieu of taxes.....	2,230,000	2,230,000	2,193,890	-	(36,110)
Intergovernmental.....	15,614,990	15,614,990	15,470,922	-	(144,068)
Departmental and other.....	4,200,000	4,200,000	4,387,224	-	187,224
Affordable housing development fees.....	800,000	800,000	800,000	-	-
Investment income.....	250,000	250,000	432,101	-	182,101
TOTAL REVENUES.....	93,297,267	93,297,267	93,915,065	-	617,798
EXPENDITURES:					
Current:					
General government.....	3,824,994	3,673,819	3,118,320	162,755	392,744
Public safety.....	14,258,896	14,713,316	14,161,986	120,150	431,180
Education.....	46,532,910	46,511,184	46,260,018	218,710	32,456
Public works.....	3,231,489	3,948,651	3,911,303	33,382	3,966
Sanitation.....	1,588,186	1,573,389	1,522,036	13,828	37,525
Human services.....	617,973	618,273	609,901	-	8,372
Culture and recreation.....	2,048,972	2,281,779	2,104,199	2,568	175,012
Pension benefits.....	4,770,451	4,770,451	4,759,946	-	10,505
Property and liability insurance.....	470,000	467,000	402,567	-	64,433
Employee benefits.....	8,358,862	8,243,233	7,833,635	344,394	65,204
State and county charges.....	4,158,266	4,158,266	4,158,266	-	-
Debt service:					
Principal.....	1,910,000	1,910,000	1,910,000	-	-
Interest.....	492,547	524,496	524,464	-	32
TOTAL EXPENDITURES.....	92,263,546	93,393,857	91,276,641	895,787	1,221,429
EXCESS (DEFICIENCY) OF REVENUES.....					
OVER (UNDER) EXPENDITURES.....	1,033,721	(96,590)	2,638,424	(895,787)	1,839,227
OTHER FINANCING SOURCES (USES):					
Transfers in.....	317,330	317,330	317,330	-	-
Transfers out.....	(565,000)	(565,000)	(565,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(247,670)	(247,670)	(247,670)	-	-
NET CHANGE IN FUND BALANCE.....	786,051	(344,260)	2,390,754	(895,787)	1,839,227
BUDGETARY FUND BALANCE, Beginning of year.....	9,456,277	9,456,277	9,456,277	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 10,242,328	\$ 9,112,017	\$ 11,847,031	\$ (895,787)	\$ 1,839,227

See notes to required supplementary information.

**BRAINTREE CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/10	\$ 137,153	\$ 202,777	\$ 65,624	67.6%	\$ 35,051	187.2%
1/1/08	141,346	189,266	47,920	74.7%	33,894	141.4%
1/1/06	119,722	167,313	47,591	71.6%	30,861	154.2%
1/1/04	103,345	151,324	47,979	68.3%	29,450	162.9%
1/1/02	91,927	132,850	40,923	69.2%	28,775	142.2%
1/1/00	89,822	117,318	27,496	76.6%	24,276	113.3%

See notes to required supplementary information.

**BRAINTREE CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>System-Wide</u>				<u>Town of Braintree</u>	
Fiscal Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System-Wide Actual Contributions
2010	\$ 6,747,969	\$ 6,747,969	100%	\$ 6,646,676	\$ 98.50%
2009	6,342,166	6,342,166	100%	6,251,721	98.57%
2008	6,163,965	6,163,965	100%	6,075,623	98.57%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2010	\$ -	\$ 192,200,348	\$ 192,200,348	0%	\$ 61,475,231	312.65%
1/1/2007	-	158,006,080	158,006,080	0%	73,735,316	214.29%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2010	\$ 16,760,687	\$ 5,357,220	32%
2009	14,426,107	5,497,619	38%
2008	13,479,497	5,040,160	37%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS**

Actuarial Methods:

Valuation date.....	January 1, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.25%
Remaining amortization period.....	27 years as of July 1, 2010, closed
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	4.25%
Medical/drug cost trend rate.....	11.15% graded to 5.50% in year 2019

Plan Membership:

Current retirees, beneficiaries, and dependents.....	969
Current active members.....	<u>1,467</u>
Total.....	<u><u>2,436</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Council. The Mayor presents an annual budget to the Town Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Council, which has authority to amend down and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Council approval at a regular Council meeting.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Town Council and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget authorized approximately \$92.8 million in appropriations and other amounts to be raised. During fiscal year 2010, the Town Council also approved supplemental appropriations totaling approximately \$1.1 million.

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

B. Budgetary - GAAP Reconciliation

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

Net change in fund balance - budgetary basis.....	\$ 2,390,754
<u>Basis of accounting differences:</u>	
Net change in recording accrued payroll.....	114,289
Recognition of revenue for on-behalf payments.....	11,884,275
Recognition of expenditures for on-behalf payments.....	<u>(11,884,275)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 2,505,043</u>

NOTE B – PENSION PLAN

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

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

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2010
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.25% per year
Remaining Amortization Period.....	19 years, closed
Asset Valuation Method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 4 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Investment Rate of Return.....	7.875%
Projected Salary Increases.....	4.25%
Cost of Living Adjustments.....	3.00% for the first \$12,000 of retirement income.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members.

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

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

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

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