

TOWN OF BRAINTREE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2008

TOWN OF BRAINTREE, MASSACHUSETTS

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JUNE 30, 2008

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	14
Statement of Net Assets	15
Statement of Activities	16
Statement of Activities – Continued.....	17
Governmental Funds – Balance Sheet.....	18
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets...19	
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Funds – Statement of Net Assets	22
Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Net Assets.....	23
Proprietary Funds – Statement of Cash Flows.....	24
Fiduciary Funds – Statement of Fiduciary Net Assets.....	25
Fiduciary funds – Statement of Changes in Fiduciary Net Asset	26
Notes to Basic Financial Statements	27
Required Supplementary Information.....	59
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual	60
OPEB schedule of funding progress.....	61
OPEB actuarial methods and assumptions	62
Notes to Required Supplementary Information.....	63



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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, 2008 (except for the Braintree Contributory Retirement System and the Braintree Electric Light Department which are as of and for the year ended December 31, 2007), 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 an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Braintree Electric Light Department, which reflects approximately 72% of the total assets and approximately 81% 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 referred to above, 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. The financial statements of the Braintree Electric Light Department as of December 31, 2007, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Braintree, Massachusetts, as of June 30, 2008 (except for the Braintree Contributory Retirement System and the Braintree Electric Light Department which are as of December 31, 2007), 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 27, 2009 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, 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 27, 2009

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, 2008. 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 \$62.6 million and the business-type activities assets exceeded liabilities by \$87.6 million at the close of the most recent fiscal year. Key components of the Town's activities are presented below.

Governmental Activities

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets.....	\$ 33,578,873	\$ 35,175,624
Noncurrent assets (excluding capital).....	2,505,157	2,513,808
Capital assets.....	<u>54,007,224</u>	<u>51,667,634</u>
Total assets.....	90,091,254	89,357,066
Liabilities:		
Current liabilities (excluding debt).....	8,913,417	9,151,401
Noncurrent liabilities (excluding debt).....	8,638,130	1,578,337
Current debt.....	2,765,661	1,785,252
Noncurrent debt.....	<u>7,204,979</u>	<u>8,770,640</u>
Total liabilities.....	27,522,187	21,285,630
Net Assets:		
Capital assets net of related debt.....	44,741,728	43,316,956
Restricted.....	14,564,774	17,085,091
Unrestricted.....	<u>3,262,565</u>	<u>7,669,389</u>
Total net assets.....	\$ <u>62,569,067</u>	\$ <u>68,071,436</u>

Governmental net assets of \$44.7 million (72%) 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 \$14.6 million (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$3.3 million (5%) may be used to meet the government's ongoing obligations to citizens and creditors.

	2008	2007
Program revenues:		
Charges for services.....	\$ 8,905,440	\$ 7,677,447
Operating grants and contributions.....	24,465,441	23,394,377
Capital grants and contributions.....	1,898,266	1,073,666
General Revenues:		
Real estate and personal property taxes.....	59,811,806	57,837,108
Motor vehicle and other excise taxes.....	5,377,247	5,084,590
Nonrestricted grants.....	7,163,431	7,426,676
Unrestricted investment income.....	716,560	1,390,441
Other revenues.....	2,389,053	2,761,404
Total revenues.....	110,727,244	106,645,709
Expenses:		
General Government.....	4,554,086	4,416,598
Public Safety.....	22,301,233	18,995,270
Education.....	76,732,757	66,096,713
Public Works.....	5,787,762	4,614,204
Sanitation.....	1,597,784	1,554,927
Community preservation.....	104,793	249,447
Human Services.....	1,273,880	992,871
Culture and Recreation.....	3,532,149	3,162,871
Interest.....	444,173	357,055
Total expenses.....	116,328,617	100,439,956
Excess (Deficiency) before transfers.....	(5,601,373)	6,205,753
Transfers.....	99,004	110,555
Change in net assets.....	\$ (5,502,369)	\$ 6,316,308

Governmental activities decreased the Town's net assets by (\$5.5) million in FY2008 as compared to an increase of \$6.3 million in FY2007. The key element of the change in net assets as compared to the prior year relates mainly to the implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required the Town's Governmental Activities to record a liability and related expense in the amount of approximately \$7.1 million. The Town realized its most significant revenue increases in program revenues and real estate tax collections. Expenses other than post-retirement benefits increased in virtually all categories relating mainly to employee benefits and increases in educational activities.

Business-type Activities. Business-type activities increased the Town's net assets by \$4.1 million compared to a increase of \$306,000 in 2007. The Electric Light fund (BELD) and the Water and Sewer funds both experienced increases in net assets of \$1.8 million and \$2.4 million, respectively, while the Golf Course fund operating at near breakeven; all 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 \$55.0 million at December 31, 2007. Capital assets net of related debt were \$43.9 million (80%) and unrestricted net assets were \$11.1 million (20%). There was a

increase of \$2.4 million in net assets compared to a decrease of (\$29,000) in the prior year relating mainly to rate increases catching up with purchased power increases which were not offset by corresponding rate increases during the prior fiscal year.

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets.....	\$ 69,861,760	\$ 19,774,209
Noncurrent assets (excluding capital).....	1,018,374	781,094
Capital assets.....	<u>61,628,737</u>	<u>50,325,927</u>
Total assets.....	<u>132,508,871</u>	<u>70,881,230</u>
Liabilities:		
Current liabilities (excluding debt).....	5,865,213	5,542,290
Non-current liabilities (excluding debt).....	3,668,061	1,338,608
Current debt.....	66,340,125	9,165,938
Noncurrent debt.....	<u>1,650,000</u>	<u>2,270,329</u>
Total liabilities.....	<u>77,523,399</u>	<u>18,317,165</u>
Net Assets:		
Capital assets net of related debt.....	43,908,154	43,323,575
Unrestricted.....	<u>11,077,318</u>	<u>9,240,490</u>
Total net assets.....	<u>\$ 54,985,472</u>	<u>\$ 52,564,065</u>
	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services.....	\$ 63,700,105	\$ 60,497,429
General Revenues:		
Unrestricted investment income.....	286,260	207,718
Claims and judgments.....	<u>697,438</u>	<u>675,365</u>
Total revenues.....	<u>64,683,803</u>	<u>61,380,512</u>
Expenses:		
Electric Light.....	<u>62,262,396</u>	<u>61,409,672</u>
Change in net assets.....	<u>\$ 2,421,407</u>	<u>\$ (29,160)</u>

Water and Sewer Activities

Water and sewer business-type activities assets exceeded liabilities by \$31.5 million at the close of fiscal year 2008. Capital assets net of related debt were \$18.4 million (58%) while unrestricted net assets were \$13.1 million (42%). There was an increase of \$1.8 million in net assets compared to an increase of \$405,000 in the prior year. Total operating revenues increased approximately 13.0%, while operating expenses remained virtually the same.

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets.....	\$ 15,770,402	\$ 11,811,182
Capital assets.....	<u>34,197,380</u>	<u>33,636,212</u>
Total assets.....	<u>49,967,782</u>	<u>45,447,394</u>
Liabilities:		
Current liabilities (excluding debt).....	613,872	435,817
Non-current liabilities (excluding debt).....	294,067	27,228
Current debt.....	4,765,000	1,276,263
Noncurrent debt.....	<u>12,795,000</u>	<u>13,960,000</u>
Total liabilities.....	<u>18,467,939</u>	<u>15,699,308</u>
Net Assets:		
Capital assets net of related debt.....	18,369,279	19,099,949
Unrestricted.....	<u>13,130,564</u>	<u>10,648,137</u>
Total net assets.....	<u>\$ 31,499,843</u>	<u>\$ 29,748,086</u>
	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services.....	\$ 13,675,011	\$ 12,081,357
Operating grants and contributions.....	32,443	37,391
General Revenues:		
Unrestricted investment income.....	<u>86,097</u>	<u>98,834</u>
Total revenues.....	<u>13,793,551</u>	<u>12,217,582</u>
Expenses:		
Water and sewer.....	<u>11,993,133</u>	<u>11,751,499</u>
Excess (Deficiency) before transfers.....	1,800,418	466,083
Transfers.....	<u>(48,661)</u>	<u>(61,161)</u>
Change in net assets.....	<u>\$ 1,751,757</u>	<u>\$ 404,922</u>

Golf Course Activities

Golf Course business-type activities assets exceeded liabilities by \$1.1 million at the close of fiscal year 2008. Capital assets net of related debt was \$1.2 million while unrestricted net assets were in a deficit amount of (\$133,000). There was a decrease of (\$97,000) in net assets compared to a decrease of (\$70,000) in the prior year. Operating revenues increased \$108,000 or 9.8% and expenses increased by approximately \$135,000 mainly relating to the accrual of post-employment benefits. The golf course continues to operate at a near break-even level before transfers out to the general fund for administrative costs.

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets.....	\$ 231,199	\$ 161,758
Capital assets.....	<u>1,194,886</u>	<u>1,256,942</u>
Total assets.....	<u>1,426,085</u>	<u>1,418,700</u>
Liabilities:		
Current liabilities (excluding debt).....	252,181	237,075
Non-current liabilities (excluding debt).....	<u>112,023</u>	<u>22,326</u>
Total liabilities.....	<u>364,204</u>	<u>259,401</u>
Net Assets:		
Capital assets net of related debt.....	1,194,886	1,256,942
Unrestricted.....	<u>(133,005)</u>	<u>(97,643)</u>
Total net assets.....	<u>\$ 1,061,881</u>	<u>\$ 1,159,299</u>
	<u>2008</u>	<u>2007</u>
Program revenues:		
Charges for services.....	\$ 1,211,206	\$ 1,101,047
Operating grants and contributions.....	-	345
General Revenues:		
Unrestricted investment income.....	<u>281</u>	<u>1,868</u>
Total revenues.....	<u>1,211,487</u>	<u>1,103,260</u>
Expenses:		
Golf.....	<u>1,258,562</u>	<u>1,123,675</u>
Excess (Deficiency) before transfers.....	(47,075)	(20,415)
Transfers.....	<u>(50,343)</u>	<u>(49,394)</u>
Change in net assets.....	<u>\$ (97,418)</u>	<u>\$ (69,809)</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 \$19.4 million, which represents a decrease of (\$4.3) million from the prior year. The general fund decreased by (\$808,000) as the result of transfers out to the stabilization fund. The nonmajor funds decreased by (\$3.5) million mainly from expenditures of community development, capital projects and various grants funds where the receipts were received in prior years.

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 \$2.8 million, while total fund balance was \$3.8 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 2.8% of total general fund budgeted expenditures, while total fund balance represents 3.9% 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 \$298,000, while actual expenditures and transfers were less than budgeted amounts (including carryovers) by approximately \$906,000.

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 2008 the Town expended approximately \$5.2 million on governmental activities capital assets consisting mainly of school buildings, roadways, and public safety vehicles and equipment. The business type activities expended approximately \$16.7 million consisting mainly of additions to the electric light plant and water mains in the water and sewer fund.

Outstanding long-term debt of the general government, as of June 30, 2008, totaled \$8.4 million, of which \$4.8 million is related to public building construction and \$3.6 million relates to road construction.

The enterprise fund has \$14.0 million in water and sewer enterprise debt and \$2.3 million in Electric Light debt that is fully supported by the rates and do not rely on a general fund subsidy.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of 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, 2008

	<i>Primary Government</i>		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 21,249,253	\$ 73,450,112	\$ 94,699,365
Investments.....	4,622,661	-	4,622,661
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,338,607	-	1,338,607
Tax liens.....	787,941	165,570	953,511
Motor vehicle and other excise taxes.....	746,948	-	746,948
User fees.....	-	9,061,481	9,061,481
Departmental and other.....	400,693	996,360	1,397,053
Intergovernmental.....	3,349,137	-	3,349,137
Loans.....	51,552	-	51,552
Tax foreclosures.....	78,281	-	78,281
Inventory.....	-	973,300	973,300
Working capital deposit.....	953,800	-	953,800
Prepaid expenses.....	-	424,084	424,084
Purchased power advanced deposits.....	-	792,454	792,454
NONCURRENT:			
Restricted assets:			
Investments.....	2,505,157	-	2,505,157
Investment in Hydro Quebec.....	-	91,338	91,338
Investment in Energy New England.....	-	472,712	472,712
Other assets.....	-	454,324	454,324
Capital assets, net of accumulated depreciation.....	54,007,224	97,021,003	151,028,227
TOTAL ASSETS.....	90,091,254	183,902,738	273,993,992
LIABILITIES			
CURRENT:			
Warrants payable.....	2,083,442	6,157,616	8,241,058
Accrued payroll.....	3,599,166	37,559	3,636,725
Health claims payable.....	840,725	-	840,725
Tax refunds payable.....	925,000	-	925,000
Accrued interest.....	31,427	94,276	125,703
Unearned revenue.....	51,552	206,733	258,285
Capital lease obligations.....	85,661	16,425	102,086
Compensated absences.....	1,190,105	235,082	1,425,187
Workers' compensation.....	192,000	-	192,000
Bonds and notes payable.....	2,680,000	71,088,700	73,768,700
NONCURRENT:			
Capital lease obligations.....	264,979	-	264,979
Customer deposits payable.....	-	94,170	94,170
Compensated absences.....	952,081	45,240	997,321
Workers' compensation.....	550,775	-	550,775
Unearned revenue.....	-	2,630,678	2,630,678
Other post-employment benefits.....	7,135,274	1,304,063	8,439,337
Bonds and notes payable.....	6,940,000	14,445,000	21,385,000
TOTAL LIABILITIES.....	27,522,187	96,355,542	123,877,729
NET ASSETS			
Invested in capital assets, net of related debt.....	44,741,728	63,472,319	108,214,047
Restricted for:			
Permanent funds:			
Expendable.....	6,979,609	-	6,979,609
Nonexpendable.....	2,505,157	-	2,505,157
Grants and gifts.....	3,094,705	-	3,094,705
Community preservation.....	1,985,303	-	1,985,303
Unrestricted.....	3,262,565	24,074,877	27,337,442
TOTAL NET ASSETS.....	\$ 62,569,067	\$ 87,547,196	\$ 150,116,263

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 4,554,086	\$ 654,663	\$ 173,754	\$ -	\$ (3,725,669)
Public safety.....	22,301,233	2,930,799	483,346	-	(18,887,088)
Education.....	76,732,757	2,663,710	23,251,924	-	(50,817,123)
Public works.....	5,787,762	559,293	88,498	1,524,785	(3,615,186)
Sanitation.....	1,597,784	1,600,028	-	-	2,244
Community preservation.....	104,793	-	-	373,481	268,688
Human services.....	1,273,880	151,360	278,218	-	(844,302)
Culture and recreation.....	3,532,149	345,587	189,701	-	(2,996,861)
Interest.....	444,173	-	-	-	(444,173)
Total Governmental Activities.....	116,328,617	8,905,440	24,465,441	1,898,266	(81,059,470)
<i>Business-Type Activities:</i>					
Water and Sewer.....	11,993,133	13,675,011	32,443	-	1,714,321
Golf.....	1,258,562	1,211,206	-	-	(47,356)
Electric.....	62,262,396	63,700,105	-	-	1,437,709
Total Business-Type Activities.....	75,514,091	78,586,322	32,443	-	3,104,674
Total Primary Government.....	\$ 191,842,708	\$ 87,491,762	\$ 24,497,884	\$ 1,898,266	\$ (77,954,796)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (81,059,470)	\$ 3,104,674	\$ (77,954,796)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	59,616,548	-	59,616,548
Tax liens.....	195,258	-	195,258
Motor vehicle and other excise taxes.....	4,641,332	-	4,641,332
Hotel/motel tax.....	735,915	-	735,915
Community preservation tax.....	455,258	-	455,258
Penalties and interest on taxes.....	332,155	-	332,155
Payments in lieu of taxes.....	1,049,810	-	1,049,810
Grants and contributions not restricted to specific programs.....	7,163,431	-	7,163,431
Unrestricted investment income.....	716,560	1,070,076	1,786,636
Miscellaneous.....	551,830	-	551,830
<i>Transfers, net</i>	99,004	(99,004)	-
Total general revenues and transfers.....	<u>75,557,101</u>	<u>971,072</u>	<u>76,528,173</u>
Change in net assets.....	(5,502,369)	4,075,746	(1,426,623)
<i>Net Assets:</i>			
Beginning of year.....	<u>68,071,436</u>	<u>83,471,450</u>	<u>151,542,886</u>
End of year.....	\$ <u><u>62,569,067</u></u>	\$ <u><u>87,547,196</u></u>	\$ <u><u>150,116,263</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2008

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 9,196,547	\$ 9,635,325	\$ 18,831,872
Investments.....	-	4,286,769	4,286,769
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	1,338,607	-	1,338,607
Tax liens.....	786,319	1,622	787,941
Motor vehicle and other excise taxes.....	746,948	-	746,948
Departmental and other.....	121,309	11,056	132,365
Intergovernmental.....	-	3,349,137	3,349,137
Loans.....	-	51,552	51,552
Tax foreclosures.....	78,281	-	78,281
Restricted assets:			
Investments.....	-	2,505,157	2,505,157
TOTAL ASSETS.....	\$ 12,268,011	\$ 19,840,618	\$ 32,108,629
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 1,376,219	\$ 529,110	\$ 1,905,329
Accrued payroll.....	3,569,087	30,079	3,599,166
Tax refunds payable.....	925,000	-	925,000
Deferred revenues.....	2,549,406	2,507,586	5,056,992
Notes payable.....	-	1,200,000	1,200,000
TOTAL LIABILITIES.....	8,419,712	4,266,775	12,686,487
FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	760,035	-	760,035
Perpetual permanent funds.....	-	2,505,157	2,505,157
Unreserved:			
Designated for subsequent year's expenditures.....	250,000	-	250,000
Undesignated, reported in:			
General fund.....	2,838,264	-	2,838,264
Special revenue funds.....	-	6,583,933	6,583,933
Capital projects funds.....	-	(494,856)	(494,856)
Permanent funds.....	-	6,979,609	6,979,609
TOTAL FUND BALANCES.....	3,848,299	15,573,843	19,422,142
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 12,268,011	\$ 19,840,618	\$ 32,108,629

See notes to basic financial statements.

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

JUNE 30, 2008

Total governmental fund balances.....		\$ 19,422,142
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		54,007,224
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		5,005,440
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.....		2,956,563
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(31,427)
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.....	(8,420,000)	
Other post-employment benefits.....	(7,135,274)	
Capital lease obligations.....	(350,640)	
Worker' compensation.....	(742,775)	
Compensated absences.....	<u>(2,142,186)</u>	
Net effect of reporting long-term liabilities.....		<u>(18,790,875)</u>
Net assets of governmental activities.....		<u>\$ 62,569,067</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 59,497,459	\$ -	\$ 59,497,459
Tax liens.....	63,809	-	63,809
Motor vehicle and other excise taxes.....	4,611,877	-	4,611,877
Hotel/motel tax.....	735,915	-	735,915
Penalties and interest on taxes.....	332,155	-	332,155
Payments in lieu of taxes.....	1,049,810	-	1,049,810
Intergovernmental.....	25,191,812	5,409,451	30,601,263
Departmental and other.....	6,166,924	4,084,019	10,250,943
Community preservation.....	-	455,258	455,258
Contributions.....	-	366,096	366,096
Investment income.....	676,955	(307,394)	369,561
Miscellaneous.....	220,578	294,250	514,828
TOTAL REVENUES.....	98,547,294	10,301,680	108,848,974
EXPENDITURES:			
Current:			
General government.....	2,960,936	1,057,230	4,018,166
Public safety.....	14,838,111	296,412	15,134,523
Education.....	45,772,695	8,430,706	54,203,401
Public works.....	3,795,626	1,609,252	5,404,878
Sanitation.....	1,590,363	-	1,590,363
Community development.....	-	1,799,290	1,799,290
Human services.....	779,565	97,233	876,798
Culture and recreation.....	2,309,147	554,719	2,863,866
Pension benefits-Town.....	4,306,969	-	4,306,969
Pension benefits-Teachers.....	9,962,702	-	9,962,702
Property and liability insurance.....	406,416	-	406,416
Employee benefits.....	7,392,728	-	7,392,728
State and county charges.....	3,593,911	-	3,593,911
Debt service:			
Principal.....	1,645,000	-	1,645,000
Interest.....	445,990	-	445,990
TOTAL EXPENDITURES.....	99,800,159	13,844,842	113,645,001
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,252,865)	(3,543,162)	(4,796,027)
OTHER FINANCING SOURCES (USES):			
Premium from issuance of bonds.....	-	379,762	379,762
Transfers in.....	944,536	502,349	1,446,885
Transfers out.....	(500,000)	(788,748)	(1,288,748)
TOTAL OTHER FINANCING SOURCES (USES).....	444,536	93,363	537,899
NET CHANGE IN FUND BALANCES.....	(808,329)	(3,449,799)	(4,258,128)
FUND BALANCES AT BEGINNING OF YEAR.....	4,656,628	19,023,642	23,680,270
FUND BALANCES AT END OF YEAR.....	\$ 3,848,299	\$ 15,573,843	\$ 19,422,142

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds.....	\$	(4,258,128)
<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.....		5,238,540
Depreciation expense.....		<u>(2,898,950)</u>
Net effect of reporting capital assets.....		2,339,590
<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>		
		1,189,989
<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.....		140,252
Debt service principal payments.....		<u>1,645,000</u>
Net effect of reporting long-term debt.....		1,785,252
<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.....		(35,726)
Net change in accrued interest on long-term debt.....		4,091
Net change in other post-employment benefits accrual.....		(7,135,274)
Net change in workers' compensation accrual.....		<u>152,468</u>
Net effect of recording long-term liabilities.....		(7,014,441)
<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>455,369</u>
Change in net assets of governmental activities.....	\$	<u><u>(5,502,369)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2007	Total		
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 12,434,399	\$ 231,199	\$ 60,784,514	\$ 73,450,112		\$ 2,417,381
Investments.....	-	-	-	-		335,892
Receivables, net of allowance for uncollectibles:						
User fees.....	3,170,433	-	5,891,048	9,061,481		-
Water and sewer liens.....	165,570	-	-	165,570		-
Departmental and other.....	-	-	996,360	996,360		268,328
Inventory.....	-	-	973,300	973,300		-
Working capital deposit.....	-	-	-	-		953,800
Prepaid expenses.....	-	-	424,084	424,084		-
Purchased power advanced deposits.....	-	-	792,454	792,454		-
Total current assets.....	<u>15,770,402</u>	<u>231,199</u>	<u>69,861,760</u>	<u>85,863,361</u>		<u>3,975,401</u>
NONCURRENT:						
Investment in Hydro Quebec.....	-	-	91,338	91,338		-
Investment in Energy New England.....	-	-	472,712	472,712		-
Other assets.....	-	-	454,324	454,324		-
Capital assets, net of accumulated depreciation.....	<u>34,197,380</u>	<u>1,194,886</u>	<u>61,628,737</u>	<u>97,021,003</u>		<u>-</u>
Total noncurrent assets.....	<u>34,197,380</u>	<u>1,194,886</u>	<u>62,647,111</u>	<u>98,039,377</u>		<u>-</u>
TOTAL ASSETS.....	<u>49,967,782</u>	<u>1,426,085</u>	<u>132,508,871</u>	<u>183,902,738</u>		<u>3,975,401</u>
LIABILITIES						
CURRENT:						
Warrants payable.....	430,013	26,703	5,700,900	6,157,616		178,113
Accrued payroll.....	23,291	14,268	-	37,559		-
Health claims payable.....	-	-	-	-		840,725
Accrued interest.....	94,276	-	-	94,276		-
Unearned revenue.....	-	180,960	25,773	206,733		-
Capital lease obligations.....	-	-	16,425	16,425		-
Compensated absences.....	66,292	30,250	138,540	235,082		-
Bonds and notes payable.....	<u>4,765,000</u>	<u>-</u>	<u>66,323,700</u>	<u>71,088,700</u>		<u>-</u>
Total current liabilities.....	<u>5,378,872</u>	<u>252,181</u>	<u>72,205,338</u>	<u>77,836,391</u>		<u>1,018,838</u>
NONCURRENT:						
Customer deposits payable.....	-	2,150	92,020	94,170		-
Compensated absences.....	25,667	19,573	-	45,240		-
Unearned revenue.....	-	-	2,630,678	2,630,678		-
Other post-employment benefits.....	268,400	90,300	945,363	1,304,063		-
Bonds and notes payable.....	<u>12,795,000</u>	<u>-</u>	<u>1,650,000</u>	<u>14,445,000</u>		<u>-</u>
Total noncurrent liabilities.....	<u>13,089,067</u>	<u>112,023</u>	<u>5,318,061</u>	<u>18,519,151</u>		<u>-</u>
TOTAL LIABILITIES.....	<u>18,467,939</u>	<u>364,204</u>	<u>77,523,399</u>	<u>96,355,542</u>		<u>1,018,838</u>
NET ASSETS						
Invested in capital assets, net of related debt.....	18,369,279	1,194,886	43,908,154	63,472,319		-
Unrestricted.....	<u>13,130,564</u>	<u>(133,005)</u>	<u>11,077,318</u>	<u>24,074,877</u>		<u>2,956,563</u>
TOTAL NET ASSETS.....	<u>\$ 31,499,843</u>	<u>\$ 1,061,881</u>	<u>\$ 54,985,472</u>	<u>\$ 87,547,196</u>		<u>\$ 2,956,563</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2007	Total	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 5,399,377
Employer contributions	-	-	-	-	7,047,219
Charges for services	13,612,846	1,211,206	63,700,105	78,524,157	-
Utility liens.....	62,165	-	-	62,165	-
Intergovernmental.....	32,443	-	-	32,443	-
Stop loss reimbursements.....	-	-	-	-	390,963
TOTAL OPERATING REVENUES	13,707,454	1,211,206	63,700,105	78,618,765	12,837,559
OPERATING EXPENSES:					
Cost of services and administration	3,165,607	994,669	15,698,384	19,858,660	-
MWRA Assessment.....	6,619,038	-	-	6,619,038	-
Fuel for generation.....	-	-	1,745,933	1,745,933	-
Purchased power.....	-	-	36,723,373	36,723,373	-
Repairs and maintenance.....	327,498	146,540	4,504,771	4,978,809	-
Depreciation.....	1,306,933	117,353	3,453,976	4,878,262	-
Employee benefits	-	-	-	-	12,319,692
TOTAL OPERATING EXPENSES	11,419,076	1,258,562	62,126,437	74,804,075	12,319,692
OPERATING INCOME (LOSS).....	2,288,378	(47,356)	1,573,668	3,814,690	517,867
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	86,097	281	286,260	372,638	(3,365)
Interest expense.....	(574,057)	-	(135,959)	(710,016)	-
Claims and judgments.....	-	-	697,438	697,438	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(487,960)	281	847,739	360,060	(3,365)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS.....	1,800,418	(47,075)	2,421,407	4,174,750	514,502
TRANSFERS:					
Transfers out.....	(48,661)	(50,343)	-	(99,004)	(59,133)
CHANGE IN NET ASSETS.....	1,751,757	(97,418)	2,421,407	4,075,746	455,369
NET ASSETS AT BEGINNING OF YEAR.....	29,748,086	1,159,299	52,564,065	83,471,450	2,501,194
NET ASSETS AT END OF YEAR.....	\$ 31,499,843	\$ 1,061,881	\$ 54,985,472	\$ 87,547,196	\$ 2,956,563

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2007	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 13,488,230	\$ 1,231,066	\$ 64,355,590	\$ 79,074,886	\$ 5,399,377
Receipts from interfund services provided.....	-	-	-	-	7,047,219
Receipts from insurance recoveries.....	-	-	-	-	155,036
Receipts from other governments.....	32,443	-	-	32,443	-
Payments to vendors.....	(8,518,480)	(614,144)	(49,093,067)	(58,225,691)	-
Payments to employees.....	(1,141,007)	(442,122)	(8,888,049)	(10,471,178)	-
Payments for interfund services used.....	-	-	-	-	(12,166,851)
NET CASH FROM OPERATING ACTIVITIES.....	3,861,186	174,800	6,374,474	10,410,460	434,781
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Receipts from claims and judgments.....	-	-	697,438	697,438	-
Transfers out.....	(48,661)	(50,343)	-	(99,004)	(59,133)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(48,661)	(50,343)	697,438	598,434	(59,133)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	3,600,000	-	65,719,794	69,319,794	-
Acquisition and construction of capital assets.....	(1,868,101)	(55,297)	(14,756,786)	(16,680,184)	-
Principal payments on bonds and notes.....	(1,276,263)	-	(9,103,904)	(10,380,167)	-
Principal payments on capital lease obligations.....	-	-	(62,032)	(62,032)	-
Interest expense.....	(581,819)	-	(135,959)	(717,778)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(126,183)	(55,297)	41,661,113	41,479,633	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	-	-	-	-	534,935
Purchase of investments.....	-	-	-	-	(335,892)
Investment income.....	86,097	281	286,260	372,638	(3,365)
NET CASH FROM INVESTING ACTIVITIES.....	86,097	281	286,260	372,638	195,678
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,772,439	69,441	49,019,285	52,861,165	571,326
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	8,661,960	161,758	11,765,229	20,588,947	1,846,055
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 12,434,399	\$ 231,199	\$ 60,784,514	\$ 73,450,112	\$ 2,417,381
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 2,288,378	\$ (47,356)	\$ 1,573,668	\$ 3,814,690	\$ 517,867
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	1,306,933	117,353	3,453,976	4,878,262	-
Changes in assets and liabilities:					
Water and sewer liens.....	(84,492)	-	-	(84,492)	-
User fees.....	(102,289)	-	(173,963)	(276,252)	-
Departmental and other.....	-	-	(554,643)	(554,643)	(235,927)
Inventory.....	-	-	(256,496)	(256,496)	-
Working capital deposit.....	-	-	-	-	(24,800)
Other assets.....	-	-	(99,385)	(99,385)	-
Prepaid expenses.....	-	-	(77,858)	(77,858)	-
Purchased power advance deposits.....	-	-	(5,306)	(5,306)	-
Investment in Hydro Quebec.....	-	-	4,530	4,530	-
Investment in Energy New England.....	-	-	(142,425)	(142,425)	-
Warrants payable.....	194,410	(1,189)	373,153	566,374	120,416
Accrued payroll.....	(2,065)	(1,116)	-	(3,181)	-
Health claims payable.....	-	-	-	-	57,225
Customer deposits payable.....	-	900	23,130	24,030	-
Unearned revenues.....	-	18,960	1,360,961	1,379,921	-
Accrued compensated absences.....	(8,089)	(3,052)	(50,231)	(61,372)	-
Other post-employment benefits.....	268,400	90,300	945,363	1,304,063	-
Total adjustments.....	1,572,808	222,156	4,800,806	6,595,770	(83,086)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,861,186	\$ 174,800	\$ 6,374,474	\$ 10,410,460	\$ 434,781

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Pension Trust Fund (as of December 31, 2007)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 3,650,472	\$ -	\$ 222,708
Investments.....	137,642,152	91,332	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	53,890	-	-
TOTAL ASSETS	141,346,514	91,332	222,708
LIABILITIES			
Warrants payable.....	995	-	73,629
Liabilities due depositors.....	-	-	89,503
Other liabilities.....	-	-	59,576
TOTAL LIABILITIES	995	-	222,708
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ <u>141,345,519</u>	\$ <u>91,332</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Pension Trust Fund (as of December 31, 2007)</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS:		
Contributions:		
Employer.....	\$ 6,163,965	\$ -
Employee.....	3,089,870	-
	<u>9,253,835</u>	<u>-</u>
Total contributions.....		
	9,253,835	-
Net investment income:		
Net change in fair value of investments.....	6,683,643	-
Interest.....	1,148,319	(38,813)
Dividends.....	2,293,794	-
	<u>10,125,756</u>	<u>(38,813)</u>
Total investment income (loss).....		
	10,125,756	(38,813)
Less: investment expense.....	(791,840)	-
	<u>9,333,916</u>	<u>(38,813)</u>
Net investment income (loss).....		
	9,333,916	(38,813)
Intergovernmental.....	390,409	-
Transfers from other systems.....	277,421	-
	<u>19,255,581</u>	<u>(38,813)</u>
TOTAL ADDITIONS.....		
	19,255,581	(38,813)
DEDUCTIONS:		
Administration.....	254,400	-
Transfers to other systems.....	396,551	-
Retirement benefits and refunds.....	11,233,303	-
	<u>11,884,254</u>	<u>-</u>
TOTAL DEDUCTIONS.....		
	11,884,254	-
CHANGE IN NET ASSETS.....	7,371,327	(38,813)
NET ASSETS AT BEGINNING OF YEAR.....	133,974,192	130,145
NET ASSETS AT END OF YEAR.....	<u>\$ 141,345,519</u>	<u>\$ 91,332</u>

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 71 Cleveland Avenue, 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, 2006, 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 funds are reported:

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

The 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 \$1,390,901 in 2007 to \$1,875,021 in 2008. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting 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 a quarterly basis for each residential property that utilizes the collection service. The annual per living unit is billed quarterly 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% collectable 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
Buildings.....	40
Machinery and equipment.....	5 - 15
Infrastructure.....	20 - 50

Capital assets of the BELD are depreciated at an annual rate of 3%.

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 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 \$26,591,354, and the bank balances totaled \$33,504,984. Of the bank balance, \$1,019,342 was covered by Federal Depository Insurance, \$1,908,514 was covered by the Depositors Insurance Fund, and \$30,577,128 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, 2007, the carrying amount of deposits for the System totaled \$3,233,892 and the bank balance totaled \$3,769,767, which was 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 \$7,219,150; \$325,690 in corporate bonds, \$6,123,765 in equity securities and \$722,057 in U.S. Government securities and 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, 2008, 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.....\$	722,057	\$ 152,129	\$ 569,928	\$ -
Corporate Bonds.....	<u>325,690</u>	<u>277,793</u>	<u>45,564</u>	<u>2,333</u>
Total Debt Securities.....	1,047,747	\$ <u>429,922</u>	\$ <u>615,492</u>	\$ <u>2,333</u>
<u>Other Investments</u>				
Equity Securities.....	6,123,765 (1)			
Equity Mutual Funds.....	47,638			
Money Market Mutual Funds.....	2,283,154			
MMDT.....	<u>66,047,565</u>			
Total Investments.....	\$ <u>75,549,869</u>			

As of December 31, 2007, the System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Equity Securities.....	\$ 35,268,894
Equity Mutual Funds.....	19,295,677
Fixed Income Mutual Funds.....	48,576,234
Money Market Mutual Funds.....	416,580
Real Estate Mutual Fund.....	<u>34,501,347</u>
Total Investments.....	\$ <u>138,058,732</u> (1)

(1) Subsequent to fiscal year end the market value of the Town's equity securities and the System's investments declined by approximately (\$1.3) million and (\$32.0) million, respectively. Please refer to Note 3 for further information on this matter.

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. Further, the System’s current fixed income investments are diversified by sector (corporate, government, asset-backed, mortgage, non-US dollar) to provide additional protection in various interest rate environments.

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>AA1</u>	<u>AA2</u>	<u>AA3</u>	<u>A1</u>	<u>BA3</u>
Government Sponsored Enterprises.....	\$ 722,057	\$ 722,057	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds.....	325,690	-	101,165	176,628	25,306	20,258	2,333
Total.....	\$ 1,047,747	\$ 722,057	\$ 101,165	\$ 176,628	\$ 25,306	\$ 20,258	\$ 2,333

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 Lehman Brothers 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. By investing through the commingled funds, the System has adopted the individual commingled funds' policies that limit the amount that may be invested in a single, non U.S. Government issuer, to a maximum of 5% of portfolio value.

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.

The Retirement System does not have any exposure to any individual security or issuer that represents 5% or more of its assets. The System does have investments in individual commingled mutual funds and trusts that represent more than 5% of the System's assets, but in each case these investments are in commingled funds that are invested in diversified portfolios of between 50 and 2000 individual securities.

NOTE 3 – SUBSEQUENT EVENT

The System carries its investments at fair (market) value in accordance with Generally Accepted Accounting Principles (GAAP). Market value adjustments are recorded monthly. Subsequent to fiscal year end, the System’s investments declined in value by approximately 23% or (\$32.0) million. This information was obtained from the custodial bank statements as of December 31, 2008.

The equity securities held by the Town in the amount of \$6,123,765 declined in market value based on published trading prices as of the date of this report by approximately 21% or (\$1.3) million.

In accordance with GAAP, the Town and the System did not record these losses in the financial statements dated June 30, 2008 and December 31, 2007, respectively, as the impairments were not known as of the respective year end dates. These losses have been recorded subsequently as the Town and the System adjusts the investments to market value on a monthly basis.

The market value declines are consistent with recent trends in the overall financial securities markets.

NOTE 4 – RECEIVABLES

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,361,195	\$ (22,588)	\$ 1,338,607
Tax liens.....	787,941	-	787,941
Motor vehicle and other excise taxes.....	933,519	(186,571)	746,948
Departmental and other.....	400,693	-	400,693
Intergovernmental.....	3,349,137	-	3,349,137
 Total.....	 \$ 6,832,485	 \$ (209,159)	 \$ 6,623,326

At December 31, 2007 the Pension Trust Fund had departmental and other receivables totaling \$53,890.

At June 30, 2008, 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.....	\$ 165,570	\$ -	\$ 165,570
User fees.....	3,170,433	-	3,170,433
<i>Electric Light</i>			
User fees.....	6,014,147	(123,099)	5,891,048
Departmental and other.....	996,360	-	996,360
<i>Internal Service</i>			
Departmental and other.....	268,328	-	268,328
 Total.....	 \$ 10,614,838	 \$ (123,099)	 \$ 10,491,739

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.....	\$ 816,549	\$ -	\$ 816,549
Tax liens.....	786,319	1,622	787,941
Motor vehicle and other excise taxes.....	746,948	-	746,948
Departmental and other.....	121,309	-	121,309
Loans.....	-	51,552	51,552
Intergovernmental.....	-	2,454,412	2,454,412
Tax foreclosures.....	78,281	-	78,281
 Total.....	 \$ <u>2,549,406</u>	 \$ <u>2,507,586</u>	 \$ <u>5,056,992</u>

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* and total \$180,960 and \$2,656,451, respectively, at June 30, 2008.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,687,542	\$ 1,197,444	\$ -	\$ 11,884,986
 <u>Capital assets being depreciated:</u>				
Land improvements.....	7,384,855	107,636	-	7,492,491
Buildings.....	35,529,498	1,756,386	-	37,285,884
Machinery and equipment.....	12,165,905	744,323	-	12,910,228
Infrastructure.....	44,198,981	1,432,751	-	45,631,732
 Total capital assets being depreciated.....	 99,279,239	 4,041,096	 -	 103,320,335
 <u>Less accumulated depreciation for:</u>				
Land improvements.....	(6,650,343)	(161,737)	-	(6,812,080)
Buildings.....	(23,884,585)	(834,126)	-	(24,718,711)
Machinery and equipment.....	(8,720,029)	(1,259,240)	-	(9,979,269)
Infrastructure.....	(19,044,190)	(643,847)	-	(19,688,037)
 Total accumulated depreciation.....	 (58,299,147)	 (2,898,950)	 -	 (61,198,097)
 Total capital assets being depreciated, net.....	 40,980,092	 1,142,146	 -	 42,122,238
 Total governmental activities capital assets, net.....	 \$ <u>51,667,634</u>	 \$ <u>2,339,590</u>	 \$ <u>-</u>	 \$ <u>54,007,224</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.....	5,723,656	11,718,231	-	17,441,887
Total capital assets not being depreciated.....	7,039,040	11,718,231	-	18,757,271
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,121,475	-	-	1,121,475
Plant in service.....	102,796,300	3,038,555	(3,420,107)	102,414,748
Buildings.....	1,460,342	32,350	-	1,492,692
Machinery and equipment.....	2,525,552	262,161	-	2,787,713
Infrastructure.....	52,454,875	1,628,887	-	54,083,762
Total capital assets being depreciated.....	160,358,544	4,961,953	(3,420,107)	161,900,390
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(593,944)	(12,816)	-	(606,760)
Plant in service.....	(58,194,029)	(3,453,976)	3,420,107	(58,227,898)
Buildings.....	(920,248)	(20,066)	-	(940,314)
Machinery and equipment.....	(1,843,018)	(328,885)	-	(2,171,903)
Infrastructure.....	(20,627,264)	(1,062,519)	-	(21,689,783)
Total accumulated depreciation.....	(82,178,503)	(4,878,262)	3,420,107	(83,636,658)
Total capital assets being depreciated, net.....	78,180,041	83,691	-	78,263,732
Total business-type activities capital assets, net.....	\$ 85,219,081	\$ 11,801,922	\$ -	\$ 97,021,003

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

Governmental Activities:

General government.....	\$ 101,338
Public safety.....	542,596
Education.....	829,100
Public works.....	1,078,422
Community development.....	46,305
Human services.....	11,614
Culture and recreation.....	289,575

Total depreciation expense - governmental activities..... \$ 2,898,950

Business-Type Activities:

Water and Sewer.....	\$ 1,306,933
Golf.....	117,353
Electric light.....	3,453,976

Total depreciation expense - business-type activities..... \$ 4,878,262

NOTE 6 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 500,000	\$ 500,000 (1)
Nonmajor Governmental Funds.....	786,399	2,349	788,748 (2)
Water and Sewer Enterprise Fund.....	48,661	-	48,661 (3)
Golf Course Enterprise Fund.....	50,343	-	50,343 (3)
Internal Service Fund.....	59,133	-	59,133 (4)
Total.....	<u>\$ 944,536</u>	<u>\$ 502,349</u>	<u>\$ 1,446,885</u>

- (1) Represents a budgeted transfer to the stabilization fund from the general fund.
- (2) Represents budgeted transfers from various special revenue funds to the general fund.
- (3) Represents budgeted transfers from water and sewer and golf enterprise funds to the general fund.
- (4) Represents a budgeted transfer from the internal service fund to the general fund.

NOTE 7 – 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:

Asset:	Governmental Activities
Machinery and equipment.....	\$ 1,486,907
Less: accumulated depreciation.....	<u>(568,092)</u>
Total.....	<u>\$ 918,815</u>

CAPITAL LEASE FUTURE MINIMUM LEASE OBLIGATIONS:

Fiscal Years <u>Ending June 30,</u>	<u>Governmental Activities</u>
2009.....	\$ 125,986
2010.....	90,455
2011.....	90,455
2012.....	<u>90,455</u>
Total minimum lease payments.....	397,351
Less: amounts representing interest.....	<u>(46,711)</u>
Present value of minimum lease payments.....	<u>\$ 350,640</u>

The BELD has entered into a lease agreement to finance the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The following identifies the assets acquired through capital lease agreements:

<u>Asset:</u>	<u>Business-Type Activities</u>
Machinery and equipment.....	\$ 216,830
Less: accumulated depreciation.....	<u>(13,010)</u>
Total.....	<u>\$ 203,820</u>

CAPITAL LEASE FUTURE MINIMUM LEASE OBLIGATIONS:

Fiscal Years <u>Ending December 31,</u>	<u>Business-Type Activities</u>
2008.....	\$ 16,680
Less: amounts representing interest.....	<u>(255)</u>
Present value of minimum lease payments.....	<u>\$ 16,425</u>

Operating Leases

The Town leases school buses under a noncancelable operating lease that is scheduled to expire June 30, 2010. The cost of the lease for the fiscal year ended June 30, 2008, totaled approximately \$292,000, and is reported as education expenditures in the general fund.

The future minimum lease payments, not including the option mentioned above, are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Activities</u>
2009.....	\$ 418,640
2010.....	464,029
2011.....	<u>385,000</u>
Total.....	<u>\$ 1,267,669</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, 2007, totaled approximately \$542,000.

The future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Business-Type Activities</u>
2008.....	\$ 424,268
2009.....	347,365
2010.....	278,565
2011.....	<u>82,938</u>
Total.....	<u>\$ 1,133,136</u>

NOTE 8 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2008, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2007	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2008
Governmental Funds:							
BAN	Renovations to Town Hall.....	2.50	11/12/08	\$ -	\$ 500,000	\$ -	\$ 500,000 (1)
BAN	Road Projects.....	2.50	11/12/08	-	700,000	-	700,000 (1)
Total Governmental Funds.....				\$ -	\$ 1,200,000	\$ -	\$ 1,200,000
Water and Sewer Enterprise Fund:							
BAN	Water Main Replacement.....	2.50	11/12/08	\$ -	\$ 3,600,000	\$ -	\$ 3,600,000 (1)
Electric Light Enterprise Fund:							
Type	Purpose	Rate (%)	Due Date	Balance at December 31, 2006	Renewed/ Issued	Retired/ Redeemed	Balance at December 31, 2007
BAN	Watson power plant.....	3.56	11/14/08	\$ 8,500,000	\$ -	\$ 8,500,000	\$ -
BAN	Watson power plant.....	3.37	11/13/08	-	65,719,794	-	65,719,794 (1)
Total Electric Light Enterprise Fund.....				\$ 8,500,000	\$ 65,719,794	\$ 8,500,000	\$ 65,719,794

(1) These BANs along with newly issued BANs totaling \$122.2 million were rolled over on November 12, 2008 into a new BAN due on August 14, 2009 carrying an interest rate of 2.50%.

NOTE 9 – 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".

During fiscal year 2007, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, approximately \$1,000,000 of bonds outstanding from the advance refunding is considered defeased.

Details related to the outstanding indebtedness at June 30, 2008, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Library Construction.....	4.20 - 5.20	\$ 1,485,000	\$ -	\$ 250,000	\$ 1,235,000
School Remodeling.....	4.20 - 5.20	100,000	-	50,000	50,000
Police Station Remodeling.....	4.20 - 5.20	25,000	-	25,000	-
Roads.....	3.30 - 5.25	340,000	-	85,000	255,000
Roads.....	2.50 - 3.75	2,410,000	-	670,000	1,740,000
School.....	4.14	665,000	-	35,000	630,000
School Improvements.....	4.14	445,000	-	25,000	420,000
School Improvements.....	4.43	180,000	-	45,000	135,000
School Improvements.....	4.14	665,000	-	35,000	630,000
Road Repairs.....	4.44	255,000	-	65,000	190,000
Road Repairs.....	4.34	340,000	-	40,000	300,000
Library Construction.....	4.20 - 5.20	1,055,000	-	5,000	1,050,000
Road Repairs.....	4.90	700,000	-	140,000	560,000
Road Repairs.....	4.90	700,000	-	140,000	560,000
School Remodeling.....	4.30 - 4.90	700,000	-	35,000	665,000
Total.....		\$ 10,065,000	\$ -	\$ 1,645,000	\$ 8,420,000

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>
2009.....\$	1,480,000	\$ 351,844	\$ 1,831,844
2010.....	1,425,000	290,978	1,715,978
2011.....	1,420,000	233,593	1,653,593
2012.....	785,000	185,306	970,306
2013.....	500,000	150,022	650,022
2014.....	420,000	128,804	548,804
2015.....	420,000	109,086	529,086
2016.....	415,000	88,728	503,728
2017.....	380,000	67,398	447,398
2018.....	130,000	48,766	178,766
2019.....	130,000	43,460	173,460
2020.....	130,000	38,156	168,156
2021.....	125,000	32,850	157,850
2022.....	125,000	27,700	152,700
2023.....	125,000	22,552	147,552
2024.....	125,000	17,320	142,320
2025.....	125,000	12,092	137,092
2026.....	125,000	6,814	131,814
2027.....	35,000	1,540	36,540
Total.....\$	<u>8,420,000</u>	<u>\$ 1,857,009</u>	<u>\$ 10,277,009</u>

Bonds and Notes Payable Schedule – Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Sewer.....	4.60 - 6.50	\$ 1,080,000	\$ -	\$ 110,000	\$ 970,000
Sewer.....	3.30 - 5.25	405,000	-	27,000	378,000
Sewer.....	3.30 - 5.25	1,125,000	-	75,000	1,050,000
Sewer.....	3.30 - 5.25	1,447,500	-	96,500	1,351,000
Water.....	3.30 - 5.25	225,000	-	15,000	210,000
Water.....	3.30 - 5.25	825,000	-	55,000	770,000
Water.....	3.30 - 5.25	257,500	-	21,500	236,000
Water.....	2.50 - 4.25	1,110,000	-	105,000	1,005,000
Water.....	2.50 - 4.25	440,000	-	40,000	400,000
MWRA.....	-	106,263	-	106,263	-
Water Mains.....	4.14	1,140,000	-	60,000	1,080,000
Water Distribution Center (1)...	4.14	1,330,000	-	70,000	1,260,000
Water Distribution Center (2)...	4.14	380,000	-	20,000	360,000
Water - Middle/Libery.....	4.14	850,000	-	50,000	800,000
Water - Hollingsworth.....	4.14	285,000	-	15,000	270,000
Water - Hillside.....	4.14	265,000	-	15,000	250,000
MWRA.....	-	220,000	-	55,000	165,000
Water.....	4.60 - 6.50	2,315,000	-	255,000	2,060,000
Water distribution system.....	4.14	1,130,000	-	70,000	1,060,000
Sewer.....	4.30 - 4.90	300,000	-	15,000	285,000
Total.....		\$ 15,236,263	\$ -	\$ 1,276,263	\$ 13,960,000

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>
2009.....\$	1,165,000	\$ 611,457	\$ 1,776,457
2010.....	1,160,000	560,840	1,720,840
2011.....	1,160,000	512,195	1,672,195
2012.....	1,080,000	463,143	1,543,143
2013.....	1,080,000	414,655	1,494,655
2014.....	1,075,000	365,096	1,440,096
2015.....	1,020,000	315,067	1,335,067
2016.....	1,010,000	267,106	1,277,106
2017.....	1,005,000	216,998	1,221,998
2018.....	720,000	171,353	891,353
2019.....	580,000	145,231	725,231
2020.....	580,000	119,542	699,542
2021.....	580,000	93,696	673,696
2022.....	580,000	69,467	649,467
2023.....	275,000	48,952	323,952
2024.....	275,000	37,480	312,480
2025.....	275,000	26,012	301,012
2026.....	275,000	14,436	289,436
2027.....	65,000	2,860	67,860
Total.....\$	<u>13,960,000</u>	<u>\$ 4,455,586</u>	<u>\$ 18,415,586</u>

Bonds and Notes Payable Schedule – Electric Light Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2007</u>
Cable.....	3.30 - 5.25	\$ 1,750,000	\$ -	\$ 350,000	\$ 1,400,000
Cable.....	2.50 - 3.75	900,000	-	150,000	750,000
Transmission.....	6.00	207,810	-	103,904	103,906
Total.....		<u>\$ 2,857,810</u>	<u>\$ -</u>	<u>\$ 603,904</u>	<u>\$ 2,253,906</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>
2008.....\$	603,906	\$ 108,773	\$ 712,679
2009.....	500,000	97,954	597,954
2010.....	500,000	43,936	543,936
2011.....	500,000	24,874	524,874
2012.....	<u>150,000</u>	<u>5,624</u>	<u>155,624</u>
Total.....\$	<u>2,253,906</u>	<u>\$ 281,161</u>	<u>\$ 2,535,067</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, 2008, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water and sewer projects.....	\$ 8,736,485
Road projects.....	700,000
MWRA.....	760,000
Renovations to Town Hall.....	1,500,000
Electric Light Department.....	<u>110,000,000</u>
Total.....	<u>\$ 121,696,485</u>

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Activities:					
Bonds and notes payable.....	\$ 10,065,000	\$ -	\$ (1,645,000)	\$ 8,420,000	\$ 1,480,000
Other post-employment benefits.....	-	7,135,274	-	7,135,274	-
Workers' compensation.....	895,243	95,912	(248,380)	742,775	192,000
Compensated absences.....	2,106,460	1,210,712	(1,174,986)	2,142,186	1,190,105
Capital lease obligations.....	490,892	-	(140,252)	350,640	85,661
Total governmental activity long-term liabilities.....	<u>\$ 13,557,595</u>	<u>\$ 8,441,898</u>	<u>\$ (3,208,618)</u>	<u>\$ 18,790,875</u>	<u>\$ 2,947,766</u>
Business-Type Activities:					
Bonds and notes payable.....	\$ 18,094,073	\$ -	\$ (1,880,167)	\$ 16,213,906	\$ 1,880,168
Other post-employment benefits.....	-	1,304,063	-	1,304,063	-
Compensated absences.....	341,694	232,018	(293,390)	280,322	235,082
Capital lease obligations.....	78,457	-	(62,032)	16,425	16,425
Customer deposits payable.....	70,140	24,030	-	94,170	-
Unearned revenue.....	1,457,490	1,379,921	-	2,837,411	206,733
Total business-type activity long-term liabilities.....	<u>\$ 20,041,854</u>	<u>\$ 2,940,032</u>	<u>\$ (2,235,589)</u>	<u>\$ 20,746,297</u>	<u>\$ 2,338,408</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 10 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The 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. At June 30, 2008, the amount of the liability for health insurance claims totaled \$840,725 liability is the best estimate based on available information. Changes in the reported liability since July 1, 2006 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 2007.....	\$ 974,031	\$ 9,952,370	\$ (10,142,901)	\$ 783,500
Fiscal Year 2008.....	783,500	11,144,948	(11,087,723)	840,725

(b) *Workers' Compensation*

The estimated future workers' compensation liability is based on history and injury type. At June 30, 2008, the amount of the liability for workers' compensation claims totaled \$742,775. Changes in the reported liability since July 1, 2006 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 2007.....	\$ 893,135	\$ 592,166	\$ (590,058)	\$ 895,243
Fiscal Year 2008.....	895,243	449,247	(601,715)	742,775

The BELD participates in the Massachusetts Municipal Self-Insurance Trust (the Trust) with 18 other municipal light departments for the purpose of sharing excess liability and directors' and officers' liability risks. 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. In 2006, the Trust determined that over a four year period they would collect contributions totaling approximately \$5,000,000 from its members. The BELD considers its share of potential losses to be immaterial to its financial statements as of December 31, 2007.

NOTE 11 – 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 \$9,963,000 for the fiscal year ended June 30, 2008, 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, 2007, the System's membership consists of the following:

Active members.....	864
Inactive members.....	49
Disabled members.....	68
Retirees and beneficiaries currently receiving benefits.....	<u>441</u>
 Total.....	 <u><u>1,422</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, 2008, 2007, and 2006 were \$6,075,623, \$5,842,977, and \$5,675,221, which equaled its required contribution for each fiscal year. At June 30, 2008, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.875% investment rate of return and projected salary increases of 4.5% 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, 2008, 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)
1/1/08	\$ 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%

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.

Noncontributory Retirement Allowance – The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2008 totaled approximately \$25,000.

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2008 is the initial year that the Town has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45). As allowed by GASB 45, the Town has established the net Other Post Employment Benefit (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description –The Town 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 June 30, 2008, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependants.....	858
Current active members.....	<u>1,066</u>
Total.....	<u><u>1,924</u></u>

Funding Policy—Contributions requirements are also negotiated between the Town and union representatives. 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. For the year ended June 30, 2008, plan members contribute approximately \$1,295,000 through their required contributions. The Town is required to

contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Town also contributed approximately \$3,745,000 during fiscal year 2008 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 post employment 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:

Normal Cost.....	\$	7,347,837
Amortization of unfunded actuarial accrued liability.....		<u>6,131,660</u>
Annual OPEB cost/expense.....		13,479,497
Contributions made.....		<u>(5,040,160)</u>
Increase/(Decrease) in net OPEB obligation.....		8,439,337
Net OPEB obligation - beginning of year.....		-
Net OPEB obligation - end of year.....	\$	<u><u>8,439,337</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year 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>
6/30/2008	\$ 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, June 30, 2008, is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
1/1/2007	\$ -	\$ 158,006,080	\$ 158,006,080	0.00%	\$ 73,735,316	214.29%

Actual 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, 2007
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.75%
Remaining amortization period.....	29 years as of July 1, 2008, closed
Actuarial assumptions:	
Investment rate of return.....	4.875%, pay-as-you-go scenario
Inflation rate.....	3.75%
Projected salary increases.....	3.75%
Medical/drug cost trend rate.....	11.83% decreasing to 5.0% in year 2017

NOTE 13 – 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 \$5,900,000 to comply with the ACO.

The Town has entered into contracts totaling approximately \$7,500,000 for various school, water and sewer, and public works projects. The BELD has committed to build a new power generating plant at a total cost of approximately \$95 million. The BELD expects that the new plant will be operational in 2009.

The BELD has entered into a Powers 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 \$25,828,000 at December 31, 2007.

The BELD has also entered into various long-term agreements to purchase power from other utilities. At December 31, 2007, the estimated annual capacity costs relating to these agreements total approximately \$35,064,000. The amount estimated for 2007 is \$4,658,000 with annual decrease estimated as contract entitlements decreases and expires through 2019.

NOTE 14 – 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, 2008, 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 siting 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, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial statements at June 30, 2008.

NOTE 15 – 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 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2008, the following GASB pronouncements were implemented:

- The GASB issued *Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The basic financial statements and disclosures were impacted by this GASB.
- The GASB issued *Statement #50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This standard did not impact the basic financial statements.

- The GASB issued Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, which is required to be implemented in fiscal year 2009. Management has elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented in fiscal year 2010. The standards requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Management elected to implement this standard early and this standard did not impact the basic financial statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		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.....	\$ 59,842,047	\$ 59,842,047	\$ 59,687,459	\$ -	(154,588)
Tax liens.....	-	-	63,809	-	63,809
Motor vehicle and other excise taxes.....	4,750,000	4,750,000	4,611,877	-	(138,123)
Hotel/motel tax.....	860,000	860,000	735,915	-	(124,085)
Penalties and interest on taxes.....	375,000	375,000	332,155	-	(42,845)
Payments in lieu of taxes.....	918,000	918,000	1,049,810	-	131,810
Intergovernmental.....	15,153,481	15,153,481	15,229,110	-	75,629
Departmental and other.....	5,678,398	5,678,398	6,166,924	-	488,526
Investment income.....	900,000	900,000	676,955	-	(223,045)
Miscellaneous.....	-	-	220,578	-	220,578
TOTAL REVENUES.....	88,476,926	88,476,926	88,774,592	-	297,666
EXPENDITURES:					
Current:					
General government.....	3,742,671	3,643,220	3,155,355	142,990	344,875
Public safety.....	15,156,040	15,105,091	14,656,812	44,890	403,389
Education.....	45,289,869	45,844,869	45,762,764	-	82,105
Public works.....	3,349,804	3,777,874	3,790,858	172,407	(185,391)
Sanitation.....	1,714,501	1,714,501	1,593,241	90,845	30,415
Human services.....	765,482	799,576	770,439	7,900	21,237
Culture and recreation.....	2,312,605	2,365,686	2,253,101	35,773	76,812
Pension benefits.....	4,520,436	4,318,782	4,306,969	-	11,813
Property and liability insurance.....	475,000	475,000	406,416	-	68,584
Employee benefits.....	7,339,609	7,691,063	7,392,728	265,230	33,105
Claims and judgments.....	500	500	-	-	500
State and county charges.....	3,603,361	3,603,361	3,593,911	-	9,450
Debt service:					
Principal.....	1,645,000	1,645,000	1,645,000	-	-
Interest.....	414,691	455,454	445,990	-	9,464
TOTAL EXPENDITURES.....	90,329,569	91,439,977	89,773,584	760,035	906,358
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,852,643)	(2,963,051)	(998,992)	(760,035)	1,204,024
OTHER FINANCING SOURCES (USES):					
Transfers in.....	894,193	944,536	944,536	-	-
Transfers out.....	(500,000)	(500,000)	(500,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	394,193	444,536	444,536	-	-
NET CHANGE IN FUND BALANCE.....	(1,458,450)	(2,518,515)	(554,456)	(760,035)	1,204,024
BUDGETARY FUND BALANCE, Beginning of year.....	12,966	(2,695,572)	6,184,687	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (1,445,484)	\$ (5,214,087)	\$ 5,630,231	\$ (760,035)	\$ 1,204,024

See notes to required supplementary information.

**Other Post-Employment Benefit Plan
Schedule of Funding Progress**

June 30, 2008

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)
1/1/2007	\$ -	\$ 158,006,080	\$ 158,006,080	0%	\$ 73,735,316	214.29%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008.
Information for prior years is not available.

See notes to required supplementary information.

**Other Post-Employment Benefit Plan
Actuarial Methods and Assumptions**

Actuarial Methods:

Valuation date.....	January 1, 2007
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.75%
Remaining amortization period.....	29 years as of July 1, 2008, closed
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	4.875%
Medical/drug cost trend rate.....	11.83% graded to 5.0% in year 2017

Plan Membership:

Current retirees, beneficiaries, and dependents.....	858
Current active members.....	<u>1,066</u>
Total.....	<u><u>1,924</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 Meeting. The Finance Committee presents an annual budget to the Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Special Town Meeting approval via a special article.

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 2008 approved budget authorized approximately \$90,330,000 in appropriations and other amounts to be raised. During fiscal year 2008, the Town Meeting also approved supplemental appropriations totaling approximately \$1,610,000.

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, 2008, is presented below:

Net change in fund balance - budgetary basis.....	\$	(554,456)
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(190,000)
Net change in recording accrued expenditures.....		5,946
Net change in recording accrued payroll.....		(69,819)
Recognition of revenue for on-behalf payments.....		9,962,702
Recognition of expenditures for on-behalf payments.....		<u>(9,962,702)</u>
Net change in fund balance - GAAP basis.....	\$	<u>(808,329)</u>

B. Appropriation Deficits

During fiscal year 2008, expenditures exceeded budgeted appropriations for Public Works for snow and ice. This snow and ice deficit will be funded in fiscal year 2009 via the tax levy.

NOTE B – OTHER POST-EMPLOYMENT BENEFITS

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

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

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

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

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