

***TOWN OF NORTH ANDOVER, MASSACHUSETTS***

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

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

TOWN OF NORTH ANDOVER, MASSACHUSETTS  
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JUNE 30, 2009

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## Independent Auditors' Report

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

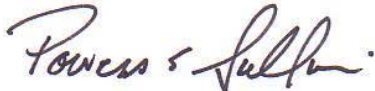
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Andover, Massachusetts, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of the Town of North Andover, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance - general fund - budgetary basis, retirement system schedule of funding progress, retirement system schedule of employer contributions, other post employment benefits schedule of funding progress, other post employment benefits actuarial methods and assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Andover, Massachusetts' basic financial statements. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and , in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Powers & Sullivan". The signature is written in a cursive, flowing style.

November 30, 2009

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of North Andover, 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.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### **Financial Highlights**

- The assets of the Town of North Andover exceeded its liabilities at the close of the most recent fiscal year by \$145.1 million (net assets).
- Of this amount, 4% or \$5.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$1.6 million, a decrease of approximately \$2 million in comparison with the prior year. Total fund balance represents 2% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) decreased by \$4.1 million during the current fiscal year. This was due to the net effect of \$8 million from the issuance of new debt and 12.1 million in principal payments on outstanding debt.
- The Town implemented GASB Statement #45, which resulted in the recognition of an other post-employment benefit (OPEB) liability totaling \$7 million.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to the Town of North Andover's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**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, health and human services, culture and recreation and interest. The business-type activities include the activities of the water, sewer, and Osgood Hill Estate operations.

**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 North Andover adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains two types of proprietary 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, sewer, and Osgood Hill Estate operations, all of which are considered to be major funds.

The Town of North Andover adopts annual appropriated budgets for each enterprise fund. A budgetary comparison schedule has been provided, as additional information, to demonstrate compliance with these budgets.

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 active employees' and retirees' health insurance.

**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.

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

**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.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. North Andover’s assets exceeded liabilities by \$145.1 million at the close of fiscal 2009.

Net assets of \$131.2 million (90%) reflects its investment in capital assets (e.g., land, buildings and building improvements, machinery and equipment and infrastructure), 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, \$8.8 million (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$5.1 million (4%) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of North Andover, as a whole, is able to report positive balances in all three categories of net assets. All governmental and business-type activities report positive balances with the exception of the Osgood Hill enterprise fund which reports negative unrestricted net assets totaling \$127,000.

The governmental activity and business-type activity components of the Town are presented below.

**Governmental Activities**

The Town of North Andover’s assets exceeded liabilities for governmental activities by \$111.2 million at the close of fiscal 2009.

	<u>FY 2009</u>	<u>FY 2008</u>
<b>Assets:</b>		
Current assets.....	\$ 29,456,684	\$ 47,409,121
Noncurrent assets (excluding capital).....	1,863,607	2,071,838
Capital assets.....	132,584,737	131,354,316
<b>Total assets.....</b>	<b><u>163,905,028</u></b>	<b><u>180,835,275</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	7,175,230	24,937,760
Noncurrent liabilities (excluding debt).....	7,586,785	1,372,184
Current debt.....	5,155,571	8,372,768
Noncurrent debt.....	32,746,494	30,765,674
<b>Total liabilities.....</b>	<b><u>52,664,080</u></b>	<b><u>65,448,386</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	98,988,296	98,468,392
Restricted.....	8,753,852	8,490,986
Unrestricted.....	3,498,800	8,427,511
<b>Total net assets.....</b>	<b><u>\$ 111,240,948</u></b>	<b><u>\$ 115,386,889</u></b>

	<u>FY 2009</u>	<u>FY 2008</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 6,558,039	\$ 7,338,643
Operating grants and contributions.....	16,503,311	16,494,555
Capital grants and contributions.....	2,243,011	975,861
<b>General Revenues:</b>		
Real estate and personal property taxes.....	54,443,171	52,131,731
Tax liens	85,265	293,055
Motor vehicle and other excise taxes.....	4,033,853	4,148,303
Penalties and interest on taxes.....	307,534	292,512
Payments in lieu of taxes.....	1,815,176	1,704,677
Community preservation surcharges	511,703	1,240,697
Grants and contributions not restricted to specific programs.....	3,847,997	4,071,414
Unrestricted investment income.....	504,476	888,152
<b>Total revenues.....</b>	<b><u>90,853,536</u></b>	<b><u>89,579,600</u></b>
<b>Expenses:</b>		
General government.....	4,123,262	3,531,917
Public safety.....	14,509,962	12,929,068
Education.....	64,495,293	57,679,448
Public works.....	7,382,073	6,097,048
Health and human services.....	2,041,742	1,766,854
Culture and recreation.....	2,052,225	1,953,619
Interest.....	1,202,891	2,178,255
<b>Total expenses.....</b>	<b><u>95,807,448</u></b>	<b><u>86,136,209</u></b>
<b>Increase in net assets before transfers.....</b>	<b>(4,953,912)</b>	<b>3,443,391</b>
<b>Transfers.....</b>	<b><u>807,971</u></b>	<b><u>931,091</u></b>
<b>Change in net assets.....</b>	<b><u>\$ (4,145,941)</u></b>	<b><u>\$ 4,374,482</u></b>

The governmental expenses totaled \$95.8 million of which \$25.3 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$65.5 million, primarily coming from property taxes, motor vehicle excise, payments in lieu of taxes and non-restricted state aid.

The governmental net assets decreased by approximately \$4.1 million during the current fiscal year. This was primarily due to the recognition of a \$6.2 million post-employment benefit liability that was offset by the recognition of \$2.2 million of capital grants from the Massachusetts Highway Department. The net change also included a \$2 million planned decrease in the general fund that was offset by increases in the community preservation fund and the nonmajor governmental funds.

## Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$33.8 million at the close of fiscal 2009.

	FY 2009	FY 2008
<b>Assets:</b>		
Current assets.....	\$ 10,140,270	\$ 14,140,533
Noncurrent assets (excluding capital).....	1,093,936	1,181,952
Capital assets.....	56,147,387	56,553,014
<b>Total assets.....</b>	<b>67,381,593</b>	<b>71,875,499</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	569,474	3,598,333
Noncurrent liabilities (excluding debt).....	894,788	112,000
Current debt.....	3,797,263	3,774,248
Noncurrent debt.....	28,293,617	31,135,383
<b>Total liabilities.....</b>	<b>33,555,142</b>	<b>38,619,964</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	32,209,814	29,977,126
Unrestricted.....	1,616,637	3,278,409
<b>Total net assets.....</b>	<b>\$ 33,826,451</b>	<b>\$ 33,255,535</b>
<b>Program revenues:</b>		
Charges for services.....	\$ 9,029,240	\$ 9,801,699
Operating grants and contributions.....	201,398	252,266
<b>Total revenues.....</b>	<b>9,230,638</b>	<b>10,053,965</b>
<b>Expenses:</b>		
Water.....	3,591,641	3,222,251
Sewer.....	3,878,647	3,423,734
Osgood Hill .....	381,463	474,413
<b>Total expenses.....</b>	<b>7,851,751</b>	<b>7,120,398</b>
<b>Increase in net assets before transfers.....</b>	<b>1,378,887</b>	<b>2,933,567</b>
<b>Transfers.....</b>	<b>(807,971)</b>	<b>(931,091)</b>
<b>Change in net assets.....</b>	<b>\$ 570,916</b>	<b>\$ 2,002,476</b>

Business-type net assets of \$32.2 million (95%), represent the investment in capital assets while \$1.6 million (5%) is unrestricted. The Town's business-type activities net assets increased by \$571,000 in the current fiscal year.

The water enterprise fund net assets increased by \$367,000. The main components of this change include a budgetary decrease of \$395,000 in the operating fund, the recognition of a \$471,000 OPEB liability and a \$366,000 decrease in user fee receivables. These decreases were offset by a \$1.5 million increase that is due to debt service payments raised in the rates exceeding depreciation expense.

The sewer enterprise fund net assets increased by \$261,000. The main components of this change include a budgetary decrease of \$391,000 in the operating fund, the recognition of a \$252,000 OPEB liability that was offset by a \$622,000 increase that is due to debt service payments raised in the rates exceeding depreciation expense and a \$344,000 increase in user fee receivables.

The Osgood Hill enterprise fund net assets decreased by \$56,000, which was due to a budgetary increase of \$85,000 in the operating fund that was offset by the recognition of a \$60,000 OPEB liability and \$81,000 of depreciation expense.

### ***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 \$14.2 million, of which \$1.6 million is for the general fund, \$1.2 million is for the stabilization fund, \$5.4 million is for the community preservation fund and \$6 million is for non-major governmental funds. Cumulatively there was a decrease of \$85,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund totaled \$169,000, while total fund balance was \$1.6 million. Reservations of fund balance for encumbrances and continuing appropriations and debt service totaled \$251,000 and \$1.2 million, respectively. Total fund balance represents 2% of total general fund expenditures.

The Town's general fund decreased \$2 million in fiscal 2009. This was due to the voted use of reserves to balance the operating budget.

The state fiscal stabilization grant fund is used to account for federal funds that were received through the American Recovery and Reinvestment Act. During the last two months of the fiscal year, the Town's state aid was reduced by approximately \$584,000. However, the state aid payment was replaced with a like amount of federal funds. The Town's general fund budget was not adjusted for the late reduction in state funding; rather, eligible expenditures were transferred from the general fund to the state fiscal stabilization grant fund where an equal amount of federal revenues were also recorded.

The stabilization fund increased by \$32,000 in fiscal 2009, which is due to investment income earned during the period.

The community preservation fund increased by \$1.5 million in fiscal 2009, which is due to timing differences between the receipt and expenditure of community preservation funds.

The nonmajor governmental funds increased by \$359,000 in fiscal 2009, which is due to timing differences between the receipt and expenditure of grant funds.

### ***General Fund Budgetary Highlights***

The \$132,000 increase between the original budget and the final amended budget primarily funded snow and ice removal.

As previously discussed, the Town's general fund budget was not adjusted for the Chapter 70 reduction that was funded with state fiscal stabilization funds. Instead, eligible expenditures were transferred from the general fund to the state fiscal stabilization grant fund where the revenues were also recorded. As a result, both the general fund revenues and expenditures were under budgeted, resulting in a variance in intergovernmental revenues and in education expenditures.

### ***Capital Asset and Debt Administration***

**Capital Assets.** In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$188.7 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, machinery and equipment, library books, vehicles and infrastructure. The total increase in the Town's investment in capital assets for the current year was approximately \$825,000.

The major governmental capital asset events during the current fiscal year included school and road construction as well as the acquisition of vehicles and equipment.

The major business-type capital asset events during the current fiscal year consisted of reclassifying the water storage tanks from construction in progress to infrastructure, vehicle acquisition and infrastructure improvements.

**Debt Administration.** Outstanding gross long-term general government debt, as of June 30, 2009, totaled \$38.9 million. The general government's gross bonded debt increased \$760,000, which was due to the issuance of \$7.1 million of general obligation bonds and principal payments totaling \$6.4 million.

Outstanding gross long-term debt of the water enterprise fund, as of June 30, 2009, totaled \$14.7 million. The water gross bonded debt decreased \$1.8 million, which was due to the issuance of \$500,000 of general obligation bonds and principal payments totaling \$2.3 million.

Outstanding gross long-term debt of the sewer enterprise fund, as of June 30, 2009, totaled \$17.7 million. The sewer gross bonded debt decreased \$1.1 million, which was due to the issuance of \$500,000 of general obligation bonds and principal payments totaling \$1.6 million.

The Town did not have outstanding bond anticipation notes (BAN) at year-end.

Please refer to the Notes 4, 7 and 8 for further discussion of the major capital and debt activity.

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

This financial report is designed to provide a general overview of the Town of North Andover'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 Budget Director/Town Accountant, Town Hall, 120 Main Street, North Andover, Massachusetts 01845.

# ***Basic Financial Statements***

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**STATEMENT OF NET ASSETS**

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 22,333,440	\$ 7,552,512	\$ 29,885,952
Investments.....	152,094	-	152,094
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,812,854	-	1,812,854
Tax and utility liens.....	963,122	110,083	1,073,205
Motor vehicle and other excise taxes.....	306,586	-	306,586
User charges.....	-	2,690,846	2,690,846
Community preservation.....	11,207	-	11,207
Departmental and other.....	263,123	-	263,123
Intergovernmental.....	2,935,991	88,016	3,024,007
Tax foreclosures.....	377,080	-	377,080
Internal balances.....	301,187	(301,187)	-
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	1,863,607	1,093,936	2,957,543
Capital assets, nondepreciable.....	19,276,419	6,106,297	25,382,716
Capital assets, net of accumulated depreciation.....	<u>113,308,318</u>	<u>50,041,090</u>	<u>163,349,408</u>
<b>TOTAL ASSETS.....</b>	<b><u>163,905,028</u></b>	<b><u>67,381,593</u></b>	<b><u>231,286,621</u></b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,768,412	236,546	2,004,958
Accrued payroll.....	2,807,605	-	2,807,605
Accrued health claims payable.....	754,000	-	754,000
Tax refunds payable.....	1,001,000	-	1,001,000
Accrued interest.....	495,815	276,928	772,743
Other liabilities.....	71,299	-	71,299
Liabilities due depositors.....	106,160	-	106,160
Compensated absences.....	170,939	-	170,939
Court judgments.....	-	56,000	56,000
Bonds and notes payable.....	5,155,571	3,797,263	8,952,834
<b>NONCURRENT:</b>			
Compensated absences.....	1,383,060	-	1,383,060
Court judgments.....	-	112,000	112,000
Other post employment benefits.....	6,203,725	782,788	6,986,513
Bonds and notes payable.....	<u>32,746,494</u>	<u>28,293,617</u>	<u>61,040,111</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>52,664,080</u></b>	<b><u>33,555,142</u></b>	<b><u>86,219,222</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	98,988,296	32,209,814	131,198,110
Restricted for:			
Debt service.....	1,171,745	-	1,171,745
Community preservation.....	5,875,544	-	5,875,544
Permanent funds:			
Expendable.....	447,756	-	447,756
Nonexpendable.....	29,028	-	29,028
Gifts and grants.....	1,229,779	-	1,229,779
Unrestricted.....	<u>3,498,800</u>	<u>1,616,637</u>	<u>5,115,437</u>
<b>TOTAL NET ASSETS.....</b>	<b><u>\$ 111,240,948</u></b>	<b><u>\$ 33,826,451</u></b>	<b><u>\$ 145,067,399</u></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.....	\$ 4,123,262	\$ 459,594	\$ 536,290	\$ -	\$ (3,127,378)
Public safety.....	14,509,962	2,682,759	400,859	7,792	(11,418,552)
Education.....	64,495,293	3,204,499	14,454,951	-	(46,835,843)
Public works.....	7,382,073	89,631	45,134	2,235,219	(5,012,089)
Health and human services.....	2,041,742	107,453	508,959	-	(1,425,330)
Culture and recreation.....	2,052,225	14,103	80,912	-	(1,957,210)
Interest.....	1,202,891	-	476,206	-	(726,685)
Total Governmental Activities...	<u>95,807,448</u>	<u>6,558,039</u>	<u>16,503,311</u>	<u>2,243,011</u>	<b>(70,503,087)</b>
<i>Business-Type Activities:</i>					
Water.....	3,591,641	4,541,749	7,709	-	957,817
Sewer.....	3,878,647	4,294,388	193,689	-	609,430
Osgood Hill.....	381,463	193,103	-	-	(188,360)
Total Business-Type Activities..	<u>7,851,751</u>	<u>9,029,240</u>	<u>201,398</u>	<u>-</u>	<b>1,378,887</b>
Total Primary Government.....	<u>\$ 103,659,199</u>	<u>\$ 15,587,279</u>	<u>\$ 16,704,709</u>	<u>\$ 2,243,011</u>	<b>\$ (69,124,200)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

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>(70,503,087)</b>	\$ <b>1,378,887</b>	\$ <b>(69,124,200)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	54,443,171	-	54,443,171
Tax liens.....	85,265	-	85,265
Motor vehicle and other excise taxes.....	4,033,853	-	4,033,853
Hotel/motel tax.....	-	-	-
Penalties and interest.....	307,534	-	307,534
Payments in lieu of taxes.....	1,815,176	-	1,815,176
Community preservation surcharges.....	511,703	-	511,703
Fines and forfeitures.....	-	-	-
Grants and contributions not restricted to specific programs.....	3,847,997	-	3,847,997
Unrestricted investment income.....	504,476	-	504,476
Loss on sale of capital assets.....	-	-	-
Miscellaneous.....	-	-	-
<i>Transfers, net.....</i>	<u>807,971</u>	<u>(807,971)</u>	<u>-</u>
Total general revenues and transfers.....	<u>66,357,146</u>	<u>(807,971)</u>	<u>65,549,175</u>
Change in net assets.....	(4,145,941)	570,916	(3,575,025)
<i>Net Assets:</i>			
Beginning of year.....	<u>115,386,889</u>	<u>33,255,535</u>	<u>148,642,424</u>
End of year.....	\$ <u><u>111,240,948</u></u>	\$ <u><u>33,826,451</u></u>	\$ <u><u>145,067,399</u></u>

(Concluded)

**GOVERNMENTAL FUNDS**  
BALANCE SHEET

JUNE 30, 2009

<b>ASSETS</b>	General	Stabilization Fund	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 5,796,160	\$ 1,264,536	\$ 5,374,503	\$ 6,210,177	\$ 18,645,376
Investments.....	-	-	-	152,094	152,094
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,812,854	-	-	-	1,812,854
Tax liens.....	963,122	-	-	-	963,122
Motor vehicle and other excise taxes.....	306,586	-	-	-	306,586
Community preservation.....	-	-	11,207	-	11,207
Departmental and other.....	187,339	-	-	75,784	263,123
Intergovernmental.....	2,198,586	-	489,834	2,111,178	4,799,598
Tax foreclosures.....	377,080	-	-	-	377,080
Due from other funds.....	301,187	-	-	-	301,187
<b>TOTAL ASSETS.....</b>	<b>\$ 11,942,914</b>	<b>\$ 1,264,536</b>	<b>\$ 5,875,544</b>	<b>\$ 8,549,233</b>	<b>\$ 27,632,227</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 934,202	\$ -	\$ -	\$ 770,518	\$ 1,704,720
Accrued payroll.....	2,570,790	-	-	236,815	2,807,605
Tax refunds payable.....	1,001,000	-	-	-	1,001,000
Liabilities due depositors.....	106,160	-	-	-	106,160
Other liabilities.....	71,299	-	-	-	71,299
Deferred revenues.....	5,667,805	-	501,041	1,644,074	7,812,920
<b>TOTAL LIABILITIES.....</b>	<b>10,351,256</b>	<b>-</b>	<b>501,041</b>	<b>2,651,407</b>	<b>13,503,704</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances and continuing appropriations.....	250,920	-	-	-	250,920
Debt service.....	1,171,745	-	-	-	1,171,745
Perpetual permanent funds.....	-	-	-	29,028	29,028
Unreserved:					
Undesignated, reported in:					
General fund.....	168,993	-	-	-	168,993
Special revenue funds.....	-	1,264,536	5,374,503	3,314,003	9,953,042
Capital projects funds.....	-	-	-	2,107,039	2,107,039
Permanent funds.....	-	-	-	447,756	447,756
<b>TOTAL FUND BALANCES.....</b>	<b>1,591,658</b>	<b>-</b>	<b>5,374,503</b>	<b>5,897,826</b>	<b>14,128,523</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 11,942,914</b>	<b>\$ 1,264,536</b>	<b>\$ 5,875,544</b>	<b>\$ 8,549,233</b>	<b>\$ 27,632,227</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.....		\$ 14,128,523
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		132,584,737
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		7,812,920
Internal service funds are used by management to account for unemployment, health insurance activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		2,870,372
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(495,815)
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, net of unamortized premiums and deferred losses on refundings.....	(37,902,065)	
Other post-employment benefits.....	(6,203,725)	
Compensated absences.....	<u>(1,553,999)</u>	
Net effect of reporting long-term liabilities.....		<u>(45,659,789)</u>
Net assets of governmental activities.....		<u>\$ 111,240,948</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 Fund	Stabilization Fund	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 54,496,257	\$ -	\$ -	\$ -	\$ -	\$ 54,496,257
Tax and utility liens.....	135,451	-	-	-	-	135,451
Payments in lieu of taxes.....	1,687,058	-	-	-	128,118	1,815,176
Community Preservation Surcharges.....	-	-	-	1,279,553	-	1,279,553
Motor vehicle and other excise taxes.....	3,727,728	-	-	-	-	3,727,728
Charges for services.....	911,929	-	-	-	3,673,416	4,585,345
Penalties and interest on taxes.....	331,059	-	-	-	-	331,059
Licenses and permits.....	215,563	-	-	-	372,399	587,962
Fines and forfeitures.....	155,272	-	-	-	-	155,272
Intergovernmental.....	14,984,540	583,870	-	901,433	3,546,246	20,016,089
Departmental and other.....	1,240,084	-	-	-	443,947	1,684,031
Contributions.....	-	-	-	-	535,007	535,007
Investment income (loss).....	472,013	-	32,187	91,129	(74,051)	521,278
<b>TOTAL REVENUES.....</b>	<b>78,356,954</b>	<b>583,870</b>	<b>32,187</b>	<b>2,272,115</b>	<b>8,625,082</b>	<b>89,870,208</b>
<b>EXPENDITURES:</b>						
Current:						
General government.....	2,550,085	-	-	-	399,292	2,949,377
Public safety.....	8,587,440	-	-	-	3,545,566	12,133,006
Education.....	35,729,622	583,870	-	-	8,967,172	45,280,664
Public works.....	4,686,678	-	-	-	1,551,900	6,238,578
Health and human services.....	881,624	-	-	-	782,866	1,664,490
Culture and recreation.....	799,424	-	-	727,807	115,265	1,642,496
Pension benefits.....	8,632,667	-	-	-	-	8,632,667
Property and liability insurance.....	321,675	-	-	-	-	321,675
Employee benefits.....	9,389,284	-	-	-	-	9,389,284
State and county charges.....	2,267,181	-	-	-	-	2,267,181
Debt service:						
Principal.....	6,362,702	-	-	-	-	6,362,702
Interest.....	1,275,869	-	-	-	-	1,275,869
<b>TOTAL EXPENDITURES.....</b>	<b>81,484,251</b>	<b>583,870</b>	<b>-</b>	<b>727,807</b>	<b>15,362,061</b>	<b>98,157,989</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(3,127,297)</b>	<b>-</b>	<b>32,187</b>	<b>1,544,308</b>	<b>(6,736,979)</b>	<b>(8,287,781)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of bonds and notes.....	-	-	-	-	7,122,134	7,122,134
Premium from issuance of bonds.....	202,338	-	-	-	-	202,338
Transfers in.....	1,100,814	-	-	-	-	1,100,814
Transfers out.....	(196,295)	-	-	-	(25,982)	(222,277)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,106,857</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,096,152</b>	<b>8,203,009</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(2,020,440)</b>	<b>-</b>	<b>32,187</b>	<b>1,544,308</b>	<b>359,173</b>	<b>(84,772)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR..</b>	<b>3,612,098</b>	<b>-</b>	<b>1,232,349</b>	<b>3,830,195</b>	<b>5,538,653</b>	<b>14,213,295</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,591,658</b>	<b>\$ -</b>	<b>\$ 1,264,536</b>	<b>\$ 5,374,503</b>	<b>\$ 5,897,826</b>	<b>\$ 14,128,523</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..... \$ (84,772)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	6,872,201
Depreciation expense.....	<u>(5,569,796)</u>

Net effect of reporting capital assets..... 1,302,405

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. .... (71,984)

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..... 780,991

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.

Issuance of bonds and notes.....	(7,122,134)
Debt service principal payments.....	6,362,702
Amortization of deferred losses on refundings.....	<u>(148,621)</u>

Net effect of reporting long-term debt..... (908,053)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(29,350)
Net change in accrued interest on long-term debt.....	221,597
Net change in other post-employment benefits.....	<u>(6,203,725)</u>

Net effect of recording long-term liabilities and amortizing deferred losses..... (6,011,478)

Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities..... 846,950

Change in net assets of governmental activities..... \$ (4,145,941)

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	Sewer	Osgood Hill	Total	
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 1,767,549	\$ 5,784,963	\$ -	\$ 7,552,512	\$ 3,688,064
Receivables, net of allowance for uncollectibles:					
User fees and utility liens.....	1,411,511	1,389,418	-	2,800,929	-
Intergovernmental.....	-	88,016	-	88,016	-
Total current assets.....	<u>3,179,060</u>	<u>7,262,397</u>	<u>-</u>	<u>10,441,457</u>	<u>3,688,064</u>
<b>NONCURRENT:</b>					
Receivables, net of allowance for uncollectibles:					
Intergovernmental.....	-	1,093,936	-	1,093,936	-
Capital assets, nondepreciable.....	1,982,535	123,762	4,000,000	6,106,297	-
Capital assets, net of accumulated depreciation.....	<u>26,558,494</u>	<u>21,889,034</u>	<u>1,593,562</u>	<u>50,041,090</u>	<u>-</u>
Total noncurrent assets.....	<u>28,541,029</u>	<u>23,106,732</u>	<u>5,593,562</u>	<u>57,241,323</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u>31,720,089</u>	<u>30,369,129</u>	<u>5,593,562</u>	<u>67,682,780</u>	<u>3,688,064</u>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	132,287	85,890	18,369	236,546	63,692
Health claims payable.....	-	-	-	-	754,000
Accrued interest.....	80,000	196,928	-	276,928	-
Court judgments.....	-	56,000	-	56,000	-
Due to other funds.....	252,327	-	48,860	301,187	-
Bonds and notes payable.....	<u>2,150,107</u>	<u>1,647,156</u>	<u>-</u>	<u>3,797,263</u>	<u>-</u>
Total current liabilities.....	<u>2,614,721</u>	<u>1,985,974</u>	<u>67,229</u>	<u>4,667,924</u>	<u>817,692</u>
<b>NONCURRENT:</b>					
Court judgments.....	-	112,000	-	112,000	-
Other post employment benefits.....	471,192	251,576	60,020	782,788	-
Bonds and notes payable.....	<u>12,240,051</u>	<u>16,053,566</u>	<u>-</u>	<u>28,293,617</u>	<u>-</u>
Total noncurrent liabilities.....	<u>12,711,243</u>	<u>16,417,142</u>	<u>60,020</u>	<u>29,188,405</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<u>15,325,964</u>	<u>18,403,116</u>	<u>127,249</u>	<u>33,856,329</u>	<u>817,692</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt.....	15,852,964	10,763,288	5,593,562	32,209,814	-
Unrestricted.....	<u>541,161</u>	<u>1,202,725</u>	<u>(127,249)</u>	<u>1,616,637</u>	<u>2,870,372</u>
<b>TOTAL NET ASSETS.....</b>	<u>\$ 16,394,125</u>	<u>\$ 11,966,013</u>	<u>\$ 5,466,313</u>	<u>\$ 33,826,451</u>	<u>\$ 2,870,372</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Osgood Hill	Total	
<b>OPERATING REVENUES:</b>					
Employee contributions .....	\$ -	\$ -	\$ -	\$ -	1,870,349
Employer contributions .....	-	-	-	-	8,326,397
Charges for services .....	4,519,983	4,274,984	193,103	\$ 8,988,070	-
Penalties and interest.....	21,766	19,404	-	41,170	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>4,541,749</b>	<b>4,294,388</b>	<b>193,103</b>	<b>9,029,240</b>	<b>10,196,746</b>
<b>OPERATING EXPENSES:</b>					
Cost of service and administration.....	2,309,183	959,368	272,368	3,540,919	-
GLDS assessment.....	-	1,190,706	-	1,190,706	-
Repairs and maintenance.....	118,400	66,006	27,855	212,261	-
Depreciation.....	702,664	879,597	81,240	1,663,501	-
Employee benefits.....	-	-	-	-	9,339,071
<b>TOTAL OPERATING EXPENSES .....</b>	<b>3,130,247</b>	<b>3,095,677</b>	<b>381,463</b>	<b>6,607,387</b>	<b>9,339,071</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>1,411,502</b>	<b>1,198,711</b>	<b>(188,360)</b>	<b>2,421,853</b>	<b>857,675</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	7,709	193,689	-	201,398	59,841
Interest expense.....	(461,394)	(782,970)	-	(1,244,364)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(453,685)</b>	<b>(589,281)</b>	<b>-</b>	<b>(1,042,966)</b>	<b>59,841</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>957,817</b>	<b>609,430</b>	<b>(188,360)</b>	<b>1,378,887</b>	<b>917,516</b>
<b>TRANSFERS:</b>					
Transfers in.....	-	-	196,295	196,295	-
Transfers out.....	(591,196)	(348,894)	(64,176)	(1,004,266)	(70,566)
<b>TOTAL OPERATING TRANSFERS.....</b>	<b>(591,196)</b>	<b>(348,894)</b>	<b>132,119</b>	<b>(807,971)</b>	<b>(70,566)</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>366,621</b>	<b>260,536</b>	<b>(56,241)</b>	<b>570,916</b>	<b>846,950</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>16,027,504</b>	<b>11,705,477</b>	<b>5,522,554</b>	<b>33,255,535</b>	<b>2,023,422</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 16,394,125</b>	<b>\$ 11,966,013</b>	<b>\$ 5,466,313</b>	<b>\$ 33,826,451</b>	<b>\$ 2,870,372</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds				Activities - Internal Service Funds
	Water	Sewer	Osgood Hill	Total	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
Receipts from customers and users.....	\$ 4,753,964	\$ 4,104,161	\$ 193,103	\$ 9,051,228	\$ 1,870,349
Receipts from interfund services provided.....	-	-	-	-	8,326,397
Payments to vendors.....	(1,468,205)	(1,902,909)	(130,463)	(3,501,577)	-
Payments to employees.....	(809,242)	(155,857)	(99,517)	(1,064,616)	-
Payments for interfund services used.....	-	-	-	-	(8,995,299)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b><u>2,476,517</u></b>	<b><u>2,045,395</u></b>	<b><u>(36,877)</u></b>	<b><u>4,485,035</u></b>	<b><u>1,201,447</u></b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>					
Transfers in.....	-	-	196,295	196,295	-
Transfers out.....	(591,196)	(348,894)	(64,176)	(1,004,266)	(70,566)
Advances to/from other funds.....	252,327	-	(67,484)	184,843	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b><u>(338,869)</u></b>	<b><u>(348,894)</u></b>	<b><u>64,635</u></b>	<b><u>(623,128)</u></b>	<b><u>(70,566)</u></b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>					
Proceeds from the issuance of bonds and notes.....	838,453	500,000	-	1,338,453	-
Acquisition and construction of capital assets.....	(823,741)	(406,375)	(27,758)	(1,257,874)	-
Principal payments on bonds and notes.....	(2,187,779)	(1,501,590)	-	(3,689,369)	-
Payment to refunded bond escrow agent.....	(1,898,344)	(659,623)	-	(2,557,967)	-
Interest expense.....	(550,592)	(759,569)	-	(1,310,161)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b><u>(4,622,003)</u></b>	<b><u>(2,827,157)</u></b>	<b><u>(27,758)</u></b>	<b><u>(7,476,918)</u></b>	<b><u>-</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>					
Investment income.....	7,709	193,689	-	201,398	59,841
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b><u>(2,476,646)</u></b>	<b><u>(936,967)</u></b>	<b><u>-</u></b>	<b><u>(3,413,613)</u></b>	<b><u>1,190,722</u></b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b><u>4,244,195</u></b>	<b><u>6,721,930</u></b>	<b><u>-</u></b>	<b><u>10,966,125</u></b>	<b><u>2,497,342</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,767,549</u></b>	<b><u>\$ 5,784,963</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,552,512</u></b>	<b><u>\$ 3,688,064</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u></b>					
<b><u>FROM OPERATING ACTIVITIES:</u></b>					
Operating income (loss).....	\$ 1,411,502	\$ 1,198,711	\$ (188,360)	\$ 2,421,853	\$ 857,675
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	702,664	879,597	81,240	1,663,501	-
Changes in assets and liabilities:					
User fees and utility liens.....	212,215	(190,227)	-	21,988	-
Warrants payable.....	(312,265)	(91,253)	10,223	(393,295)	46,078
Health claims payable.....	-	-	-	-	297,694
Other liabilities.....	(8,791)	(3,009)	-	(11,800)	-
Other post employment benefits.....	471,192	251,576	60,020	782,788	-
Total adjustments.....	1,065,015	846,684	151,483	2,063,182	343,772
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b><u>\$ 2,476,517</u></b>	<b><u>\$ 2,045,395</u></b>	<b><u>\$ (36,877)</u></b>	<b><u>\$ 4,485,035</u></b>	<b><u>\$ 1,201,447</u></b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>					
Intergovernmental debt service subsidy (MWPAT).....	\$ -	\$ 79,382	\$ -	\$ 79,382	\$ -
Net amortization of deferred charges.....	86,965	7,776	-	7,776	-

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 70,683	\$ 4,352,502
<b>LIABILITIES</b>		
Warrants payable.....	-	836
Liabilities due depositors.....	-	4,351,666
TOTAL LIABILITIES.....	-	4,352,502
<b>NET ASSETS</b>		
Held in trust for other purposes.....	\$ 70,683	\$ -

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Interest.....	\$ <u>202</u>
NET ASSETS AT BEGINNING OF YEAR.....	<u>70,481</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>70,683</u></u>

The accompanying notes are an integral part of this audited financial statement.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's financial statements.

**Joint Venture**

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

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

***Greater Lawrence Sanitary District (GLSD)***

GLSD operates a wastewater treatment plant for five member communities and is located within the Town. The GLSD is governed by a seven member board consisting of one appointed representative from the Town. The Town is indirectly liable for the GLSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2009, the Town's assessment totaled \$1,190,076. Separate financial statements may be obtained by writing to the Treasurer of the GLSD at 240 Charles Street, North Andover, MA 01845.

***Greater Lawrence Regional Technical Vocational School (GLRTVS)***

The GLRTVS is governed by a seven member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the GLRTVS' debt and other expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2009, the Town's assessment totaled \$281,817. Separate financial statements may be obtained by writing to the Treasurer of the GLRTVS at 57 River Road, Andover, MA 01810.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

### *Fund Financial Statements*

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

#### *Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

### *Government-Wide Financial Statements*

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

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

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

- Grants and contributions 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 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 federal funds that were received through the American Recovery and Reinvestment Act.

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

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

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

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

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, 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 principle 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 enterprise fund* is used to account for the water activities.

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

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

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

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

#### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 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 tax liens are processed one year after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

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

Personal property taxes cannot be secured through the lien process. The allowance for 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 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.

### ***Community Preservation Surcharges***

Community preservation surcharges are levied annually at a rate of 3% of resident's real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income defined by DOR guidelines. The surcharge is due with the real estate tax on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

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

### ***Water and Sewer User Charges and Utility Liens***

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 approximately six months after the end of the fiscal year and are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the fiscal year of the levy.

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

### ***Departmental and Other***

Departmental and other receivables consist primarily of amounts due from ambulance charges and police details. These receivables are recorded when the applicable service has been performed.

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 recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

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

## **F. Inventories**

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

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

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, library books, vehicles, infrastructure (e.g., roads, treatment plants, pump stations ,sewer mains and similar items) and construction-in-progress, are reported in the applicable governmental or business-type activity column of the government-wide financial statements and in 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 \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-30
Buildings and improvements.....	7-50
Machinery and equipment.....	3-20
Library books.....	10
Vehicles.....	5
Treatment plants.....	10-40
Pump stations.....	20-40
Reservoirs.....	20-40
Infrastructure.....	20-60

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 are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as “internal balances”.

*Fund Financial Statements*

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

I. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

J. Deferred Revenue

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

K. 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:

“Debt service” represents amounts accumulated from the Massachusetts School Building Authority (MSBA) to reduce school construction excluded debt service costs over the life of the loans.

“Community preservation” represents amounts restricted for the purpose of acquiring land for conservation, recreational, and affordable housing purposes.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

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

“Gifts and grants” represents restrictions placed on assets from outside parties.

#### *Fund Financial Statements (Fund Balances)*

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

Fund balances have been “reserved for” the following:

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

“Debt service” represents amounts accumulated from the Massachusetts School Building Authority (MSBA) to reduce school construction excluded debt service costs over the life of the loans.

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

#### L. Long-term debt

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

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line 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 Massachusetts General Law (MGL).

#### N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Compensated absences liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures.

##### *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 upon maturity of the liability.

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.

Q. Individual Fund Deficits

Several individual fund deficits exist at June 30, 2009, within the special revenue and capital project funds. These deficits will be funded with grant and bond proceeds in subsequent fiscal years.

**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. In addition, there are various restrictions limiting the amount and length of deposits and investments.

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’s policy is to minimize custodial credit risk by only investing in highly rated banks, which is determined through the utilization of a bank rating service. At fiscal year-end, the carrying amount of deposits totaled \$25,902,125 and the bank balance totaled \$27,542,242. Of the bank balance, \$1,493,216 was covered by Federal Depository Insurance, \$16,966,215, was covered by the depositor’s insurance fund, \$6,373,641 was collateralized and \$2,709,170 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2009, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>	
		<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt Securities</u>			
Bond Mutual Funds.....	\$ 61,137	\$ 32,035	\$ 29,102
Repurchase Agreements.....	<u>2,030,000</u>	<u>2,030,000</u>	<u>-</u>
Total Debt Securities.....	2,091,137	<u>\$ 2,062,035</u>	<u>\$ 29,102</u>
<u>Other Investments</u>			
Equity Mutual Funds.....	90,957		
Money Market Mutual Funds.....	249,224		
MMDT.....	<u>6,127,788</u>		
Total Investments.....	<u>\$ 8,559,106</u>		

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town did not have investments that were exposed to custodial credit risk. The Town’s policy to minimize custodial credit risk is to obtain from brokerage houses and broker/dealers 1) audited financial statements, 2) proof of National Association of Security Dealers certification, 3) a statement that the dealer has read the Town’s investment policy and will comply with it and 4) be in business for no less than five years and have a minimum capitalization of \$10 million.

Interest Rate Risk

The Town’s investment policy limits investment maturities to one year as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Standard and Poor’s Investors Service rated \$61,137 of bond mutual funds AAA and \$2,030,000 of repurchase agreements were unrated. The Town’s investment policy limits investments in debt securities to U.S. Treasuries and U.S. Agency Obligations, which are AAA rated, and like-kind investments that are fully collateralized.

Concentration of Credit Risk

The Town limits the amount the Town may invest in any one issuer to 10%. The Town does not have investments in corporate bonds or equity securities and therefore does not have exposure to concentration of credit risk.

**NOTE 3 - RECEIVABLES**

At June 30, 2009, receivables for the individual major and non-major governmental funds 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.....	\$ 1,880,854	\$ (68,000)	\$ 1,812,854
Tax liens.....	963,122	-	963,122
Motor vehicle and other excise taxes.....	586,586	(280,000)	306,586
Community preservation surcharges.....	11,207	-	11,207
Departmental and other.....	764,123	(501,000)	263,123
Intergovernmental.....	4,799,598	-	4,799,598
	<u>9,005,490</u>	<u>(849,000)</u>	<u>8,156,490</u>
Total.....	\$ <u>9,005,490</u>	\$ <u>(849,000)</u>	\$ <u>8,156,490</u>

At June 30, 2009, receivables for the water and sewer enterprise funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User charges.....	\$ 2,690,846	\$ -	\$ 2,690,846
Utility liens.....	110,083	-	110,083
Intergovernmental.....	1,181,952	-	1,181,952
	<u>3,982,881</u>	<u>-</u>	<u>3,982,881</u>
Total.....	\$ <u>3,982,881</u>	\$ <u>-</u>	\$ <u>3,982,881</u>

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:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 1,304,694	\$ -	\$ 1,304,694
Tax liens.....	963,122	-	963,122
Tax foreclosures.....	377,080	-	377,080
Motor vehicle and other excise taxes.....	654,585	-	654,585
Community preservation surcharges.....	-	11,207	11,207
Departmental and other.....	169,738	75,784	245,522
Intergovernmental (highway construction assistance)..	-	1,568,290	1,568,290
Intergovernmental (school construction assistance)....	2,198,586	-	2,198,586
Intergovernmental (CPA state match).....	-	489,834	489,834
	<u>5,667,805</u>	<u>2,145,115</u>	<u>7,812,920</u>
Total.....	\$ <u>5,667,805</u>	\$ <u>2,145,115</u>	\$ <u>7,812,920</u>

**NOTE 4 - CAPITAL ASSETS**

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

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,657,609	\$ -	\$ -	\$ 17,657,609
Construction in progress.....	<u>1,861,729</u>	<u>390,582</u>	<u>(633,501)</u>	<u>1,618,810</u>
Total capital assets not being depreciated....	<u>19,519,338</u>	<u>390,582</u>	<u>(633,501)</u>	<u>19,276,419</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,257,450	-	-	3,257,450
Buildings and building improvements.....	121,696,692	5,626,896	-	127,323,588
Machinery and equipment.....	7,297,003	610,123	(377,293)	7,529,833
Library books.....	3,586,350	-	-	3,586,350
Vehicles.....	5,180,317	352,952	(811,523)	4,721,746
Infrastructure.....	<u>32,943,026</u>	<u>525,149</u>	<u>-</u>	<u>33,468,175</u>
Total capital assets being depreciated.....	<u>173,960,838</u>	<u>7,115,120</u>	<u>(1,188,816)</u>	<u>179,887,142</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,782,331)	(154,260)	-	(1,936,591)
Buildings and improvements.....	(35,312,674)	(3,290,316)	-	(38,602,990)
Machinery and equipment.....	(4,608,042)	(481,587)	351,086	(4,738,543)
Library books.....	(3,352,289)	(68,043)	-	(3,420,332)
Vehicles.....	(3,582,093)	(480,073)	765,746	(3,296,420)
Infrastructure.....	<u>(13,488,431)</u>	<u>(1,095,517)</u>	<u>-</u>	<u>(14,583,948)</u>
Total accumulated depreciation.....	<u>(62,125,860)</u>	<u>(5,569,796)</u>	<u>1,116,832</u>	<u>(66,578,824)</u>
Total capital assets being depreciated, net.....	<u>111,834,978</u>	<u>1,545,324</u>	<u>(71,984)</u>	<u>113,308,318</u>
Total governmental activities capital assets, net....	<u>\$ 131,354,316</u>	<u>\$ 1,935,906</u>	<u>\$ (705,485)</u>	<u>\$ 132,584,737</u>

<b>Business-Type Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 6,097,262	\$ -	\$ -	\$ 6,097,262
Construction in progress.....	<u>6,142,633</u>	<u>49,344</u>	<u>(6,182,942)</u>	<u>9,035</u>
Total capital assets not being depreciated....	<u>12,239,895</u>	<u>49,344</u>	<u>(6,182,942)</u>	<u>6,106,297</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	216,259	4,883	-	221,142
Buildings and improvements.....	1,929,461	22,874	-	1,952,335
Machinery and equipment.....	1,796,875	63,387	-	1,860,262
Vehicles.....	479,084	88,515	(130,000)	437,599
Treatment plants.....	16,573,234	-	-	16,573,234
Pump stations.....	2,966,257	35,893	-	3,002,150
Reservoirs.....	1,477,296	-	-	1,477,296
Infrastructure.....	<u>42,217,377</u>	<u>7,175,920</u>	<u>-</u>	<u>49,393,297</u>
Total capital assets being depreciated.....	<u>67,655,843</u>	<u>7,391,472</u>	<u>(130,000)</u>	<u>74,917,315</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(71,582)	(9,130)	-	(80,712)
Buildings.....	(520,847)	(70,044)	-	(590,891)
Machinery and equipment.....	(897,134)	(118,613)	-	(1,015,747)
Vehicles.....	(304,406)	(71,747)	130,000	(246,153)
Treatment plants.....	(8,504,290)	(452,260)	-	(8,956,550)
Pump stations.....	(1,749,004)	(111,784)	-	(1,860,788)
Reservoirs.....	(980,218)	(52,323)	-	(1,032,541)
Infrastructure.....	<u>(10,315,243)</u>	<u>(777,600)</u>	<u>-</u>	<u>(11,092,843)</u>
Total accumulated depreciation.....	<u>(23,342,724)</u>	<u>(1,663,501)</u>	<u>130,000</u>	<u>(24,876,225)</u>
Total capital assets being depreciated, net.....	<u>44,313,119</u>	<u>5,727,971</u>	<u>-</u>	<u>50,041,090</u>
Total sewer activities capital assets, net.....	<u>\$ 56,553,014</u>	<u>\$ 5,777,315</u>	<u>\$ (6,182,942)</u>	<u>\$ 56,147,387</u>

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

<b>Governmental Activities:</b>	
General government.....	\$ 294,349
Public safety.....	501,356
Education.....	3,055,947
Public works.....	1,336,434
Human services.....	124,805
Culture and recreation.....	<u>256,905</u>
Total depreciation expense - governmental activities.....	<u>\$ 5,569,796</u>
<b>Business-Type Activities:</b>	
Water.....	\$ 702,664
Sewer.....	879,597
Osgood Hill.....	<u>81,240</u>
Total depreciation expense - business-type activities.....	<u>\$ 1,663,501</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>		
	<u>General Fund</u>	<u>Osgood Hill Enterprise Fund</u>	<u>Total</u>
General Fund.....	\$ -	\$ 196,295	\$ 196,295 (1)
Nonmajor Governmental Funds....	25,982	-	25,982 (2)
Water Enterprise Fund.....	591,196	-	591,196 (3)
Sewer Enterprise Fund.....	348,894	-	348,894 (3)
Osgood Hill Enterprise Fund.....	64,176	-	64,176 (3)
Internal Service Fund.....	70,566	-	70,566 (4)
	<u>\$ 1,100,814</u>	<u>\$ 196,295</u>	<u>\$ 1,297,109</u>

- (1) Represents the funding of the prior year Osgood Hill enterprise fund deficit.
- (2) Represents budgeted transfers of other available funds.
- (3) Represents budgeted transfers for indirect costs.
- (4) Represents the transfer of Medicare Part D funds per DOR technical bulletin 2007-05B.

Interfund receivables and payables for the fiscal year ended June 30, 2009, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>		<u>Total</u>
	<u>Water Enterprise Fund</u>	<u>Osgood Hill Enterprise Fund</u>	
General Fund.....	\$ <u>252,327</u>	\$ <u>48,860</u>	\$ <u>301,187</u> (1)

- (1) Represents operating cash advances.

**NOTE 6 – LEASES**

Operating Lease

The Town entered into a commercial lease for office space for the North Andover Public Schools on June 1, 2009, that expires May 31, 2012. The future minimum lease payments are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Governmental Activities</u>
2010.....	\$ 91,098
2011.....	91,098
2012.....	91,098
Total.....	<u>\$ 273,294</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, are as follows:

**Notes Payable – Governmental Funds**

Type	Purpose	Rate (%)	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
BAN	Town/School Data Network.....	2.5	6/8/2009	\$ 445,000	\$ -	\$ 445,000	\$ -
BAN	Senior Center Improvements.....	2.5	6/8/2009	250,000	-	250,000	-
BAN	Upgrade Police Radios.....	2.5	6/8/2009	228,480	-	228,480	-
BAN	Radio Fire Alarm Box.....	2.5	6/8/2009	160,000	-	160,000	-
BAN	Ambulance Replacement.....	2.5	6/8/2009	156,539	-	156,539	-
BAN	Mosquito Brook Drainage.....	2.5	6/8/2009	135,000	-	135,000	-
BAN	Dump/Truck Sander.....	2.5	6/8/2009	134,000	-	134,000	-
BAN	Sidewalk Construction.....	2.5	6/8/2009	114,700	-	114,700	-
BAN	Cab and Platform Truck.....	2.5	6/8/2009	114,000	-	114,000	-
BAN	Police Computer Upgrades.....	2.5	6/8/2009	113,037	-	113,037	-
BAN	Middle School Front Entry.....	2.5	6/8/2009	88,500	-	88,500	-
BAN	Library Techonology.....	2.5	6/8/2009	75,000	-	75,000	-
BAN	Four Wheel Drive Vehicle.....	2.5	6/8/2009	39,174	-	39,174	-
BAN	One Ton Dump Truck.....	2.5	6/8/2009	36,000	-	36,000	-
BAN	Fire Station Roof.....	2.5	6/8/2009	30,000	-	30,000	-
BAN	Underground Storage Tank Monitoring..	2.5	6/8/2009	25,000	-	25,000	-
Total.....				\$ 2,144,430	\$ -	\$ 2,144,430	\$ -

**NOTE 8 - LONG-TERM DEBT**

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

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

**Bonds and Notes Payable – Governmental Funds**

Project	Interest Rate (%)	Beginning Balance	Additions	Reductions	Ending Balance
Municipal Purpose Loan 1998.....	4.3 - 6.0	\$ 615,000	\$ -	\$ 615,000	\$ -
Municipal Purpose Loan of 2001.....	4.0 - 4.2	255,000	-	85,000	170,000
Municipal Purpose Loan of 2002.....	4.0 - 4.5	4,848,750	-	1,248,750	3,600,000
Municipal Purpose Loan of 2003.....	2.3 - 4.0	509,391	-	111,521	397,870
Municipal Purpose Loan of 2004.....	2.0 - 5.0	4,265,000	-	985,000	3,280,000
Refunding Bonds of 2004.....	2.0 - 4.2	4,580,319	-	663,300	3,917,019
Municipal Purpose Loan of 2005.....	3.0 - 4.0	870,464	-	230,512	639,952
Municipal Purpose Loan of 2005.....	3.0 - 4.0	5,064,605	-	764,326	4,300,279
High School Construction.....	3.3 - 5.0	2,700,000	-	150,000	2,550,000
Sargent School Ventilation.....	3.6 - 4.5	64,195	-	8,000	56,195
School System Technology.....	3.6 - 4.5	198,305	-	25,750	172,555
Roadwork.....	3.6 - 4.5	130,200	-	43,400	86,800
Drainage Improvements.....	3.6 - 4.5	41,600	-	5,200	36,400
Town Garage Heating.....	3.6 - 4.5	20,000	-	2,500	17,500
Historic Center Roadway.....	4.0 - 4.4	404,000	-	165,500	238,500
Olde Center Roadway.....	4.0 - 4.4	391,891	-	39,189	352,702
Franklin School Roof.....	4.0 - 4.4	216,596	-	11,400	205,196
Front End Loader.....	4.0 - 4.4	180,000	-	18,000	162,000
Ambulance Replancement.....	4.0 - 4.4	158,539	-	15,854	142,685
Mosquito Brook Drainage.....	4.0 - 4.4	80,000	-	4,000	76,000
Tractor.....	4.0 - 4.4	55,000	-	5,500	49,500
Land Acquisition - Refuding.....	3.0 - 4.0	2,960,000	-	280,000	2,680,000
Municipal Purpose Loan 1998 - Refunding.....	3.0 - 4.0	2,070,000	-	185,000	1,885,000
Municipal Purpose Loan 1998 - Refunding.....	3.0 - 4.0	7,470,000	-	700,000	6,770,000
Municipal Purpose Loan 2009.....	1.6 - 3.5	-	7,122,134	-	7,122,134
Sub-total.....		38,148,855	7,122,134	6,362,702	38,908,287
Deferred loss on refundings.....		(1,154,843)	-	(148,621)	(1,006,222)
Total governmental bonds and notes payable.....		\$ 36,994,012	\$ 7,122,134	\$ 6,214,081	\$ 37,902,065

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

Fiscal Year	Principal	Interest	Total
2010.....\$	5,348,471	\$ 1,299,582	\$ 6,648,053
2011.....	5,243,859	1,198,517	6,442,376
2012.....	5,165,470	1,031,582	6,197,052
2013.....	4,016,982	823,565	4,840,547
2014.....	3,993,657	682,609	4,676,266
2015.....	2,745,384	553,686	3,299,070
2016.....	2,449,774	452,177	2,901,951
2017.....	2,414,499	363,567	2,778,066
2018.....	2,433,831	270,252	2,704,083
2019.....	1,034,164	193,528	1,227,692
2020.....	560,400	156,802	717,202
2021.....	560,400	135,699	696,099
2022.....	555,400	113,383	668,783
2023.....	545,400	91,367	636,767
2024.....	545,399	69,309	614,708
2025.....	545,399	46,836	592,235
2026.....	315,399	28,497	343,896
2027.....	165,399	18,486	183,885
2028.....	144,000	11,438	155,438
2029.....	125,000	5,313	130,313
Totals..... \$	\$ 38,908,287	\$ 7,546,195	\$ 46,454,482

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

Project	Interest Rate (%)	Beginning Balance	Additions	Reductions	Ending Balance
Municipal Purpose Loan of 1996.....	4.0 - 5.2	\$ 846,921	\$ -	\$ 293,421	\$ 553,500
Municipal Purpose Loan of 2001.....	4.0 - 4.2	195,000	-	65,000	130,000
Municipal Purpose Loan of 2002.....	4.0 - 4.5	906,250	-	296,250	610,000
Municipal Purpose Loan of 2003.....	2.3 - 4.0	2,393,902	-	432,699	1,961,203
Refunding Bonds of 2004.....	2.0 - 4.2	829,680	-	106,700	722,980
Municipal Purpose Loan of 2005.....	3.0 - 4.0	449,670	-	30,165	419,505
Municipal Purpose Loan of 2005.....	3.0 - 4.0	1,702,400	-	243,200	1,459,200
Water Supply System Security.....	3.6 - 4.5	172,000	-	21,500	150,500
Bear Hill Water Tank.....	3.6 - 4.5	57,000	-	19,000	38,000
Sutton Hill Water Tank.....	3.6 - 4.5	51,000	-	17,000	34,000
Lake Outlet Structure.....	3.6 - 4.5	480,000	-	60,000	420,000
MWPAT.....	2.00	5,532,288	-	219,355	5,312,933
Water Mains.....	3.7 -5.0	650,000	-	65,000	585,000
Water Meter Replacement.....	3.7 - 5.0	350,000	-	35,000	315,000
Municipal Purpose Loan of 1998 - Refunding.....	3.0 - 4.0	1,888,108	-	370,454	1,517,654
MWPAT.....	2.9	-	300,000	-	300,000
Water Mains.....	2.9	-	150,000	-	150,000
Subtotal.....		16,504,219	450,000	2,274,744	14,679,475
Deferred loss on refundings.....		(376,282)	-	(86,965)	(289,317)
Total Water Enterprise bonds and notes payable.....		\$ 16,127,937	\$ 450,000	\$ 2,187,779	\$ 14,390,158

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

Fiscal Year	Principal	Interest	Total
2010.....	\$ 2,248,784	\$ 426,627	\$ 2,675,411
2011.....	2,240,048	353,666	2,593,714
2012.....	1,766,927	282,011	2,048,938
2013.....	1,620,378	223,520	1,843,898
2014.....	1,062,643	175,572	1,238,215
2015.....	1,057,122	140,354	1,197,476
2016.....	682,699	105,017	787,716
2017.....	452,058	85,122	537,180
2018.....	457,453	72,452	529,905
2019.....	322,957	59,948	382,905
2020.....	283,573	52,532	336,105
2021.....	289,301	46,804	336,105
2022.....	295,146	40,959	336,105
2023.....	301,108	34,997	336,105
2024.....	307,191	28,914	336,105
2025.....	313,397	22,708	336,105
2026.....	319,729	16,377	336,106
2027.....	326,188	9,917	336,105
2028.....	332,773	3,328	336,101
Totals.....	\$ 14,679,475	\$ 2,180,825	\$ 16,860,300

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

Project	Interest Rate (%)	Beginning Balance	Additions	Reductions	Ending Balance
MWPAT.....	3.7 - 5.4	\$ 366,842	\$ -	\$ 43,211	\$ 323,631
MWPAT.....	3.4 - 5.4	317,884	-	38,287	279,597
MWPAT.....	3.4 - 5.4	452,516	-	54,503	398,013
Municipal Purpose Loan of 1996.....	4.0 - 5.2	193,079	-	66,579	126,500
Municipal Purpose Loan of 1998.....	4.3 - 6.0	40,000	-	40,000	-
MWPAT.....	2.8 - 3.4	269,573	-	19,538	250,035
MWPAT.....	2.8 - 3.4	975,081	-	69,159	905,922
MWPAT.....	2.8 - 3.4	114,041	-	6,924	107,117
MWPAT.....	2.8 - 3.5	151,819	-	10,770	141,049
MWPAT.....	2.8 - 3.5	186,226	-	12,945	173,281
MWPAT.....	2.8 - 3.5	724,611	-	51,648	672,963
MWPAT.....	2.6 - 2.8	1,775,026	-	113,538	1,661,488
Municipal Purpose Loan of 2001.....	4.0 - 4.8	755,000	-	85,000	670,000
Municipal Purpose Loan of 2002.....	4.0 - 5.1	3,190,000	-	230,000	2,960,000
Municipal Purpose Loan of 2003.....	2.3 - 3.7	2,681,707	-	290,780	2,390,927
Municipal Purpose Loan of 2005.....	3.0 - 4.0	1,132,136	-	166,288	965,848
Municipal Purpose Loan of 2005.....	3.0 - 4.0	305,721	-	20,509	285,212
Sewer Extension.....	3.6 - 4.5	620,700	-	47,650	573,050
Waverly Road.....	3.7 - 5.0	3,693,420	-	108,935	3,584,485
Sewer Watershed.....	3.7 - 5.0	200	-	20	180
Wastewater Management.....	3.7 - 5.0	231,670	-	57,918	173,752
Municipal Purpose Loan of 1998 - Refunding.....	3.0 - 4.0	301,892	-	49,546	252,346
Municipal Purpose Loan of 1998 - Refunding.....	3.0 - 4.0	355,000	-	5,000	350,000
Sewer Watershed.....	2.8	-	500,000	-	500,000
Subtotal.....		18,834,144	500,000	1,588,748	17,745,396
Deferred loss on refundings.....		(52,450)	-	(7,776)	(44,674)
Total Sewer Enterprise bonds and notes payable.....		\$ 18,781,694	\$ 500,000	\$ 1,580,972	\$ 17,700,722

Debt service requirements for principal and interest for 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.....\$	1,656,982 \$	725,784 \$	2,382,766
2011.....	1,668,221	654,566	2,322,787
2012.....	1,707,568	597,855	2,305,423
2013.....	1,690,870	528,640	2,219,510
2014.....	1,725,788	468,723	2,194,511
2015.....	1,747,907	397,336	2,145,243
2016.....	1,387,752	328,632	1,716,384
2017.....	1,105,501	270,666	1,376,167
2018.....	1,116,169	219,017	1,335,186
2019.....	905,834	169,010	1,074,844
2020.....	839,600	127,762	967,362
2021.....	589,600	93,733	683,333
2022.....	429,600	69,930	499,530
2023.....	209,600	50,327	259,927
2024.....	204,601	41,681	246,282
2025.....	204,601	62,986	267,587
2026.....	194,601	24,290	218,891
2027.....	189,601	15,776	205,377
2028.....	171,000	7,481	178,481
Totals.....\$	<u>17,745,396</u> \$	<u>4,854,195</u> \$	<u>22,599,591</u>

The Sewer Enterprise Fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,181,952 and interest costs for \$977,788. Thus, net MWPAT loan repayments, including interest, are schedule to be \$4,283,334. The principal subsidies are guaranteed and therefore a \$1,181,952 intergovernmental receivable has been reported in the proprietary fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The fiscal year 2009 principal and interest subsidies totaled \$79,382 and \$188,866, respectively.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2009, approximately \$412,000 of such assistance was received. Approximately \$2,473,000 will be received in future fiscal years. Of this amount, approximately \$274,000 represents reimbursement of long-term interest costs, and approximately \$2,199,000 represents reimbursement of approved construction costs. Accordingly, a \$2,199,000 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In prior years, the Town defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the Town's financial statements. At June 30, 2009, \$22,790,000 of general obligation bonds outstanding are considered defeased.

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

Purpose	Amount
Water storage tanks.....	\$ 5,532,288
New police headquarters.....	3,563,000
Town capital program.....	<u>1,015,737</u>
Total.....	<u>\$ 10,111,025</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	Due within One Year
<b>Governmental Activities:</b>					
Long-term bonds and notes.....	\$ 38,148,855	\$ 7,122,134	\$ (6,362,702)	\$ 38,908,287	\$ 5,348,471
Unamortized deferred loss on refundings.....	<u>(1,154,843)</u>	-	<u>148,621</u>	<u>(1,006,222)</u>	<u>(192,900)</u>
Bonds and notes payable net.....	36,994,012	7,122,134	(6,214,081)	37,902,065	5,155,571
Other post-employment benefits.....	-	6,203,725	-	6,203,725	-
Compensated absences.....	<u>1,524,649</u>	<u>181,815</u>	<u>(152,465)</u>	<u>1,553,999</u>	<u>-</u>
Total governmental.....	<u>\$ 38,518,661</u>	<u>\$ 13,507,674</u>	<u>\$ (6,366,546)</u>	<u>\$ 45,659,789</u>	<u>\$ 5,155,571</u>
<b>Business-Type Activities:</b>					
Long-term bonds and notes.....	\$ 35,338,363	\$ 950,000	\$ (3,863,492)	\$ 32,424,871	\$ 3,905,766
Unamortized deferred loss on refunding.....	<u>(428,732)</u>	-	<u>94,741</u>	<u>(333,991)</u>	<u>(108,503)</u>
Bonds and notes payable net.....	34,909,631	950,000	(3,768,751)	32,090,880	3,797,263
Other post-employment benefits.....	-	782,788	-	782,788	-
Court Judgments.....	<u>168,000</u>	-	<u>(56,000)</u>	<u>112,000</u>	<u>56,000</u>
Total business-type.....	<u>\$ 35,077,631</u>	<u>\$ 1,732,788</u>	<u>\$ (3,824,751)</u>	<u>\$ 32,985,668</u>	<u>\$ 3,853,263</u>

**NOTE 9 - RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based workers' compensation plan for its active and retired employees.

The Town is self-insured for its health insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred.

**Health Insurance**

The estimated "Incurred But Not Reported (IBNR)" claims are based on actual and historical lag claims. The liability at June 30, 2009 totaled \$754,000. 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.....	\$ 869,507	\$	8,310,142	\$	(8,723,343)	\$	456,306
Fiscal Year 2009.....	456,306		8,900,481		(8,602,787)		754,000

**NOTE 10 - PENSION PLAN**

*Plan Description* - The Town contributes to the Essex Regional Retirement System (the System), a cost sharing multiple-employer defined benefit pension plan administered by the Essex County Retirement Board. School teachers and certain administrators are members of the Commonwealth of Massachusetts' Teachers Retirement System, to which the Town does not contribute. All pension benefits and expenses paid by the Teachers Retirement System are funded by the Commonwealth of Massachusetts (Commonwealth). The amount of these on-behalf payments totaled approximately \$6,164,000 for the fiscal year ended June 30, 2009, and accordingly are reported in the general fund as intergovernmental revenues and pension benefit 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 System and are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 36 Federal Street, Salem, Massachusetts, 01970.

*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, which is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the fiscal years ended June 30, 2009, 2008 and 2007 totaled \$2,468,667, \$2,261,142 and \$2,227,020, respectively, which equaled its required contribution for each fiscal year.

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 liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

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

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes a variable portion of the cost of current-year premiums, which varies by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For fiscal year 2009, the Town contributed \$4 million to the plan.

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

Normal cost.....	\$	5,804,674
Amortization of unfunded actuarial accrued liability.....		4,687,787
*Adjustment for timing.....		<u>472,161</u>
Annual OPEB cost (expense).....		10,964,622
Contributions made.....		<u>(3,978,109)</u>
Increase in net OPEB obligation.....		6,986,513
Net OPEB obligation--beginning of year.....		<u>-</u>
Net OPEB obligation--end of year.....	\$	<u><u>6,986,513</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was 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	\$ 10,964,622	36%	\$ 6,986,513

*Funded Status and Funding Progress* – As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$114.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$39.2 million, and the ratio of the UAAL to the covered payroll was 293.3 percent.

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

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

In the June 30, 2009 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual health care trend rate of 9.5% initially, graded to 5% over 9 years. The UAAL is being amortized with a level dollar amount over a 30 year period. The remaining amortization period at June 30, 2009 is 29 years.

## **NOTE 12 – COMMITMENTS**

The Town has entered into, or is planning to enter into, contracts totaling approximately \$3,563,000 for the purchase and renovation of a building for use as the Town's police headquarters.

The Town has entered into an agreement with Wheelabrator, Inc. to dispose a minimum tonnage of solid waste and make certain minimum payments for such disposal at Wheelabrator, Inc.'s facility located within the Town. These payments are unconditionally obligated without regard to any tonnage at the facility and whether or not the facility continues in operation. The Town's cost under the agreement totaled approximately \$625,000 for the fiscal year ended June 30, 2009.

As host community of the waste-to-energy facility (owned and operated by WNAI), the Town receives a "Payment in Lieu of Taxes (PILOT)" that is equal to \$2.05 for each ton of waste processed. This amount is adjusted annually for changes in the Boston consumer price index and totaled approximately \$1,389,000 during fiscal year 2009.

## **NOTE 13 – CONTINGENCIES**

The Town participates in a number of Federal award programs. These programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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

#### **NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

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

The GASB issued Statement #45, *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal 2009. This pronouncement required additional disclosure and impacted the basic financial statements.

The GASB issued Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is required to be implemented in fiscal year 2009. The basic financial statements were not impacted by this GASB.

The GASB issued Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented in fiscal year 2010. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

The GASB issued Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, which is required to be implemented in fiscal year 2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. The basic financial statements were not impacted by this GASB.

The GASB issue Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented in fiscal year 2010. The standards in this statement require governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Management elected to implement this standard early and the basic financial statements were not impacted by this GASB.

The GASB issued Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in fiscal 2009. The basic financial statements were not impacted by this GASB.

The GASB issued Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which is required to be implemented in fiscal 2009. The basic financial statements were not impacted by this GASB.

#### *Other Future GASB Pronouncements:*

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal 2011. Management believes this pronouncement will require additional disclosure and will impact the basic financial statements.

# ***Required Supplementary Information***

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

FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 54,755,701	\$ 54,755,701	\$ 54,755,701
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	4,020,000	4,020,000	4,020,000
Charges for services.....	-	970,587	970,587	970,587
Penalties and interest on taxes.....	-	327,500	327,500	327,500
Payments in lieu of taxes.....	-	1,676,508	1,676,508	1,676,508
Licenses and permits.....	-	220,000	220,000	220,000
Fines and forfeitures.....	-	158,000	158,000	158,000
Intergovernmental.....	-	10,382,635	10,382,635	10,134,087
Departmental and other.....	-	1,448,000	1,448,000	1,448,000
Investment income.....	-	500,000	500,000	500,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>74,458,931</b>	<b>74,458,931</b>	<b>74,210,383</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	115,100	2,649,878	2,764,978	2,649,397
Public safety.....	123,430	8,736,699	8,860,129	8,668,252
Education.....	308,957	36,407,338	36,716,295	36,551,295
Public works.....	131,179	4,013,901	4,145,080	4,789,209
Health and human services.....	1,931	891,304	893,235	883,910
Culture and recreation.....	6,316	822,057	828,373	807,045
Pension benefits.....	-	2,520,591	2,520,591	2,520,591
Property and liability insurance.....	-	350,000	350,000	323,212
Employee benefits.....	-	9,478,352	9,478,352	9,495,722
State and county charges.....	-	2,306,946	2,306,946	2,306,946
Debt service:				
Principal.....	-	6,362,702	6,362,702	6,362,702
Interest.....	-	2,010,412	2,010,412	2,010,412
<b>TOTAL EXPENDITURES.....</b>	<b>686,913</b>	<b>76,550,180</b>	<b>77,237,093</b>	<b>77,368,693</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(686,913)</b>	<b>(2,091,249)</b>	<b>(2,778,162)</b>	<b>(3,158,310)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds.....	-	-	-	-
Transfers in.....	-	1,004,266	1,004,266	1,004,266
Transfers out.....	-	(196,295)	(196,295)	(196,295)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>-</b>	<b>807,971</b>	<b>807,971</b>	<b>807,971</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(686,913)</b>	<b>(1,283,278)</b>	<b>(1,970,191)</b>	<b>(2,350,339)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>4,322,727</b>	<b>4,322,727</b>	<b>4,322,727</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (686,913)</b>	<b>\$ 3,039,449</b>	<b>\$ 2,352,536</b>	<b>\$ 1,972,388</b>

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 54,507,302	\$ -	\$ (248,399)
135,451	-	135,451
3,727,728	-	(292,272)
911,929	-	(58,658)
331,059	-	3,559
1,687,058	-	10,550
215,563	-	(4,437)
155,272	-	(2,728)
8,820,540	-	(1,313,547)
1,240,084	-	(207,916)
472,013	-	(27,987)
<u>72,203,999</u>	<u>-</u>	<u>(2,006,384)</u>
2,550,085	55,302	44,010
8,587,440	8,686	72,126
35,729,622	168,887	652,786
4,686,678	15,216	87,315
881,624	-	2,286
799,424	2,829	4,792
2,468,667	-	51,924
321,675	-	1,537
9,389,284	-	106,438
2,267,181	-	39,765
6,362,702	-	-
1,277,611	-	732,801
<u>75,321,993</u>	<u>250,920</u>	<u>1,795,780</u>
<u>(3,117,994)</u>	<u>(250,920)</u>	<u>(210,604)</u>
202,338	-	202,338
1,100,814	-	96,548
(196,295)	-	-
<u>1,106,857</u>	<u>-</u>	<u>298,886</u>
(2,011,137)	(250,920)	88,282
<u>4,322,727</u>	<u>-</u>	<u>-</u>
<u>\$ 2,311,590</u>	<u>\$ (250,920)</u>	<u>\$ 88,282</u>

# ***Retirement System Schedules of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**ESSEX REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/08	\$ 301,420,965	\$ 445,171,554	\$ 143,750,589	67.7%	\$ 111,726,856	128.7%
01/01/06	261,327,047	376,034,621	114,707,574	69.5%	98,641,094	116.3%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%
01/01/99	180,034,700	268,386,000	88,351,300	67.1%	89,645,300	98.6%

The Town's share of the UAAL, as of January 1, 2008 is approximately 14%.

See notes to required supplementary information.

**ESSEX REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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Plan Year Ended December 31	System Wide			Town of North Andover	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2003	\$ 12,516,569	\$ 12,516,569	100%	\$ 1,693,461	13.5%
2004	12,223,776	12,223,776	100%	1,946,329	15.9%
2005	13,080,011	13,080,011	100%	2,181,588	16.7%
2006	16,622,274	16,622,274	100%	2,227,020	13.4%
2007	15,788,864	15,788,864	100%	2,261,142	14.3%
2008	15,601,671	15,601,671	100%	2,468,667	15.8%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

# ***Other Post-Employment Benefits Plan Schedules***

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

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

**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS**

JUNE 30, 2009

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)
07/01/08	\$ -	\$ 114,931,210	\$ 114,931,210	0.0%	\$ 39,189,469	293.3%

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

See notes to required supplementary information.

**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

FISCAL YEAR ENDED JUNE 30, 2009

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Actuarial Methods:

Valuation date.....	July 1, 2008
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level dollar amount over thirty years based on an open group.
Remaining amortization period.....	29 years

Actuarial Assumptions:

Investment rate of return.....	4.5%
--------------------------------	------

Plan Membership:

Current retirees, beneficiaries, and dependents.....	411
Current active members.....	<u>806</u>
Total	<u><u>1,217</u></u>

See notes to required supplementary information.

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any individual line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of the Town’s 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 authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget for the General Fund authorized approximately \$77.4 million in appropriations and other amounts to be raised. During fiscal year 2009, Town Meeting also approved supplemental appropriations totaling approximately \$132,000.

The Town Accountant’s office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) 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.....	\$ (2,011,137)
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	(49,659)
Net change in recording tax refunds payable.....	38,614
Net change in recording short-term interest accrual.....	1,742
Recognition of revenue for on-behalf payments.....	6,164,000
Recognition of expenditures for on-behalf payments.....	<u>(6,164,000)</u>
Net change in fund balance - gaap basis.....	<u>\$ (2,020,440)</u>

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, expenditures did not exceed appropriations.

**NOTE B – PENSION PLAN**

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

Actuarial Methods and Assumptions:

Valuation Date..... January 1, 2008  
 Actuarial Cost Method..... Entry Age Normal Cost Method  
 Amortization Method..... Increasing at 4.5% per year, level dollar for ERI liability for certain units  
 Remaining Amortization Period..... 20 years remaining as of July 1, 2008  
 Asset Valuation Method..... A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments and administrative expenses). 20% of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value. In order that the actuarial value not differ too significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.

Actuarial Assumptions:

Investment rate of return..... 8.50%  
 Projected salary increases..... 5.00%  
 Cost of living adjustments..... 3.0% of first \$12,000 of retirement income.

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	1,568
Inactive participants.....	880
Disabled.....	65
Active participants.....	<u>3,139</u>
Total.....	<u><u>5,652</u></u>

**NOTE C – OTHER POST-EMPLOYMENT BENEFITS PLAN**

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

The Town currently finances its other 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 actuarially determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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

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

## ***Additional Information***

**ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**BUDGETARY BASIS - BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2009

	Water Fund				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
<b>OPERATING REVENUES:</b>					
Charges for services .....	\$ 5,662,845	\$ 5,662,845	\$ 4,885,691	\$ -	\$ (777,154)
Penalties and interest.....	20,000	20,000	21,766	-	1,766
<b>TOTAL OPERATING REVENUES .....</b>	<b>5,682,845</b>	<b>5,682,845</b>	<b>4,907,457</b>	<b>-</b>	<b>(775,388)</b>
<b>OPERATING EXPENSES:</b>					
Cost of service and administration.....	2,304,591	2,312,725	1,878,577	5,273	428,875
GLDS assessment.....	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES .....</b>	<b>2,304,591</b>	<b>2,312,725</b>	<b>1,878,577</b>	<b>5,273</b>	<b>428,875</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>3,378,254</b>	<b>3,370,120</b>	<b>3,028,880</b>	<b>(5,273)</b>	<b>(346,513)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	-	-	7,709	-	-
Interest expense.....	(379,646)	(489,610)	(463,627)	-	25,983
Debt service - principal.....	(2,392,842)	(2,274,744)	(2,274,744)	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(2,772,488)</b>	<b>(2,764,354)</b>	<b>(2,730,662)</b>	<b>-</b>	<b>25,983</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>605,766</b>	<b>605,766</b>	<b>298,218</b>	<b>(5,273)</b>	<b>(320,530)</b>
<b>TRANSFERS:</b>					
Transfers in.....	-	-	-	-	-
Transfers out.....	(694,196)	(694,196)	(693,292)	-	904
<b>TOTAL OPERATING TRANSFERS.....</b>	<b>(694,196)</b>	<b>(694,196)</b>	<b>(693,292)</b>	<b>-</b>	<b>904</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(88,430)</b>	<b>(88,430)</b>	<b>(395,074)</b>	<b>(5,273)</b>	<b>(319,626)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>296,240</b>	<b>296,240</b>	<b>296,240</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 207,810</b>	<b>\$ 207,810</b>	<b>\$ (98,834)</b>	<b>\$ (5,273)</b>	<b>\$ (319,626)</b>

Sewer Fund					Osgood Hill Fund				
Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 4,196,544	\$ 4,196,544	\$ 3,931,290	\$ -	\$ (265,254)	\$ 512,420	\$ 512,420	\$ 193,103	\$ -	\$ (319,317)
<u>18,000</u>	<u>18,000</u>	<u>19,404</u>	<u>-</u>	<u>1,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,214,544</u>	<u>4,214,544</u>	<u>3,950,694</u>	<u>-</u>	<u>(263,850)</u>	<u>512,420</u>	<u>512,420</u>	<u>193,103</u>	<u>-</u>	<u>(319,317)</u>
756,292	759,139	734,815	6,534	17,790	449,888	449,888	240,203	1,109	208,576
<u>1,373,822</u>	<u>1,373,822</u>	<u>1,190,706</u>	<u>-</u>	<u>183,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,130,114</u>	<u>2,132,961</u>	<u>1,925,521</u>	<u>6,534</u>	<u>200,906</u>	<u>449,888</u>	<u>449,888</u>	<u>240,203</u>	<u>1,109</u>	<u>208,576</u>
<u>2,084,430</u>	<u>2,081,583</u>	<u>2,025,173</u>	<u>(6,534)</u>	<u>(62,944)</u>	<u>62,532</u>	<u>62,532</u>	<u>(47,100)</u>	<u>(1,109)</u>	<u>(110,741)</u>
-	-	4,604	-	-	-	-	-	-	-
(594,620)	(580,927)	(562,927)	-	18,000	-	-	-	-	-
<u>(1,499,495)</u>	<u>(1,510,341)</u>	<u>(1,510,341)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,094,115)</u>	<u>(2,091,268)</u>	<u>(2,068,664)</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(9,685)</u>	<u>(9,685)</u>	<u>(43,491)</u>	<u>(6,534)</u>	<u>(44,944)</u>	<u>62,532</u>	<u>62,532</u>	<u>(47,100)</u>	<u>(1,109)</u>	<u>(110,741)</u>
-	-	-	-	-	196,295	196,295	196,295	-	-
<u>(348,894)</u>	<u>(348,894)</u>	<u>(347,854)</u>	<u>-</u>	<u>1,040</u>	<u>(64,176)</u>	<u>(64,176)</u>	<u>(64,176)</u>	<u>-</u>	<u>-</u>
<u>(348,894)</u>	<u>(348,894)</u>	<u>(347,854)</u>	<u>-</u>	<u>1,040</u>	<u>132,119</u>	<u>132,119</u>	<u>132,119</u>	<u>-</u>	<u>-</u>
(358,579)	(358,579)	(391,345)	(6,534)	(43,904)	194,651	194,651	85,019	(1,109)	(110,741)
<u>618,941</u>	<u>618,941</u>	<u>618,941</u>	<u>-</u>	<u>-</u>	<u>(176,399)</u>	<u>(176,399)</u>	<u>(176,399)</u>	<u>-</u>	<u>-</u>
<u>\$ 260,362</u>	<u>\$ 260,362</u>	<u>\$ 227,596</u>	<u>\$ (6,534)</u>	<u>\$ (43,904)</u>	<u>\$ 18,252</u>	<u>\$ 18,252</u>	<u>\$ (91,380)</u>	<u>\$ (1,109)</u>	<u>\$ (110,741)</u>