

***TOWN OF BRAINTREE, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2009***

TOWN OF BRAINTREE, MASSACHUSETTS

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JUNE 30, 2009

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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, 2009 (except for the Braintree Contributory Retirement System and the Braintree Electric Light Department which are as of and for the year ended December 31, 2008), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of 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 74% of the total assets and approximately 83% 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, 2008, 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, 2009 (except for the Braintree Contributory Retirement System and the Braintree Electric Light Department which are as of December 31, 2008), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2010 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, other post-employment benefits schedule of funding progress, schedule of employer contributions, and other post-employment benefit plan actuarial methods and assumptions, located after the notes to the basic financial statements are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wakefield, Massachusetts  
February 4, 2010

# ***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, 2009. 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 \$57.4 million and the business-type activities assets exceeded liabilities by \$88.0 million at the close of the most recent fiscal year. Key components of the Town's activities are presented below.

### Governmental Activities

	2009	2008
<b>Assets:</b>		
Current assets.....	\$ 42,544,891	\$ 33,578,873
Noncurrent assets (excluding capital).....	2,506,133	2,505,157
Capital assets.....	53,414,081	54,007,224
<b>Total assets.....</b>	<b>98,465,105</b>	<b>90,091,254</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	10,110,370	8,913,417
Noncurrent liabilities (excluding debt).....	16,608,518	8,638,130
Current debt.....	5,587,407	2,765,661
Noncurrent debt.....	8,797,410	7,204,979
<b>Total liabilities.....</b>	<b>41,103,705</b>	<b>27,522,187</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	43,952,129	44,741,728
Restricted.....	15,387,436	14,564,774
Unrestricted.....	(1,978,165)	3,262,565
<b>Total net assets.....</b>	<b>\$ 57,361,400</b>	<b>\$ 62,569,067</b>

Invested in capital assets, net of related debt of \$44.0 million (77%) 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 \$15.4 million (27%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* resulted in a (\$2.0) million deficit mainly relating to the cumulative effect of recording \$14.8 million of other post-employment benefits in 2008 and 2009.

	2009	2008
<b>Program revenues:</b>		
Charges for services.....	\$ 9,734,552	\$ 8,905,440
Operating grants and contributions.....	28,083,776	24,465,441
Capital grants and contributions.....	927,140	1,898,266
<b>General Revenues:</b>		
Real estate and personal property taxes.....	62,817,377	59,811,806
Motor vehicle and other excise taxes.....	4,789,673	5,377,247
Nonrestricted grants.....	6,619,494	7,163,431
Unrestricted investment income.....	530,782	716,560
Other revenues.....	1,990,455	2,389,053
<b>Total revenues.....</b>	<b>115,493,249</b>	<b>110,727,244</b>
<b>Expenses:</b>		
General government.....	5,734,392	4,554,086
Public safety.....	22,235,903	22,301,233
Education.....	79,763,519	76,732,757
Public works.....	6,576,806	5,787,762
Sanitation.....	1,654,683	1,597,784
Community preservation.....	35,109	104,793
Human services.....	978,727	1,273,880
Culture and recreation.....	3,508,767	3,532,149
Interest.....	367,644	444,173
<b>Total expenses.....</b>	<b>120,855,550</b>	<b>116,328,617</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(5,362,301)</b>	<b>(5,601,373)</b>
<b>Transfers.....</b>	<b>154,634</b>	<b>99,004</b>
<b>Change in net assets.....</b>	<b>\$ (5,207,667)</b>	<b>\$ (5,502,369)</b>

The governmental net assets decreased by (\$5.2) million during the current fiscal year. This was primarily due to the recognition of an additional \$7.7 million for the other post-employment benefit plan liability. The Town realized its most significant revenue increases in program revenues and real estate tax collections. Expenses, other than human services and interest, increased in virtually all categories relating mainly to employee benefits.

**Business-type Activities.** Business-type activities increased the Town's net assets by \$468,000 compared to an increase of \$4.1 million in 2008. The Electric Light fund (BELD) and the Water and Sewer funds both experienced increases in net assets of \$348,000 and \$285,000, respectively, reflecting management's goals of setting user rates sufficient to cover each activity's operating costs. The Golf Course fund experienced a decrease of (\$166,000) compared to a decline of (\$97,000) in the prior year.

**Electric Activities**

Electric business-type activities assets exceeded liabilities by \$55.3 million at December 31, 2008. Invested in capital assets, net of related debt were \$53.4 million (96%) and unrestricted net assets were \$2 million (4%). There was an increase of \$348,000 in net assets compared to an increase of \$2.4 million in the prior. The change relates mainly to the department absorbing approximately \$1.2 million of operating expenses and in the prior year the department received approximately \$697,000 of claims and judgments.

	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
Current assets.....	\$ 50,856,683	\$ 69,861,760
Noncurrent assets (excluding capital).....	652,200	1,018,374
Capital assets.....	<u>134,085,310</u>	<u>61,628,737</u>
<b>Total assets.....</b>	<b><u>185,594,193</u></b>	<b><u>132,508,871</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	13,243,497	5,865,213
Non-current liabilities (excluding debt).....	5,143,707	3,668,061
Current debt.....	110,723,028	66,340,125
Noncurrent debt.....	<u>1,150,000</u>	<u>1,650,000</u>
<b>Total liabilities.....</b>	<b><u>130,260,232</u></b>	<b><u>77,523,399</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	53,380,209	43,908,154
Unrestricted.....	<u>1,953,752</u>	<u>11,077,318</u>
<b>Total net assets.....</b>	<b><u>\$ 55,333,961</u></b>	<b><u>\$ 54,985,472</u></b>
	<u>2009</u>	<u>2008</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 65,900,014	\$ 63,700,105
<b>General Revenues:</b>		
Unrestricted investment income.....	12,013	286,260
Claims and judgments.....	<u>-</u>	<u>697,438</u>
<b>Total revenues.....</b>	<b><u>65,912,027</u></b>	<b><u>64,683,803</u></b>
<b>Expenses:</b>		
Electric Light.....	<u>65,563,538</u>	<u>62,262,396</u>
<b>Change in net assets.....</b>	<b><u>\$ 348,489</u></b>	<b><u>\$ 2,421,407</u></b>

**Water and Sewer Activities**

Water and sewer business-type activities assets exceeded liabilities by \$31.8 million at the close of fiscal year 2009. Invested in capital assets, net of related debt were \$19.3 million (61%) while unrestricted net assets were \$12.5 million (39%). There was an increase of \$285,000 in net assets compared to an increase of \$1.8 million in the prior year. Total operating revenues decreased approximately 8%, while operating expenses remained virtually the same.

	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
Current assets.....	\$ 25,545,777	\$ 15,770,402
Capital assets.....	<u>38,635,351</u>	<u>34,197,380</u>
<b>Total assets.....</b>	<b><u>64,181,128</u></b>	<b><u>49,967,782</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	660,423	613,872
Non-current liabilities (excluding debt).....	585,075	294,067
Current debt.....	10,649,187	4,765,000
Noncurrent debt.....	<u>20,501,553</u>	<u>12,795,000</u>
<b>Total liabilities.....</b>	<b><u>32,396,238</u></b>	<b><u>18,467,939</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	19,293,176	18,369,279
Unrestricted.....	<u>12,491,714</u>	<u>13,130,564</u>
<b>Total net assets.....</b>	<b><u>\$ 31,784,890</u></b>	<b><u>\$ 31,499,843</u></b>
	<u>2009</u>	<u>2008</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 12,580,294	\$ 13,675,011
Operating grants and contributions.....	-	32,443
<b>General Revenues:</b>		
Unrestricted investment income.....	<u>35,432</u>	<u>86,097</u>
<b>Total revenues.....</b>	<b><u>12,615,726</u></b>	<b><u>13,793,551</u></b>
<b>Expenses:</b>		
Water and sewer.....	<u>12,234,294</u>	<u>11,993,133</u>
<b>Excess (Deficiency) before transfers.....</b>	<b>381,432</b>	<b>1,800,418</b>
<b>Transfers.....</b>	<b><u>(96,385)</u></b>	<b><u>(48,661)</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 285,047</u></b>	<b><u>\$ 1,751,757</u></b>

**Golf Course Activities**

Golf Course business-type activities assets exceeded liabilities by \$896,000 at the close of fiscal year 2009. Invested in capital assets, net of related debt was \$1.1 million while unrestricted net assets were in a deficit in the amount of (\$202,000). There was a decrease of (\$166,000) in net assets compared to a decrease of (\$97,000) in the prior year. Operating revenues decreased (\$37,000) or 3% and expenses increased by approximately \$24,000.

	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
Current assets.....	\$ 271,484	\$ 231,199
Capital assets.....	<u>1,098,373</u>	<u>1,194,886</u>
<b>Total assets.....</b>	<b><u>1,369,857</u></b>	<b><u>1,426,085</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	263,747	252,181
Non-current liabilities (excluding debt).....	<u>210,058</u>	<u>112,023</u>
<b>Total liabilities.....</b>	<b><u>473,805</u></b>	<b><u>364,204</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	1,098,373	1,194,886
Unrestricted.....	<u>(202,321)</u>	<u>(133,005)</u>
<b>Total net assets.....</b>	<b><u>\$ 896,052</u></b>	<b><u>\$ 1,061,881</u></b>
	<u>2009</u>	<u>2008</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 1,174,675	\$ 1,211,206
<b>General Revenues:</b>		
Unrestricted investment income.....	<u>-</u>	<u>281</u>
<b>Total revenues.....</b>	<b><u>1,174,675</u></b>	<b><u>1,211,487</u></b>
<b>Expenses:</b>		
Golf.....	<u>1,282,255</u>	<u>1,258,562</u>
<b>Excess (Deficiency) before transfers.....</b>	<b><u>(107,580)</u></b>	<b><u>(47,075)</u></b>
<b>Transfers.....</b>	<b><u>(58,249)</u></b>	<b><u>(50,343)</u></b>
<b>Change in net assets.....</b>	<b><u>\$ (165,829)</u></b>	<b><u>\$ (97,418)</u></b>

## ***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 \$25.7 million, which represents an increase of \$6.2 million from the prior year. The general fund increased by \$3.7 million mainly from building permit revenues and the nonmajor funds increased by \$2.5 million mainly from the issuance of bonds and notes to fund the Town's ongoing projects.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$6.5 million, while total fund balance was \$7.6 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 6% of total general fund expenditures, while total fund balance represents 7.1% of that same amount.

The state fiscal stabilization fund is used to account for the Town's use of the federal state fiscal stabilization program which was awarded to Governors to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services. The Governor cut state Chapter 70 funding by 10% and replaced the amount with federal amounts. During fiscal year 2009, the Town received and spent \$1 million of state fiscal stabilization funds.

### ***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 \$1.8 million, while actual expenditures and transfers were less than budgeted amounts (including carryovers) by approximately \$1.3 million. Actual intergovernmental revenues were approximately \$952,000 below budget due to the cuts in state aid discussed below, and department and other revenues were greater than budgeted amounts by approximately \$1.8 million from building permit receipts that were conservatively budgeted.

During the last two months of the fiscal year, additional cuts in state aid were approved by the state, which reduced the June 30th state aid payment to the Town by approximately \$1 million and replaced it with a like amount of federal stimulus funds. The Town's general fund budget was not changed for the late adjustment in state funding; rather, eligible expenditures were transferred from the general fund to a state fiscal stabilization grant fund where the federal revenue was recorded. This resulted in a revenue deficit and a corresponding under-expenditure in the applicable line items.

### ***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 2009 the Town expended approximately \$2.4 million on governmental activities capital assets consisting mainly of school buildings and roadway improvements. The business type activities expended

approximately \$81.8 million during 2009. This consisting mainly of \$76.0 million on the new power plant at the electric light plant and approximately \$5.8 million water mains in the water and sewer fund.

Outstanding long-term debt of the general government, as of June 30, 2009, totaled \$10.5 million, of which \$5.5 million is related to public building construction and \$5 million relates to road construction.

The enterprise fund has \$21.6 million in water and sewer enterprise debt and \$1.7 million in Electric Light debt that is fully supported by the rates and do not rely on a general fund subsidy.

The Town also has Bond Anticipation Notes totaling \$122,593,028 that have a due date of August 14, 2009. On May 15, 2009 the Town issued long-term general obligation bonds in the amounts of \$3,600,000 for governmental funds, \$8,842,000 for water and sewer enterprise funds, and \$109,700,000 for the electric light enterprise fund. The governmental and water and sewer bonds are included in the amounts discussed above. The electric light department bonds are not included as the Light Plant's financial statements are reported as of December 31, 2008. The Ban's outstanding at June 30, 2009 were paid down on their August 14, 2009 due dates.

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

### ***Requests for Information***

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

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# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 32,717,804	\$ 62,724,972	\$ 95,442,776
Investments.....	3,138,746	-	3,138,746
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,180,064	-	1,180,064
Tax liens.....	813,822	9,067	822,889
Motor vehicle and other excise taxes.....	522,054	-	522,054
User fees.....	-	10,413,929	10,413,929
Departmental and other.....	510,213	1,345,008	1,855,221
Intergovernmental.....	2,571,155	-	2,571,155
Loans.....	51,552	-	51,552
Tax foreclosures.....	78,281	-	78,281
Inventory.....	-	1,027,593	1,027,593
Working capital deposit.....	961,200	-	961,200
Prepaid expenses.....	-	353,773	353,773
Purchased power advanced deposits.....	-	799,602	799,602
<b>NONCURRENT:</b>			
Restricted assets:			
Investments.....	2,506,133	-	2,506,133
Investment in Hydro Quebec.....	-	78,956	78,956
Investment in Energy New England.....	-	441,244	441,244
Other assets.....	-	132,000	132,000
Capital assets, net of accumulated depreciation.....	53,414,081	173,819,034	227,233,115
<b>TOTAL ASSETS.....</b>	<b>98,465,105</b>	<b>251,145,178</b>	<b>349,610,283</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	2,148,643	13,137,223	15,285,866
Accrued payroll.....	3,901,905	49,266	3,951,171
Health claims payable.....	1,222,012	-	1,222,012
Tax refunds payable.....	1,078,000	-	1,078,000
Accrued interest.....	47,192	321,960	369,152
Other liabilities.....	10,406	-	10,406
Unearned revenue.....	51,552	349,450	401,002
Capital lease obligations.....	77,407	-	77,407
Compensated absences.....	1,423,278	309,768	1,733,046
Workers' compensation.....	227,382	-	227,382
Bonds and notes payable.....	5,510,000	121,372,215	126,882,215
<b>NONCURRENT:</b>			
Capital lease obligations.....	167,410	-	167,410
Customer deposits payable.....	-	134,771	134,771
Compensated absences.....	1,469,467	51,683	1,521,150
Workers' compensation.....	328,903	-	328,903
Unearned revenue.....	-	3,120,360	3,120,360
Other post-employment benefits.....	14,810,148	2,632,026	17,442,174
Bonds and notes payable.....	8,630,000	21,651,553	30,281,553
<b>TOTAL LIABILITIES.....</b>	<b>41,103,705</b>	<b>163,130,275</b>	<b>204,233,980</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	43,952,129	73,771,758	117,723,887
Restricted for:			
Permanent funds:			
Expendable.....	6,157,529	-	6,157,529
Nonexpendable.....	2,506,133	-	2,506,133
Grants and gifts.....	3,536,217	-	3,536,217
Community preservation.....	3,187,557	-	3,187,557
Unrestricted.....	(1,978,165)	14,243,145	12,264,980
<b>TOTAL NET ASSETS.....</b>	<b>\$ 57,361,400</b>	<b>\$ 88,014,903</b>	<b>\$ 145,376,303</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 5,734,392	\$ 613,460	\$ 615,583	\$ -	\$ (4,505,349)
Public safety.....	22,235,903	3,784,281	409,099	-	(18,042,523)
Education.....	79,763,519	2,597,937	26,534,140	-	(50,631,442)
Public works.....	6,576,806	609,110	62,389	749,833	(5,155,474)
Sanitation.....	1,654,683	1,593,698	-	-	(60,985)
Community preservation.....	35,109	-	-	177,307	142,198
Human services.....	978,727	142,817	326,265	-	(509,645)
Culture and recreation.....	3,508,767	393,249	136,300	-	(2,979,218)
Interest.....	367,644	-	-	-	(367,644)
<b>Total Governmental Activities.....</b>	<b>120,855,550</b>	<b>9,734,552</b>	<b>28,083,776</b>	<b>927,140</b>	<b>(82,110,082)</b>
<i>Business-Type Activities:</i>					
Water and Sewer.....	12,234,294	12,580,294	-	-	346,000
Golf.....	1,282,255	1,174,675	-	-	(107,580)
Electric.....	65,563,538	65,900,014	-	-	336,476
<b>Total Business-Type Activities.....</b>	<b>79,080,087</b>	<b>79,654,983</b>	<b>-</b>	<b>-</b>	<b>574,896</b>
<b>Total Primary Government.....</b>	<b>\$ 199,935,637</b>	<b>\$ 89,389,535</b>	<b>\$ 28,083,776</b>	<b>\$ 927,140</b>	<b>\$ (81,535,186)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(82,110,082)</b>	\$ <b>574,896</b>	\$ <b>(81,535,186)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	62,714,975	-	62,714,975
Tax liens.....	102,402	-	102,402
Motor vehicle and other excise taxes.....	4,021,318	-	4,021,318
Hotel/motel tax.....	768,355	-	768,355
Community preservation tax.....	551,133	-	551,133
Penalties and interest on taxes.....	297,882	-	297,882
Payments in lieu of taxes.....	1,049,817	-	1,049,817
Grants and contributions not restricted to specific programs.....	6,619,494	-	6,619,494
Unrestricted investment income.....	530,782	47,445	578,227
Miscellaneous.....	91,623	-	91,623
<i>Transfers, net</i> .....	154,634	(154,634)	-
Total general revenues and transfers.....	<u>76,902,415</u>	<u>(107,189)</u>	<u>76,795,226</u>
Change in net assets.....	(5,207,667)	467,707	(4,739,960)
<i>Net Assets:</i>			
Beginning of year.....	<u>62,569,067</u>	<u>87,547,196</u>	<u>150,116,263</u>
End of year.....	\$ <u><u>57,361,400</u></u>	\$ <u><u>88,014,903</u></u>	\$ <u><u>145,376,303</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2009

<b>ASSETS</b>	General	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 14,084,082	\$ -	\$ 15,873,676	\$ 29,957,758
Investments.....	-	-	2,857,679	2,857,679
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,180,064	-	-	1,180,064
Tax liens.....	811,747	-	2,075	813,822
Motor vehicle and other excise taxes.....	522,054	-	-	522,054
Departmental and other.....	197,583	-	8,562	206,145
Intergovernmental.....	-	-	2,571,155	2,571,155
Loans.....	-	-	51,552	51,552
Tax foreclosures.....	78,281	-	-	78,281
Restricted assets:				
Investments.....	-	-	2,506,133	2,506,133
<b>TOTAL ASSETS.....</b>	<b>\$ 16,873,811</b>	<b>\$ -</b>	<b>\$ 23,870,832</b>	<b>\$ 40,744,643</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 1,942,295	\$ -	\$ 26,565	\$ 1,968,860
Accrued payroll.....	3,858,449	-	43,456	3,901,905
Tax refunds payable.....	1,078,000	-	-	1,078,000
Deferred revenues.....	2,415,771	-	2,111,873	4,527,644
Other liabilities.....	10,406	-	-	10,406
Notes payable.....	-	-	3,600,000	3,600,000
<b>TOTAL LIABILITIES.....</b>	<b>9,304,921</b>	<b>-</b>	<b>5,781,894</b>	<b>15,086,815</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances and continuing appropriations.....	281,374	-	-	281,374
Perpetual permanent funds.....	-	-	2,506,133	2,506,133
Unreserved:				
Designated for subsequent year's expenditures.....	800,000	-	-	800,000
Undesignated, reported in:				
General fund.....	6,487,516	-	-	6,487,516
Special revenue funds.....	-	-	8,102,411	8,102,411
Capital projects funds.....	-	-	1,322,865	1,322,865
Permanent funds.....	-	-	6,157,529	6,157,529
<b>TOTAL FUND BALANCES.....</b>	<b>7,568,890</b>	<b>-</b>	<b>18,088,938</b>	<b>25,657,828</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 16,873,811</b>	<b>\$ -</b>	<b>\$ 23,870,832</b>	<b>\$ 40,744,643</b>

See notes to basic financial statements.

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

JUNE 30, 2009

Total governmental fund balances.....		\$ 25,657,828
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		53,414,081
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		4,476,092
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.....		2,904,586
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(47,192)
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.....	(10,540,000)	
Other post-employment benefits.....	(14,810,148)	
Capital lease obligations.....	(244,817)	
Worker' compensation.....	(556,285)	
Compensated absences.....	<u>(2,892,745)</u>	
Net effect of reporting long-term liabilities.....		<u>(29,043,995)</u>
Net assets of governmental activities.....		<u>\$ 57,361,400</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	State Fiscal Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 62,755,355	\$ -	\$ -	\$ 62,755,355
Tax liens.....	76,974	-	-	76,974
Motor vehicle and other excise taxes.....	4,165,414	-	-	4,165,414
Hotel/motel tax.....	768,355	-	-	768,355
Penalties and interest on taxes.....	297,882	-	-	297,882
Payments in lieu of taxes.....	1,049,817	-	-	1,049,817
Intergovernmental.....	27,246,131	1,000,879	5,765,758	34,012,768
Departmental and other.....	7,015,208	-	3,435,431	10,450,639
Community preservation.....	-	-	551,133	551,133
Contributions.....	-	-	1,071,110	1,071,110
Investment income.....	434,678	-	(636,452)	(201,774)
Miscellaneous.....	-	-	91,623	91,623
<b>TOTAL REVENUES.....</b>	<b>103,809,814</b>	<b>1,000,879</b>	<b>10,278,603</b>	<b>115,089,296</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	3,301,929	-	985,409	4,287,338
Public safety.....	14,116,928	-	206,880	14,323,808
Education.....	46,069,215	1,000,879	7,401,380	54,471,474
Public works.....	4,162,374	-	1,701,460	5,863,834
Sanitation.....	1,647,010	-	-	1,647,010
Community development.....	-	-	14,977	14,977
Human services.....	585,223	-	123,761	708,984
Culture and recreation.....	1,938,841	-	508,320	2,447,161
Pension benefits-Town.....	4,442,266	-	-	4,442,266
Pension benefits-Teachers.....	10,994,534	-	-	10,994,534
Property and liability insurance.....	419,313	-	-	419,313
Employee benefits.....	7,802,047	-	-	7,802,047
State and county charges.....	3,798,662	-	-	3,798,662
Debt service:				
Principal.....	1,480,000	-	-	1,480,000
Interest.....	351,879	-	-	351,879
<b>TOTAL EXPENDITURES.....</b>	<b>101,110,221</b>	<b>1,000,879</b>	<b>10,942,187</b>	<b>113,053,287</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>2,699,593</b>	<b>-</b>	<b>(663,584)</b>	<b>2,036,009</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds and notes.....	-	-	3,600,000	3,600,000
Premium from issuance of bonds.....	445,043	-	-	445,043
Transfers in.....	575,955	-	45,000	620,955
Transfers out.....	-	-	(466,321)	(466,321)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,020,998</b>	<b>-</b>	<b>3,178,679</b>	<b>4,199,677</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,720,591</b>	<b>-</b>	<b>2,515,095</b>	<b>6,235,686</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,848,299</b>	<b>-</b>	<b>15,573,843</b>	<b>19,422,142</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 7,568,890</b>	<b>\$ -</b>	<b>\$ 18,088,938</b>	<b>\$ 25,657,828</b>

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, 2009

Net change in fund balances - total governmental funds.....	\$	6,235,686
<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.....		2,359,905
Depreciation expense.....		<u>(2,953,048)</u>
Net effect of reporting capital assets.....		(593,143)
<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>		
		(529,348)
<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.....		105,823
Proceeds from bonds and notes.....		(3,600,000)
Debt service principal payments.....		<u>1,480,000</u>
Net effect of reporting long-term debt.....		(2,014,177)
<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.....		(750,559)
Net change in accrued interest on long-term debt.....		(15,765)
Net change in other post-employment benefits accrual.....		(7,674,874)
Net change in workers' compensation accrual.....		<u>186,490</u>
Net effect of recording long-term liabilities.....		(8,254,708)
<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>(51,977)</u>
Change in net assets of governmental activities.....	\$	<u><u>(5,207,667)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2009

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2008	Total		
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....	\$ 22,431,629	\$ 271,484	\$ 40,021,859	\$ 62,724,972	\$	2,760,046
Investments.....	-	-	-	-	-	281,067
Receivables, net of allowance for uncollectibles:						
User fees.....	3,105,081	-	7,308,848	10,413,929	-	-
Water and sewer liens.....	9,067	-	-	9,067	-	-
Departmental and other.....	-	-	1,345,008	1,345,008	-	304,068
Inventory.....	-	-	1,027,593	1,027,593	-	-
Working capital deposit.....	-	-	-	-	-	961,200
Prepaid expenses.....	-	-	353,773	353,773	-	-
Purchased power advanced deposits.....	-	-	799,602	799,602	-	-
<b>Total current assets.....</b>	<b>25,545,777</b>	<b>271,484</b>	<b>50,856,683</b>	<b>76,673,944</b>	<b>4,306,381</b>	<b>4,306,381</b>
<b>NONCURRENT:</b>						
Investment in Hydro Quebec.....	-	-	78,956	78,956	-	-
Investment in Energy New England.....	-	-	441,244	441,244	-	-
Other assets.....	-	-	132,000	132,000	-	-
Capital assets, net of accumulated depreciation.....	38,635,351	1,098,373	134,085,310	173,819,034	-	-
<b>Total noncurrent assets.....</b>	<b>38,635,351</b>	<b>1,098,373</b>	<b>134,737,510</b>	<b>174,471,234</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS.....</b>	<b>64,181,128</b>	<b>1,369,857</b>	<b>185,594,193</b>	<b>251,145,178</b>	<b>4,306,381</b>	<b>4,306,381</b>
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	241,531	34,683	12,861,009	13,137,223	-	179,783
Accrued payroll.....	30,844	18,422	-	49,266	-	-
Health claims payable.....	-	-	-	-	-	1,222,012
Accrued interest.....	321,960	-	-	321,960	-	-
Unearned revenue.....	-	172,050	177,400	349,450	-	-
Compensated absences.....	66,088	38,592	205,088	309,768	-	-
Bonds and notes payable.....	10,649,187	-	110,723,028	121,372,215	-	-
<b>Total current liabilities.....</b>	<b>11,309,610</b>	<b>263,747</b>	<b>123,966,525</b>	<b>135,539,882</b>	<b>1,401,795</b>	<b>1,401,795</b>
<b>NONCURRENT:</b>						
Customer deposits payable.....	-	2,150	132,621	134,771	-	-
Compensated absences.....	30,375	21,308	-	51,683	-	-
Unearned revenue.....	-	-	3,120,360	3,120,360	-	-
Other post-employment benefits.....	554,700	186,600	1,890,726	2,632,026	-	-
Bonds and notes payable.....	20,501,553	-	1,150,000	21,651,553	-	-
<b>Total noncurrent liabilities.....</b>	<b>21,086,628</b>	<b>210,058</b>	<b>6,293,707</b>	<b>27,590,393</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES.....</b>	<b>32,396,238</b>	<b>473,805</b>	<b>130,260,232</b>	<b>163,130,275</b>	<b>1,401,795</b>	<b>1,401,795</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt.....	19,293,176	1,098,373	53,380,209	73,771,758	-	-
Unrestricted.....	12,491,714	(202,321)	1,953,752	14,243,145	-	2,904,586
<b>TOTAL NET ASSETS.....</b>	<b>\$ 31,784,890</b>	<b>\$ 896,052</b>	<b>\$ 55,333,961</b>	<b>\$ 88,014,903</b>	<b>\$</b>	<b>2,904,586</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2008	Total	
<b>OPERATING REVENUES:</b>					
Employee contributions .....	\$ -	\$ -	\$ -	\$ -	\$ 5,959,612
Employer contributions .....	-	-	-	-	7,529,536
Charges for services .....	12,247,039	1,174,675	65,900,014	79,321,728	-
Utility liens.....	333,255	-	-	333,255	-
Stop loss reimbursements.....	-	-	-	-	479,120
<b>TOTAL OPERATING REVENUES .....</b>	<b>12,580,294</b>	<b>1,174,675</b>	<b>65,900,014</b>	<b>79,654,983</b>	<b>13,968,268</b>
<b>OPERATING EXPENSES:</b>					
Cost of services and administration .....	3,117,206	993,856	16,430,742	20,541,804	-
MWRA Assessment.....	6,744,131	-	-	6,744,131	-
Fuel for generation.....	-	-	1,629,888	1,629,888	-
Purchased power.....	-	-	39,316,178	39,316,178	-
Repairs and maintenance.....	163,340	187,386	4,592,395	4,943,121	-
Depreciation.....	1,365,464	101,013	3,460,226	4,926,703	-
Employee benefits .....	-	-	-	-	14,029,383
<b>TOTAL OPERATING EXPENSES .....</b>	<b>11,390,141</b>	<b>1,282,255</b>	<b>65,429,429</b>	<b>78,101,825</b>	<b>14,029,383</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>1,190,153</b>	<b>(107,580)</b>	<b>470,585</b>	<b>1,553,158</b>	<b>(61,115)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	35,432	-	12,013	47,445	9,138
Interest expense.....	(844,153)	-	(134,109)	(978,262)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(808,721)</b>	<b>-</b>	<b>(122,096)</b>	<b>(930,817)</b>	<b>9,138</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>381,432</b>	<b>(107,580)</b>	<b>348,489</b>	<b>622,341</b>	<b>(51,977)</b>
<b>TRANSFERS:</b>					
Transfers out.....	(96,385)	(58,249)	-	(154,634)	-
<b>CHANGE IN NET ASSETS.....</b>	<b>285,047</b>	<b>(165,829)</b>	<b>348,489</b>	<b>467,707</b>	<b>(51,977)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>31,499,843</b>	<b>1,061,881</b>	<b>54,985,472</b>	<b>87,547,196</b>	<b>2,956,563</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 31,784,890</b>	<b>\$ 896,052</b>	<b>\$ 55,333,961</b>	<b>\$ 88,014,903</b>	<b>\$ 2,904,586</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2008	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 12,802,149	\$ 1,165,765	\$ 64,815,476	\$ 78,783,390	\$ 5,959,612
Receipts from interfund services provided.....	-	-	-	-	7,529,536
Receipts from insurance recoveries.....	-	-	-	-	443,380
Payments to vendors.....	(8,610,585)	(541,969)	(45,326,050)	(54,478,604)	-
Payments to employees.....	(1,304,217)	(520,762)	(8,096,089)	(9,921,068)	-
Payments for interfund services used.....	-	-	-	-	(13,653,826)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>2,887,347</b>	<b>103,034</b>	<b>11,393,337</b>	<b>14,383,718</b>	<b>278,702</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers out.....	(96,385)	(58,249)	-	(154,634)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from the issuance of bonds and notes.....	17,612,000	-	110,223,028	127,835,028	-
Premium from the issuance of bonds and notes.....	743,740	-	-	743,740	-
Acquisition and construction of capital assets.....	(5,803,435)	(4,500)	(75,916,799)	(81,724,734)	-
Principal payments on bonds and notes.....	(4,765,000)	-	(66,323,700)	(71,088,700)	-
Principal payments on capital lease obligations.....	-	-	(16,425)	(16,425)	-
Interest expense.....	(616,469)	-	(134,109)	(750,578)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>7,170,836</b>	<b>(4,500)</b>	<b>(32,168,005)</b>	<b>(25,001,669)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from sales and maturities of investments.....	-	-	-	-	335,892
Purchase of investments.....	-	-	-	-	(281,067)
Investment income.....	35,432	-	12,013	47,445	9,138
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>35,432</b>	<b>-</b>	<b>12,013</b>	<b>47,445</b>	<b>63,963</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>9,997,230</b>	<b>40,285</b>	<b>(20,762,655)</b>	<b>(10,725,140)</b>	<b>342,665</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>12,434,399</b>	<b>231,199</b>	<b>60,784,514</b>	<b>73,450,112</b>	<b>2,417,381</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 22,431,629</b>	<b>\$ 271,484</b>	<b>\$ 40,021,859</b>	<b>\$ 62,724,972</b>	<b>\$ 2,760,046</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 1,190,153	\$ (107,580)	\$ 470,585	\$ 1,553,158	\$ (61,115)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	1,365,464	101,013	3,460,226	4,926,703	-
Changes in assets and liabilities:					
Water and sewer liens.....	156,503	-	-	156,503	-
User fees.....	65,352	-	(1,417,800)	(1,352,448)	-
Departmental and other.....	-	-	(348,648)	(348,648)	(35,740)
Inventory.....	-	-	(54,293)	(54,293)	-
Working capital deposit.....	-	-	-	-	(7,400)
Other assets.....	-	-	322,324	322,324	-
Prepaid expenses.....	-	-	70,311	70,311	-
Purchased power advance deposits.....	-	-	(7,148)	(7,148)	-
Investment in Hydro Quebec.....	-	-	12,382	12,382	-
Investment in Energy New England.....	-	-	31,468	31,468	-
Warrants payable.....	(188,482)	7,980	7,160,109	6,979,607	1,670
Accrued payroll.....	7,553	4,154	-	11,707	-
Health claims payable.....	-	-	-	-	381,287
Customer deposits payable.....	-	-	40,601	40,601	-
Unearned revenues.....	-	(8,910)	641,309	632,399	-
Accrued compensated absences.....	4,504	10,077	66,548	81,129	-
Other post-employment benefits.....	286,300	96,300	945,363	1,327,963	-
<b>Total adjustments.....</b>	<b>1,697,194</b>	<b>210,614</b>	<b>10,922,752</b>	<b>12,830,560</b>	<b>339,817</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 2,887,347</b>	<b>\$ 103,034</b>	<b>\$ 11,393,337</b>	<b>\$ 14,383,718</b>	<b>\$ 278,702</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 2,979,362	\$ 12,191	\$ 228,592
Investments.....	105,663,691	55,036	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	36,912	-	-
<b>TOTAL ASSETS</b> .....	<b>108,679,965</b>	<b>67,227</b>	<b>228,592</b>
<b>LIABILITIES</b>			
Warrants payable.....	26,191	-	47,067
Liabilities due depositors.....	-	-	181,525
<b>TOTAL LIABILITIES</b> .....	<b>26,191</b>	<b>-</b>	<b>228,592</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ <u>108,653,774</u>	\$ <u>67,227</u>	\$ <u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 6,342,165	\$ -
Employee.....	3,292,508	-
	9,634,673	-
Total contributions.....		
Net investment income (loss):		
Net change in fair value of investments.....	(33,364,292)	(24,105)
Interest.....	1,121,918	-
Dividends.....	2,469,624	-
	(29,772,750)	(24,105)
Total investment income (loss).....		
Less: investment expense.....	(558,706)	-
	(30,331,456)	(24,105)
Net investment income (loss).....		
Intergovernmental.....	360,962	-
Transfers from other systems.....	646,961	-
	(19,688,860)	(24,105)
TOTAL ADDITIONS (LOSSES).....		
<b>DEDUCTIONS:</b>		
Administration.....	244,442	-
Transfers to other systems.....	601,360	-
Retirement benefits and refunds.....	12,157,083	-
	13,002,885	-
TOTAL DEDUCTIONS.....		
CHANGE IN NET ASSETS.....	(32,691,745)	(24,105)
NET ASSETS AT BEGINNING OF YEAR.....	141,345,519	91,332
NET ASSETS AT END OF YEAR.....	\$ 108,653,774	\$ 67,227

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 *state fiscal stabilization fund* is used to account for the Town's use of the federally funded state fiscal stabilization program which was awarded to Governors to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services.

The 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

decreased from \$1,875,000 in 2008 to \$1,511,000 in 2009. 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 1<sup>st</sup> every year.

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

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

***Motor Vehicle Excise***

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

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

**Trash**

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

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

**Water and Sewer**

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

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

**Departmental and Other**

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

**Intergovernmental**

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

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

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

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

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

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

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

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

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

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

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

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

*Governmental Fund Financial Statements*

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

**H. Interfund Receivables and Payables**

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

I. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

J. Deferred and Unearned Revenue

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

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

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

Net assets 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.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2010 operating budget.

#### L. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. 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 \$30,673,867, and the bank balances totaled \$36,915,652. Of the bank balance, \$2,290,172 was covered by Federal Depository Insurance, \$2,075,926 was covered by the Depositors Insurance Fund, and \$32,549,554 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, 2008, the carrying amount of deposits for the System totaled \$2,519,587 and the bank balance totaled \$3,012,850. The bank balance was fully covered by Federal Depository Insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Town’s investments totaling \$5,699,915; \$26,797 in corporate bonds, \$4,860,031 in equity securities and \$576,238 in U.S. Government Sponsored Enterprises are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

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

Investments

As of June 30, 2009, 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.....	\$ 576,238	\$ 307,851	\$ 268,387	\$ -
Corporate Bonds.....	26,797	25,464	-	1,333
Total Debt Securities.....	603,035	<u>\$ 333,315</u>	<u>\$ 268,387</u>	<u>\$ 1,333</u>
<u>Other Investments</u>				
Equity Securities.....	4,860,031			
Equity Mutual Funds.....	236,849			
Money Market Mutual Funds.....	5,505,423			
MMDT.....	59,504,269			
Total Investments.....	<u>\$ 70,709,607</u>			

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

As of December 31, 2008, the System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6-10 Years</u>	<u>Over 10 Years</u>
<u>Debt Securities</u>			
Fixed Income Mutual Funds.....	\$ 45,564,915	<u>20,171,092</u>	<u>25,393,823</u>
<u>Other Investments</u>			
Domestic Equity Mutual Fund.....	\$ 21,369,537		
International Equity Mutual Fund.....	13,203,127		
Money Market Mutual Fund.....	459,775		
Pension Reserve Investment Trust (PRIT)..	<u>25,526,112</u>		
Total Investments.....	\$ <u>106,123,466</u>		

Interest Rate Risk

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

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

Credit Risk

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

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>AAA</u>	<u>A1</u>	<u>BA3</u>
Government Sponsored Enterprises.....	\$ 576,238	\$ 576,238	\$ -	\$ -
Corporate Bonds.....	<u>26,797</u>	<u>-</u>	<u>25,464</u>	<u>1,333</u>
Total.....	\$ <u>603,035</u>	\$ <u>576,238</u>	\$ <u>25,464</u>	\$ <u>1,333</u>

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

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>AA2</u>	<u>A1</u>
Fixed Income Mutual Funds.....	\$ 45,564,915	\$ 20,171,092	\$ 25,393,823

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.

Concentration of Credit Risk

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

**NOTE 3 – RECEIVABLES**

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,193,383	\$ (13,319)	\$ 1,180,064
Tax liens.....	813,822	-	813,822
Motor vehicle and other excise taxes.....	774,637	(252,583)	522,054
Departmental and other.....	206,145	-	206,145
Intergovernmental.....	2,571,155	-	2,571,155
Total.....	\$ 5,559,142	\$ (265,902)	\$ 5,293,240

At June 30, 2009, 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.....	\$ 9,067	\$ -	\$ 9,067
User fees.....	3,105,081	-	3,105,081
<i>Electric Light</i>			
User fees.....	7,466,843	(157,995)	7,308,848
Departmental and other.....	1,345,008	-	1,345,008
<i>Internal Service</i>			
Departmental and other.....	304,068	-	304,068
Total.....	<u>\$ 12,230,067</u>	<u>\$ (157,995)</u>	<u>\$ 12,072,072</u>

At December 31, 2008 the Pension Trust Fund had departmental and other receivables totaling \$36,912.

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.....	\$ 871,771	\$ -	\$ 871,771
Tax liens.....	811,747	2,075	813,822
Motor vehicle and other excise taxes.....	456,389	-	456,389
Departmental and other.....	197,583	-	197,583
Loans.....	-	51,552	51,552
Intergovernmental.....	-	2,058,246	2,058,246
Tax foreclosures.....	78,281	-	78,281
Total.....	<u>\$ 2,415,771</u>	<u>\$ 2,111,873</u>	<u>\$ 4,527,644</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 \$172,050 and \$3,297,760, respectively, at June 30, 2009.

**NOTE 4 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 11,884,986	\$ 28,682	\$ -	\$ 11,913,668
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,492,491	5,129	-	7,497,620
Buildings.....	37,285,884	681,664	-	37,967,548
Machinery and equipment.....	12,910,228	61,674	-	12,971,902
Infrastructure.....	45,631,732	1,582,756	-	47,214,488
Total capital assets being depreciated.....	<u>103,320,335</u>	<u>2,331,223</u>	<u>-</u>	<u>105,651,558</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(6,812,080)	(163,767)	-	(6,975,847)
Buildings.....	(24,718,711)	(879,262)	-	(25,597,973)
Machinery and equipment.....	(9,979,269)	(1,138,737)	-	(11,118,006)
Infrastructure.....	(19,688,037)	(771,282)	-	(20,459,319)
Total accumulated depreciation.....	<u>(61,198,097)</u>	<u>(2,953,048)</u>	<u>-</u>	<u>(64,151,145)</u>
Total capital assets being depreciated, net.....	<u>42,122,238</u>	<u>(621,825)</u>	<u>-</u>	<u>41,500,413</u>
Total governmental activities capital assets, net.....	<u>\$ 54,007,224</u>	<u>\$ (593,143)</u>	<u>\$ -</u>	<u>\$ 53,414,081</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,315,384	\$ -	\$ -	\$ 1,315,384
Construction in progress.....	17,441,887	73,662,422	-	91,104,309
Total capital assets not being depreciated.....	<u>18,757,271</u>	<u>73,662,422</u>	<u>-</u>	<u>92,419,693</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,121,475	-	-	1,121,475
Plant in service.....	102,414,748	2,315,197	(162,247)	104,567,698
Buildings.....	1,492,692	-	-	1,492,692
Machinery and equipment.....	2,787,713	4,500	-	2,792,213
Infrastructure.....	54,083,762	5,803,435	-	59,887,197
Total capital assets being depreciated.....	<u>161,900,390</u>	<u>8,123,132</u>	<u>(162,247)</u>	<u>169,861,275</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(606,760)	(11,905)	-	(618,665)
Plant in service.....	(58,227,898)	(3,460,226)	101,427	(61,586,697)
Buildings.....	(940,314)	(19,702)	-	(960,016)
Machinery and equipment.....	(2,171,903)	(309,707)	-	(2,481,610)
Infrastructure.....	(21,689,783)	(1,125,163)	-	(22,814,946)
Total accumulated depreciation.....	<u>(83,636,658)</u>	<u>(4,926,703)</u>	<u>101,427</u>	<u>(88,461,934)</u>
Total capital assets being depreciated, net.....	<u>78,263,732</u>	<u>3,196,429</u>	<u>(60,820)</u>	<u>81,399,341</u>
Total business-type activities capital assets, net.....	<u>\$ 97,021,003</u>	<u>\$ 76,858,851</u>	<u>\$ (60,820)</u>	<u>\$ 173,819,034</u>

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

**Governmental Activities:**

General government.....	\$ 102,993
Public safety.....	542,519
Education.....	847,166
Public works.....	1,090,295
Community development.....	60,173
Human services.....	11,614
Culture and recreation.....	<u>298,288</u>

Total depreciation expense - governmental activities..... \$ 2,953,048

**Business-Type Activities:**

Water and Sewer.....	\$ 1,365,464
Golf.....	101,013
Electric light.....	<u>3,460,226</u>

Total depreciation expense - business-type activities..... \$ 4,926,703

**NOTE 5 – INTERFUND TRANSFERS**

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds.....	\$ 421,321	\$ 45,000	\$ 466,321 (1)
Water and Sewer Enterprise Fund.....	96,385	-	96,385 (2)
Golf Course Enterprise Fund.....	58,249	-	58,249 (2)
<b>Total.....</b>	<b>\$ 575,955</b>	<b>\$ 45,000</b>	<b>\$ 620,955</b>

- (1) Represents budgeted transfers to the general fund from various nonmajor special revenue funds including \$5,115 from waterways, \$22,000 from sale of lots and graves, and \$394,206 from stabilization. Also represents a transfer between the nonmajor governmental funds.
- (2) Represents budgeted transfers from water and sewer and golf enterprise funds to the general fund.

**NOTE 6 – LEASES**

Capital Leases

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

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 1,486,907
Less: accumulated depreciation.....	<u>(706,530)</u>
<b>Total.....</b>	<b>\$ <u>780,377</u></b>

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

<u>Fiscal Years Ending June 30,</u>	<u>Governmental Activities</u>
2010.....	\$ 90,456
2011.....	90,455
2012.....	<u>90,455</u>
Total minimum lease payments.....	271,366
Less: amounts representing interest.....	<u>(26,549)</u>
Present value of minimum lease payments.....	<u>\$ 244,817</u>

Operating Leases

The Town leases school buses under a noncancelable operating lease that is scheduled to expire June 30, 2011. The cost of the lease for the fiscal year ended June 30, 2009, totaled approximately \$419,000, and is reported as education expenditures in the general fund.

The future minimum lease payments are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Governmental Activities</u>
2010.....	\$ 418,640
2011.....	<u>172,145</u>
Total.....	<u>\$ 590,785</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, 2008, totaled approximately \$424,000.

The future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Business-Type Activities</u>
2009.....	\$ 546,506
2010.....	596,189
2011.....	596,189
2012.....	<u>49,682</u>
 Total.....	 \$ <u><u>1,788,566</u></u>

**NOTE 7 – SHORT-TERM FINANCING**

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

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

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

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
<b>Governmental Funds:</b>							
BAN	Renovations to Town Hall.....	2.50	11/12/08	\$ 500,000	\$ -	\$ 500,000	\$ -
BAN	Road Projects.....	2.50	11/12/08	700,000	-	700,000	-
BAN	Renovations to Town Hall.....	2.50	08/14/09	-	500,000	-	500,000 (1)
BAN	Road Projects.....	2.50	08/14/09	-	2,400,000	-	2,400,000 (1)
BAN	School Remodeling.....	2.50	08/14/09	-	700,000	-	700,000 (1)
Total Governmental Funds.....				\$ 1,200,000	\$ 3,600,000	\$ 1,200,000	\$ 3,600,000

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
<b>Water and Sewer Enterprise Fund:</b>							
BAN	Water Main Replacement.....	2.50	11/12/08	\$ 3,600,000	\$ -	\$ 3,600,000	\$ -
BAN	Water Main Replacement.....	2.50	08/14/09	-	5,700,000	-	5,700,000 (1)
BAN	Water Treatment Plant Planning.....	2.50	08/14/09	-	700,000	-	700,000 (1)
BAN	Water Distribution System.....	2.50	08/14/09	-	2,070,000	-	2,070,000 (1)
BAN	Water - Penn Hill Standpipe.....	2.50	08/14/09	-	300,000	-	300,000 (1)
Total Water and Sewer Enterprise Funds.....				\$ 3,600,000	\$ 8,770,000	\$ 3,600,000	\$ 8,770,000

Type	Purpose	Rate (%)	Due Date	Balance at December 31, 2007	Renewed/ Issued	Retired/ Redeemed	Balance at December 31, 2008
<b>Electric Light Enterprise Fund:</b>							
BAN	Watson Power Plant.....	3.37	11/13/08	\$ 65,719,794	\$ -	\$ 65,719,794	\$ -
BAN	Watson Power Plant.....	2.50	08/14/09	-	110,223,028	-	110,223,028 (1)
Total Electric Light Enterprise Fund.....				\$ 65,719,794	\$ 110,223,028	\$ 65,719,794	\$ 110,223,028

(1) On May 15, 2009, the Town issued long-term general obligation bonds in the amounts of \$3,600,000 for governmental funds, \$8,842,000 for water and sewer enterprise funds, and \$109,700,000 for the electric enterprise fund. The general obligation bonds totaling \$122,142,000 are payable in variable amounts over a 5 to 20 year period at interest rates between 3 and 5 percent. The Ban's outstanding at June 30, 2009 were paid down on their August 14, 2009 due dates.

**NOTE 8 – LONG-TERM DEBT**

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

Details related to the Town's general obligation indebtedness at June 30, 2009, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Library Construction.....	4.20 - 5.20	\$ 1,235,000	\$ -	\$ 250,000	\$ 985,000
School Remodeling.....	4.20 - 5.20	50,000	-	50,000	-
Roads.....	3.30 - 5.25	255,000	-	85,000	170,000
Roads.....	2.50 - 3.75	1,740,000	-	530,000	1,210,000
School.....	4.14	630,000	-	35,000	595,000
School Improvements.....	4.14	420,000	-	25,000	395,000
School Improvements.....	4.43	135,000	-	45,000	90,000
School Improvements.....	4.14	630,000	-	35,000	595,000
Road Repairs.....	4.44	190,000	-	65,000	125,000
Road Repairs.....	4.34	300,000	-	40,000	260,000
Library Construction.....	4.20 - 5.20	1,050,000	-	5,000	1,045,000
Road Repairs.....	4.90	560,000	-	140,000	420,000
Road Repairs.....	4.90	560,000	-	140,000	420,000
School Remodeling.....	4.30 - 4.90	665,000	-	35,000	630,000
Town Buildings Renovations.....	3.00 - 5.00	-	500,000	-	500,000
Road Projects.....	3.00 - 5.00	-	2,400,000	-	2,400,000
School Improvements.....	3.00 - 5.00	-	700,000	-	700,000
<b>Total.....</b>		<b>\$ 8,420,000</b>	<b>\$ 3,600,000</b>	<b>\$ 1,480,000</b>	<b>\$ 10,540,000</b>

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>
2010.....\$	1,910,000	\$ 460,906	\$ 2,370,906
2011.....	1,895,000	388,969	2,283,969
2012.....	1,260,000	316,932	1,576,932
2013.....	975,000	257,898	1,232,898
2014.....	650,000	212,930	862,930
2015.....	640,000	181,712	821,712
2016.....	635,000	150,354	785,354
2017.....	590,000	118,024	708,024
2018.....	340,000	88,892	428,892
2019.....	190,000	73,086	263,086
2020.....	190,000	64,782	254,782
2021.....	185,000	56,476	241,476
2022.....	185,000	48,326	233,326
2023.....	185,000	40,178	225,178
2024.....	185,000	31,946	216,946
2025.....	185,000	23,718	208,718
2026.....	185,000	15,440	200,440
2027.....	95,000	7,166	102,166
2028.....	60,000	2,607	62,607
Total.....\$	<u>10,540,000</u>	<u>\$ 2,540,342</u>	<u>\$ 13,080,342</u>

**Bonds and Notes Payable Schedule – Water and Sewer Enterprise Fund**

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Sewer.....	4.60 - 6.50	\$ 970,000	\$ -	\$ 110,000	\$ 860,000
Sewer.....	3.30 - 5.25	378,000	-	27,000	351,000
Sewer.....	3.30 - 5.25	1,050,000	-	75,000	975,000
Sewer.....	3.30 - 5.25	1,351,000	-	96,500	1,254,500
Water.....	3.30 - 5.25	210,000	-	15,000	195,000
Water.....	3.30 - 5.25	770,000	-	55,000	715,000
Water.....	3.30 - 5.25	236,000	-	21,500	214,500
Water.....	2.50 - 4.25	1,005,000	-	105,000	900,000
Water.....	2.50 - 4.25	400,000	-	40,000	360,000
Water Mains.....	4.14	1,080,000	-	60,000	1,020,000
Water Distribution Center.....	4.14	1,260,000	-	70,000	1,190,000
Water Distribution Center.....	4.14	360,000	-	20,000	340,000
Water - Middle/Liberty.....	4.14	800,000	-	50,000	750,000
Water - Hollingsworth.....	4.14	270,000	-	15,000	255,000
Water - Hillside.....	4.14	250,000	-	15,000	235,000
MWRA.....	-	165,000	-	55,000	110,000
Water.....	4.60 - 6.50	2,060,000	-	255,000	1,805,000
Water Distribution System.....	4.14	1,060,000	-	65,000	995,000
Sewer.....	4.30 - 4.90	285,000	-	15,000	270,000
Water - Penn Hill Standpipe.....	3.00 - 5.00	-	300,000	-	300,000
Water Main Replacement.....	3.00 - 5.00	-	5,700,000	-	5,700,000
Water Treatment Plant Planning.....	3.00 - 5.00	-	700,000	-	700,000
Water Distribution System.....	3.00 - 5.00	-	2,070,000	-	2,070,000
Water Treatment Plant.....	3.00 - 5.00	-	72,000	-	72,000
Sub-Total.....		13,960,000	8,842,000	1,165,000	21,637,000
Unamortized Premiums on Bonds.....		-	743,740	-	743,740
Total.....		<u>\$ 13,960,000</u>	<u>\$ 9,585,740</u>	<u>\$ 1,165,000</u>	<u>\$ 22,380,740</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....\$	1,842,000 \$	985,474 \$	2,827,474
2011.....	1,830,000	916,369	2,746,369
2012.....	1,750,000	833,819	2,583,819
2013.....	1,750,000	751,827	2,501,827
2014.....	1,565,000	668,772	2,233,772
2015.....	1,500,000	594,239	2,094,239
2016.....	1,485,000	522,282	2,007,282
2017.....	1,480,000	448,420	1,928,420
2018.....	1,195,000	379,029	1,574,029
2019.....	925,000	329,153	1,254,153
2020.....	925,000	286,218	1,211,218
2021.....	925,000	243,118	1,168,118
2022.....	920,000	201,643	1,121,643
2023.....	615,000	164,124	779,124
2024.....	615,000	135,656	750,656
2025.....	615,000	107,186	722,186
2026.....	615,000	78,610	693,610
2027.....	405,000	50,034	455,034
2028.....	340,000	30,172	370,172
2029.....	340,000	15,318	355,318
Total.....\$	<u>21,637,000</u> \$	<u>7,741,463</u> \$	<u>29,378,463</u>

**Bonds and Notes Payable Schedule – Electric Light Enterprise Fund**

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2007</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2008</u>
Cable.....	3.30 - 5.25	\$ 1,400,000	\$ -	\$ 350,000	\$ 1,050,000
Cable.....	2.50 - 3.75	750,000	-	150,000	600,000
Transmission.....	6.00	103,906	-	103,906	-
Total.....		<u>\$ 2,253,906</u>	<u>\$ -</u>	<u>\$ 603,906</u>	<u>\$ 1,650,000</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>
2009.....\$	500,000	\$ 97,954	\$ 597,954
2010.....	500,000	43,936	543,936
2011.....	500,000	24,874	524,874
2012.....	150,000	5,624	155,624
Total.....\$	<u>1,650,000</u>	<u>\$ 172,388</u>	<u>\$ 1,822,388</u>

Authorized and unissued debt

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water and sewer projects.....	\$ 594,485
MWRA.....	760,000
Renovations to Town Hall.....	1,000,000
Electric Light Department.....	155,000
School projects.....	<u>3,100,000</u>
Total.....	<u>\$ 5,609,485</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 8,420,000	\$ 3,600,000	\$ (1,480,000)	\$ 10,540,000	\$ 1,910,000
Other post-employment benefits.....	7,135,274	12,681,767	(5,006,893)	14,810,148	-
Workers' compensation.....	742,775	5,510	(192,000)	556,285	227,382
Compensated absences.....	2,142,186	1,940,664	(1,190,105)	2,892,745	1,423,278
Capital lease obligations.....	350,640	-	(105,823)	244,817	77,407
Total governmental activity long-term liabilities.....	<u>\$ 18,790,875</u>	<u>\$ 18,227,941</u>	<u>\$ (7,974,821)</u>	<u>\$ 29,043,995</u>	<u>\$ 3,638,067</u>
<b>Business-Type Activities:</b>					
Bonds and notes payable.....	\$ 16,213,906	\$ 8,842,000	\$ (1,768,906)	\$ 23,287,000	\$ 2,342,000
Unamortized premium on bonds.....	-	743,740	-	743,740	37,187
Other post-employment benefits.....	1,304,063	1,818,689	(490,726)	2,632,026	-
Compensated absences.....	280,322	316,211	(235,082)	361,451	309,768
Capital lease obligations.....	16,425	-	(16,425)	-	-
Customer deposits payable.....	94,170	40,601	-	134,771	-
Unearned revenue.....	2,837,411	839,132	(206,733)	3,469,810	349,450
Total business-type activity long-term liabilities.....	<u>\$ 20,746,297</u>	<u>\$ 12,600,373</u>	<u>\$ (2,717,872)</u>	<u>\$ 30,628,798</u>	<u>\$ 3,038,405</u>

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

**NOTE 9 – RISK FINANCING**

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

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

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

(a) *Health Insurance*

The estimate of IBNR claims is based on 10% of the previous 12 months claims. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$100,000 per claim. At June 30, 2009, the amount of the liability for health insurance claims totaled \$1,222,012 liability is the best estimate based on available information. Changes in the reported liability since July 1, 2007 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2008.....	\$ 783,500	\$ 11,144,948	\$ (11,087,723)	\$ 840,725
Fiscal Year 2009.....	840,725	13,007,732	(12,626,445)	1,222,012

(b) *Workers' Compensation*

The estimated future workers' compensation liability is based on history and injury type. The Town purchases individual workers' compensation insurance for claims in excess of the coverage provided by the Town in the amounts ranging between \$300,000 and \$500,000 per claim. At June 30, 2009, the amount of the liability for workers' compensation claims totaled \$556,285. Changes in the reported liability since July 1, 2007 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2008.....	\$ 895,243	\$ 449,247	\$ (601,715)	\$ 742,775
Fiscal Year 2009.....	742,775	424,397	(610,887)	556,285

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, 2008.

**NOTE 10 – PENSION PLAN**

*Plan Description* - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Braintree Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative

expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$10,995,000 for the fiscal year ended June 30, 2009, 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, 2008, the System's membership consists of the following:

Active members.....	749
Inactive members.....	41
Disabled members.....	70
Retirees and beneficiaries currently receiving benefits.....	<u>440</u>
Total.....	<u>1,300</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, 2009, 2008, and 2007 were \$6,251,721, \$6,075,623, and \$5,842,977, which equaled its required contribution for each fiscal year. At June 30, 2009, 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%
1/1/98	68,898	112,687	43,789	61.1%	22,658	193.3%

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

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

At January 1, 2007, 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. The required contribution is based on a pay-as-you-go financing requirement. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 33% and 50% of the cost of benefits provided depending on the plan they choose. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. For fiscal year 2009, the Town contributed approximately \$5.5 million towards these benefits. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

*Annual OPEB Costs and Net OPEB Obligation* – The Town’s annual other 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.....	\$	7,706,044
Amortization of unfunded actuarial accrued liability.....		6,720,063
Adjustments to annual required contribution.....		<u>74,349</u>
Annual OPEB cost/expense.....		14,500,456
Contributions made.....		<u>(5,497,619)</u>
Increase/(Decrease) in net OPEB obligation.....		9,002,837
Net OPEB obligation - beginning of year.....		<u>8,439,337</u>
Net OPEB obligation - end of year.....	\$	<u><u>17,442,174</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the preceding 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>
6/30/2009	\$ 14,500,456	38%	\$ 17,442,174
6/30/2008	13,479,497	37%	8,439,337

*Funded Status and Funding Progress* — The funded status of the Plan as of the most recent actuarial valuation date, January 1, 2007, is as follows:

**Schedule of Funding Progress**

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

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

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

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

Valuation date.....	January 1, 2007
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.75%
Remaining amortization period.....	28 years as of July 1, 2009, 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 12 – COMMITMENTS**

Under the terms of an Administrative Consent Order (ACO) from the Commonwealth’s Department of Environmental Protection, the Town is obligated to make various repairs and improvements to its sewer and drainage system. Accordingly, the Town has authorized appropriations totaling approximately \$5,900,000 to comply with the ACO.

The Town has entered into contracts totaling approximately \$5.5 million for various school and public works projects. The Town also plans to authorize and contract for an additional \$3.6 million in FY2010 for school, public works and police department building repairs. The BELD has committed to build a new power generating plant at a total cost of approximately \$110 million. The BELD expects that the new plant will be operational by December 31, 2009.

The BELD has entered into a Power Sales Agreement (PSA), as a participant in Nuclear Project No. 5, with Massachusetts Municipal Wholesale Electric Company (MMWEC) for a share of the power supply capability of Seabrook Unit 1. BELD effectively participates in a 0.6% (7MW) share of Seabrook Unit 1. Under the terms of the PSA, the BELD is obligated to pay for its share of MMWEC’s actual operating and capital costs, including decommissioning, interest and financing costs related to this generating unit. Seabrook Unit 1 began commercial operations in 1990, and its operating license expires in 2030. The BELD’s obligations to pay are not contingent on the future operation of the unit. The BELD’s total principal obligation, excluding operating and maintenance, interest and decommissioning expenses associated with its share of MMWEC’s Seabrook Unit 1 outstanding debt, is approximately \$22,412,000 at December 31, 2008.

The BELD has also entered into various long-term agreements to purchase power from other utilities. At December 31, 2008, the estimated annual capacity costs relating to these agreements total approximately

\$30,312,000. The amount estimated for 2009 is \$4,395,000 with annual decrease estimated as contract entitlements decreases and expires through 2017.

#### **NOTE 13 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

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

#### **NOTE 14 – LAND TAKING**

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

#### **NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2009, the following GASB pronouncements were implemented:

- GASB Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This standard did not impact the basic financial statements.
- GASB Statement #56, *Codification of Accounting and Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. This standard did not impact the basic financial statements.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. The implementation of this GASB will impact the Town's financial statements, as it changes fund balance components into Nonspendable, Restricted; Committed; Assigned; and Unassigned.

# ***Required Supplementary Information***

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

FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 62,154,389	\$ 62,154,389	\$ 62,908,355	\$ -	753,966
Tax liens.....	-	-	76,974	-	76,974
Motor vehicle and other excise taxes.....	3,972,368	3,972,368	4,165,414	-	193,046
Hotel/motel tax.....	800,000	800,000	768,355	-	(31,645)
Penalties and interest on taxes.....	300,000	300,000	297,882	-	(2,118)
Payments in lieu of taxes.....	1,050,000	1,050,000	1,049,817	-	(183)
Intergovernmental.....	17,203,155	17,203,155	16,251,597	-	(951,558)
Departmental and other.....	5,232,000	5,232,000	7,015,208	-	1,783,208
Investment income.....	450,000	450,000	434,678	-	(15,322)
<b>TOTAL REVENUES.....</b>	<b>91,161,912</b>	<b>91,161,912</b>	<b>92,968,280</b>	<b>-</b>	<b>1,806,368</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	4,241,804	3,693,024	3,332,540	70,345	290,139
Public safety.....	14,635,428	14,631,472	14,163,761	45,299	422,412
Education.....	47,036,293	47,036,293	46,012,467	21,726	1,002,100
Public works.....	4,300,524	3,286,909	4,135,407	11,401	(859,899)
Sanitation.....	1,743,700	1,663,990	1,646,609	14,797	2,584
Human services.....	202,061	607,532	582,844	-	24,688
Culture and recreation.....	1,198,170	2,076,148	1,995,437	7,719	72,992
Pension benefits.....	4,442,266	4,442,266	4,442,266	-	-
Property and liability insurance.....	475,000	430,000	419,313	-	10,687
Employee benefits.....	8,128,905	8,220,504	7,802,047	110,087	308,370
State and county charges.....	-	3,803,753	3,798,662	-	5,091
Debt service:					
Principal.....	1,480,000	1,480,000	1,480,000	-	-
Interest.....	409,691	409,691	351,879	-	57,812
<b>TOTAL EXPENDITURES.....</b>	<b>88,293,842</b>	<b>91,781,582</b>	<b>90,163,232</b>	<b>281,374</b>	<b>1,336,976</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>2,868,070</b>	<b>(619,670)</b>	<b>2,805,048</b>	<b>(281,374)</b>	<b>3,143,344</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of bonds.....	-	-	445,043	-	445,043
Transfers in.....	575,955	575,955	575,955	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>575,955</b>	<b>575,955</b>	<b>1,020,998</b>	<b>-</b>	<b>445,043</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>3,444,025</b>	<b>(43,715)</b>	<b>3,826,046</b>	<b>(281,374)</b>	<b>3,588,387</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>5,630,231</b>	<b>5,630,231</b>	<b>5,630,231</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 9,074,256</b>	<b>\$ 5,586,516</b>	<b>\$ 9,456,277</b>	<b>\$ (281,374)</b>	<b>\$ 3,588,387</b>

See notes to required supplementary information.

**Other Post-Employment Benefit Plan  
Schedule of Funding Progress and Employer Contributions**

June 30, 2009

**Schedule of Funding Progress**

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

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2009	\$ 14,500,456	\$ 5,497,619	38%
2008	13,479,497	5,040,160	37%

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**

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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 2009 approved budget authorized approximately \$88.3 million in appropriations and other amounts to be raised. During fiscal year 2009, the Town Meeting also approved supplemental appropriations totaling approximately \$3.5 million.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2009, is presented below:

Net change in fund balance - budgetary basis.....	\$	3,826,046
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(153,000)
Net change in recording accrued payroll.....		47,545
Recognition of revenue for on-behalf payments.....		10,994,534
Recognition of expenditures for on-behalf payments.....		<u>(10,994,534)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>3,720,591</u></u>

**B. Appropriation Deficits**

During fiscal year 2009, expenditures exceeded budgeted appropriations for public works for snow and ice. This snow and ice deficit will be funded in fiscal year 2010 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 and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members.

The Town currently finances its other 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.

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.