

**TOWN OF
NORTH ATTLEBOROUGH, MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2010

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 11 |
| Statement of Activities | 12 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 13 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund | 17 |
| Proprietary Funds: | |
| Statement of Net Assets | 18 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets | 19 |
| Statement of Cash Flows | 20 |
| Fiduciary Funds: | |
| Statement of Fiduciary Net Assets | 21 |
| Statement of Changes in Fiduciary Net Assets | 22 |
| Notes to Financial Statements | 23 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Schedule of Funding Progress | 51 |



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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of North Attleborough, 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 Attleborough, Massachusetts, as of and for the year ended June 30, 2010 (except for the Town's Contributory Retirement System, which is as of and for the year ended December 31, 2009), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of North Attleborough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the Town of North Attleborough, Massachusetts Electric Department at December 31, 2009 and for the year then ended. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the Electric Department, is based on the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Attleborough, Massachusetts, as of June 30, 2010 (except for the Town's Contrib-

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utory Retirement System, which is as of December 31, 2009), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing on page 51, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 5, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
April 5, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of North Attleborough, we offer readers this narrative overview and analysis of the financial activities of the Town of North Attleborough for the fiscal year ended June 30, 2010.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a 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, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include water, sewer, landfill, and electric 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 financial statements focus on near-term inflows and outflows 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, landfill, and electric enterprise operations, all of which are considered to be major funds.

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

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 165,064,203 (i.e., net assets), a change of \$ (13,031,958) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 14,414,529, a change of \$ (1,748,970) in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,442,712, a change of \$ (208,848) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 47,906,844, a change of \$ (6,100,142) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|-----------------------------------|------------------------------------|------------------|-------------------------------------|-------------------|-------------------|-------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Current and other assets | \$ 35,234 | \$ 36,997 | \$ 53,692 | \$ 48,022 | \$ 88,926 | \$ 85,019 |
| Capital assets | 79,579 | 81,077 | 93,954 | 93,869 | 173,533 | 174,946 |
| Total assets | <u>114,813</u> | <u>118,074</u> | <u>147,646</u> | <u>141,891</u> | <u>262,459</u> | <u>259,965</u> |
| Long-term liabilities outstanding | 43,390 | 33,478 | 30,052 | 31,357 | 73,442 | 64,835 |
| Other liabilities | 10,335 | 8,450 | 13,618 | 8,584 | 23,953 | 17,034 |
| Total liabilities | <u>53,725</u> | <u>41,928</u> | <u>43,670</u> | <u>39,941</u> | <u>97,395</u> | <u>81,869</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net | 60,116 | 59,618 | 71,404 | 68,216 | 131,520 | 127,834 |
| Restricted | 7,014 | 6,949 | - | - | 7,014 | 6,949 |
| Unrestricted | (6,042) | 9,579 | 32,572 | 33,734 | 26,530 | 43,313 |
| Total net assets | <u>\$ 61,088</u> | <u>\$ 76,146</u> | <u>\$ 103,976</u> | <u>\$ 101,950</u> | <u>\$ 165,064</u> | <u>\$ 178,096</u> |

CHANGES IN NET ASSETS

| | <u>Governmental</u> | | <u>Business-Type</u> | | <u>Total</u> | |
|--|---------------------|------------------|----------------------|-------------------|-------------------|-------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 3,368 | \$ 3,563 | \$ 37,440 | \$ 45,818 | \$ 40,808 | \$ 49,381 |
| Operating grants and contributions | 30,223 | 30,071 | - | - | 30,223 | 30,071 |
| Capital grants and contributions | 660 | 614 | - | - | 660 | 614 |
| General revenues: | | | | | | |
| Property taxes | 38,558 | 37,740 | - | - | 38,558 | 37,740 |
| Excises | 3,118 | 3,148 | - | - | 3,118 | 3,148 |
| Penalties and interest on taxes | 504 | 399 | - | - | 504 | 399 |
| Grants and contributions not restricted to specific programs | 2,724 | 3,692 | 200 | 120 | 2,924 | 3,812 |
| Investment income | 262 | 396 | 573 | 1,781 | 835 | 2,177 |
| Other | 1,320 | 1,620 | 564 | 2,221 | 1,884 | 3,841 |
| Total revenues | <u>80,737</u> | <u>81,243</u> | <u>38,777</u> | <u>49,940</u> | <u>119,514</u> | <u>131,183</u> |
| Expenses: | | | | | | |
| General government | 3,628 | 3,409 | - | - | 3,628 | 3,409 |
| Public safety | 10,082 | 10,293 | - | - | 10,082 | 10,293 |
| Education | 55,763 | 57,038 | - | - | 55,763 | 57,038 |
| Public works | 3,766 | 4,113 | - | - | 3,766 | 4,113 |
| Human services | 795 | 742 | - | - | 795 | 742 |
| Culture and recreation | 1,504 | 1,632 | - | - | 1,504 | 1,632 |
| Employee benefits | 16,445 | 12,565 | - | - | 16,445 | 12,565 |
| Interest on long-term debt | 1,042 | 1,758 | - | - | 1,042 | 1,758 |
| Intergovernmental | 2,901 | 2,805 | - | - | 2,901 | 2,805 |
| Water operations | - | - | 3,845 | 4,067 | 3,845 | 4,067 |
| Sewer operations | - | - | 4,715 | 4,941 | 4,715 | 4,941 |
| Landfill operations | - | - | 1,968 | 2,056 | 1,968 | 2,056 |
| Electric operations | - | - | 26,056 | 33,522 | 26,056 | 33,522 |
| Total expenses | <u>95,926</u> | <u>94,355</u> | <u>36,584</u> | <u>44,586</u> | <u>132,510</u> | <u>138,941</u> |
| Change in net assets before transfers | (15,189) | (13,112) | 2,193 | 5,354 | (12,996) | (7,758) |
| Transfers in (out) | <u>11</u> | <u>(229)</u> | <u>(47)</u> | <u>584</u> | <u>(36)</u> | <u>355</u> |
| Increase in net assets | (15,178) | (13,341) | 2,146 | 5,938 | (13,032) | (7,403) |
| Net assets - beginning of year (as restated) | <u>76,266</u> | <u>89,607</u> | <u>101,830</u> | <u>95,892</u> | <u>178,096</u> | <u>185,499</u> |
| Net assets - end of year | <u>\$ 61,088</u> | <u>\$ 76,266</u> | <u>\$ 103,976</u> | <u>\$ 101,830</u> | <u>\$ 165,064</u> | <u>\$ 178,096</u> |

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 165,064,203, a change of \$ (13,031,958) from the prior year.

The largest portion of net assets \$ 131,519,383 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 7,014,827 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 26,529,993 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (15,178,178). Key elements of this change are as follows:

| | |
|--|------------------------|
| General fund operations | \$ (225,521) |
| Nonmajor funds - accrual basis | 523,276 |
| Depreciation expense in excess of principal debt service | (734,980) |
| Accrued other post-employment benefits | (13,334,365) |
| Other GAAP accruals | <u>(1,406,588)</u> |
| Total | <u>\$ (15,178,178)</u> |

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 2,146,220. Key elements of this change are as follows:

| | |
|---------------------|---------------------|
| Water operations | \$ 853,167 |
| Sewer operations | (95,983) |
| Landfill operations | 847,931 |
| Electric operations | <u>541,105</u> |
| Total | <u>\$ 2,146,220</u> |

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used 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 \$ 14,414,529, a change of \$ (1,748,970) in comparison to the prior year. Key elements of this change are as follows:

| | |
|--------------------------------|-----------------------|
| General fund operating results | \$ (225,521) |
| Nonmajor fund deficit | <u>(1,523,449)</u> |
| Total | <u>\$ (1,748,970)</u> |

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 1,442,712, while total fund balance was \$ 2,787,047. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2 percent of total general fund expenditures, while total fund balance represents 4 percent of that same amount.

The fund balance of the general fund changed by \$ (225,521) during the current fiscal year. Key factors in this change are as follows:

| | |
|--|---------------------|
| Revenues surplus compared to budget | \$ 249,279 |
| Appropriation turnbacks by departments | 922,671 |
| Shorfall tax collections versus budget | (113,852) |
| Current year encumbrances to be spent in the subsequent year, over prior year encumbrances to be spent in the current year | 41,221 |
| Use of free cash | (1,271,960) |
| Use of overlay surplus | (53,000) |
| Raising of prior year deficits | <u>120</u> |
| Total | <u>\$ (225,521)</u> |

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 32,572,261, a change of \$ (1,161,385) in comparison to the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 258,325. Major reasons for these amendments include:

- \$ 10,000 increase in public safety appropriations
- \$ 224,500 increase in public works appropriations
- \$ 63,500 addition transfers to other funds
- \$ 39,675 decrease in employee benefits

Of this increase, \$ 18,000 was funded from the use of overlay surplus, \$ 240,325 from the use of free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 173,532,583 (net of accumulated depreciation), a change of \$ (1,413,322) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Increase in electric buildings and improvements of \$ 1,394,090.
- Increase in Town infrastructure of \$ 1,324,193.

Additional information on capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 47,906,844, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of North Attleborough'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:

Office of Town Accountant
Town of North Attleborough, Massachusetts
43 South Washington Street
North Attleborough, Massachusetts 02760

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2010

(EXCEPT FOR THE MUNICIPAL LIGHT PLANT, WHICH IS DECEMBER 31, 2009)

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|---|-----------------------------------|------------------------------------|-----------------------|
| ASSETS | | | |
| Current: | | | |
| Cash and short-term investments | \$ 10,709,652 | \$ 18,695,292 | \$ 29,404,944 |
| Investments | 9,505,585 | - | 9,505,585 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 888,086 | - | 888,086 |
| Excises | 273,742 | - | 273,742 |
| User fees | - | 6,855,502 | 6,855,502 |
| Departmental and other | 1,004,513 | - | 1,004,513 |
| Intergovernmental | 2,036,106 | 486,595 | 2,522,701 |
| Deferred charges on refunding | 213,205 | - | 213,205 |
| Unamortized bond issue costs | 28,474 | - | 28,474 |
| Materials and supplies inventory | 4,660 | 741,869 | 746,529 |
| Prepaid expenses | - | 351,528 | 351,528 |
| Purchase power working capital | - | 2,002,049 | 2,002,049 |
| Noncurrent: | | | |
| Restricted cash | - | 20,359,936 | 20,359,936 |
| Restricted investments | - | 2,511,951 | 2,511,951 |
| Investment in Hydro Quebec | - | 10,528 | 10,528 |
| Investment in Captive Insurance Trust | - | 96,000 | 96,000 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 282,986 | - | 282,986 |
| Intergovernmental | 9,804,459 | 1,581,159 | 11,385,618 |
| Deferred charges on refunding, net of current portion | 426,408 | - | 426,408 |
| Unamortized bond issue costs, net of current portion | 56,956 | - | 56,956 |
| Capital Assets | | | |
| Land and construction in progress | 9,009,441 | 1,503,768 | 10,513,209 |
| Other capital assets, net of accumulated depreciation | 70,569,227 | 92,450,147 | 163,019,374 |
| TOTAL ASSETS | 114,813,500 | 147,646,324 | 262,459,824 |
| LIABILITIES | | | |
| Current: | | | |
| Warrants payable | 1,376,996 | 76,170 | 1,453,166 |
| Accounts payable | 727,156 | 2,966,565 | 3,693,721 |
| Accrued liabilities | 1,608,226 | 316,638 | 1,924,864 |
| Tax refunds payable | 390,000 | - | 390,000 |
| Taxes paid in advance | 34,960 | - | 34,960 |
| Bond anticipation notes | 2,107,000 | 4,582,600 | 6,689,600 |
| Prepaid use fees | - | 5,436 | 5,436 |
| Refunds due to customers | - | 1,976,386 | 1,976,386 |
| Customer advances for construction | - | 300 | 300 |
| Other liabilities | 675,461 | - | 675,461 |
| Current portion of long-term liabilities: | | | |
| Bonds payable | 3,174,000 | 2,396,285 | 5,570,285 |
| Compensated absence | 13,393 | 199,384 | 212,777 |
| Capital lease | 90,161 | - | 90,161 |
| Unamortized bond premium | 138,097 | - | 138,097 |
| Landfill closure | - | 56,250 | 56,250 |
| Deferred credits | - | 1,042,464 | 1,042,464 |
| Noncurrent: | | | |
| Bonds payable, net of current portion | 17,954,400 | 24,382,159 | 42,336,559 |
| Compensated absence, net of current portion | 254,466 | 89,955 | 344,421 |
| Capital lease, net of current portion | 54,793 | - | 54,793 |
| Unamortized bond premium, net of current portion | 267,687 | - | 267,687 |
| Landfill closure, net of current portion | - | 1,462,500 | 1,462,500 |
| Deferred credits, net of current portion | - | 1,042,463 | 1,042,463 |
| Customer deposits | - | 382,055 | 382,055 |
| Accrued other post-employment benefits | 24,858,400 | 1,528,101 | 26,386,501 |
| Rate stabilization | - | 1,164,714 | 1,164,714 |
| TOTAL LIABILITIES | 53,725,196 | 43,670,425 | 97,395,621 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 60,115,745 | 71,403,638 | 131,519,383 |
| Restricted for: | | | |
| Grants and other statutory restrictions | 4,241,493 | - | 4,241,493 |
| Permanent funds: | | | |
| Nonexpendable | 2,065,165 | - | 2,065,165 |
| Expendable | 708,169 | - | 708,169 |
| Unrestricted | (6,042,268) | 32,572,261 | 26,529,993 |
| TOTAL NET ASSETS | \$ 61,088,304 | \$ 103,975,899 | \$ 165,064,203 |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(EXCEPT FOR THE MUNICIPAL LIGHT PLANT, WHICH IS FOR THE YEAR ENDED DECEMBER 31, 2009)

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expenses) Revenues and Changes in Net Assets</u> | | |
|--|-----------------|-----------------------------|---|---|--|---------------------------------|----------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Governmental Activities: | | | | | | | |
| General government | \$ 3,628,482 | \$ 313,803 | \$ 166,058 | \$ - | \$ (3,148,621) | \$ - | \$ (3,148,621) |
| Public safety | 10,082,163 | 1,202,410 | 292,026 | - | (8,587,727) | - | (8,587,727) |
| Education | 55,763,048 | 1,383,814 | 29,647,944 | - | (24,731,290) | - | (24,731,290) |
| Public works | 3,765,774 | 58,534 | - | 660,150 | (3,047,090) | - | (3,047,090) |
| Health and human services | 794,808 | 96,930 | 59,982 | - | (637,896) | - | (637,896) |
| Culture and recreation | 1,503,778 | 313,062 | 56,463 | - | (1,134,253) | - | (1,134,253) |
| Employee benefits | 16,445,144 | - | - | - | (16,445,144) | - | (16,445,144) |
| Interest | 1,042,073 | - | - | - | (1,042,073) | - | (1,042,073) |
| Intergovernmental | 2,901,041 | - | - | - | (2,901,041) | - | (2,901,041) |
| Total Governmental Activities | 95,926,311 | 3,368,553 | 30,222,473 | 660,150 | (61,675,135) | - | (61,675,135) |
| Business-Type Activities: | | | | | | | |
| Water | 3,845,503 | 4,558,322 | - | - | - | 712,819 | 712,819 |
| Sewer | 4,714,834 | 3,625,966 | - | - | - | (1,088,868) | (1,088,868) |
| Landfill | 1,967,847 | 2,840,168 | - | - | - | 872,321 | 872,321 |
| Electric | 26,055,538 | 26,415,645 | - | - | - | 360,107 | 360,107 |
| Total Business-type Activities | 36,583,722 | 37,440,101 | - | - | - | 856,379 | 856,379 |
| Total | \$ 132,510,033 | \$ 40,808,654 | \$ 30,222,473 | \$ 660,150 | (61,675,135) | 856,379 | (60,818,756) |
| General Revenues and Transfers: | | | | | | | |
| Property taxes | | | | | 38,558,011 | - | 38,558,011 |
| Excises | | | | | 3,117,979 | - | 3,117,979 |
| Penalties, interest and other taxes | | | | | 504,054 | - | 504,054 |
| Grants and contributions not restricted to specific programs | | | | | 2,724,077 | 200,482 | 2,924,559 |
| Investment income | | | | | 262,093 | 572,522 | 834,615 |
| Loss on sale of investments | | | | | - | (446,750) | (446,750) |
| Miscellaneous | | | | | 1,319,922 | 1,010,815 | 2,330,737 |
| Transfers, net | | | | | 10,821 | (47,228) | (36,407) |
| Total general revenues and transfers | | | | | 46,496,957 | 1,289,841 | 47,786,798 |
| Change in Net Assets | | | | | (15,178,178) | 2,146,220 | (13,031,958) |
| Net Assets: | | | | | | | |
| Beginning of year, as restated | | | | | 76,266,482 | 101,829,679 | 178,096,161 |
| End of year | | | | | \$ 61,088,304 | \$ 103,975,899 | \$ 165,064,203 |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

| ASSETS | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-----------------------------|--|---|
| Cash and short-term equivalents | \$ 1,889,267 | \$ 8,820,385 | \$ 10,709,652 |
| Investments | 4,609,223 | 4,896,362 | 9,505,585 |
| Receivables: | | | |
| Property taxes | 1,319,102 | - | 1,319,102 |
| Excises | 642,440 | - | 642,440 |
| Departmental and other | 705,387 | 307,533 | 1,012,920 |
| Due from other governments | 9,939,170 | 1,901,393 | 11,840,563 |
| Other assets | <u>4,660</u> | <u>-</u> | <u>4,660</u> |
| TOTAL ASSETS | \$ <u>19,109,249</u> | \$ <u>15,925,673</u> | \$ <u>35,034,922</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Warrants payable | \$ 1,362,687 | \$ 14,308 | \$ 1,376,995 |
| Accounts payable | 444,005 | 283,151 | 727,156 |
| Deferred revenues | 12,083,895 | 1,893,732 | 13,977,627 |
| Bond anticipation notes | - | 2,107,000 | 2,107,000 |
| Tax refunds payable | 390,000 | - | 390,000 |
| Taxes paid in advance | 34,960 | - | 34,960 |
| Accrued expenses | 1,331,195 | - | 1,331,195 |
| Other liabilities | <u>675,460</u> | <u>-</u> | <u>675,460</u> |
| TOTAL LIABILITIES | 16,322,202 | 4,298,191 | 20,620,393 |
| Fund Balances: | | | |
| Reserved for: | | | |
| Encumbrances and continuing appropriations | 467,973 | - | 467,973 |
| Expenditures | 40,000 | 2,250,120 | 2,290,120 |
| Debt service | 829,487 | - | 829,487 |
| Other purposes | 6,875 | 450 | 7,325 |
| Perpetual (nonexpendable) permanent funds | - | 2,065,165 | 2,065,165 |
| Undesignated, reported in: | | | |
| General fund | 1,442,712 | - | 1,442,712 |
| Special revenue funds | - | 4,938,101 | 4,938,101 |
| Capital project funds | - | 1,665,477 | 1,665,477 |
| Permanent funds | <u>-</u> | <u>708,169</u> | <u>708,169</u> |
| TOTAL FUND BALANCES | <u>2,787,047</u> | <u>11,627,482</u> | <u>14,414,529</u> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ <u>19,109,249</u> | \$ <u>15,925,673</u> | \$ <u>35,034,922</u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2010

| | |
|---|-----------------------------|
| Total governmental fund balances | \$ 14,414,529 |
| <ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 79,578,668 |
| <ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection. | 13,452,493 |
| <ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (277,032) |
| <ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(46,080,354)</u> |
| Net assets of governmental activities | <u><u>\$ 61,088,304</u></u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>General</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|---|---------------------|--|---------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 38,511,421 | \$ - | \$ 38,511,421 |
| Excises | 3,231,443 | - | 3,231,443 |
| Penalties, interest and other taxes | 504,026 | - | 504,026 |
| Charges for services | - | 2,875,814 | 2,875,814 |
| Intergovernmental | 31,359,891 | 3,846,115 | 35,206,006 |
| Licenses and permits | 629,588 | - | 629,588 |
| Fines and forfeitures | 34,611 | - | 34,611 |
| Investment income | 116,226 | 145,867 | 262,093 |
| Betterments | 161,332 | - | 161,332 |
| Miscellaneous | 408,828 | 945,510 | 1,354,338 |
| Total Revenues | <u>74,957,366</u> | <u>7,813,306</u> | <u>82,770,672</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 2,656,173 | 873,818 | 3,529,991 |
| Public safety | 9,181,149 | 938,511 | 10,119,660 |
| Education | 42,590,749 | 4,551,909 | 47,142,658 |
| Public works | 1,781,256 | 1,331,956 | 3,113,212 |
| Health and human services | 708,532 | 83,098 | 791,630 |
| Culture and recreation | 952,064 | 453,170 | 1,405,234 |
| Employee benefits | 11,071,395 | - | 11,071,395 |
| Debt service | 4,455,641 | - | 4,455,641 |
| Intergovernmental | 2,901,041 | - | 2,901,041 |
| Total Expenditures | <u>76,298,000</u> | <u>8,232,462</u> | <u>84,530,462</u> |
| Excess (deficiency) of revenues over expenditures | (1,340,634) | (419,156) | (1,759,790) |
| Other Financing Sources (Uses): | | | |
| Transfers in | 2,912,936 | 1,553,295 | 4,466,231 |
| Transfers out | <u>(1,797,823)</u> | <u>(2,657,588)</u> | <u>(4,455,411)</u> |
| Total Other Financing Sources (Uses) | <u>1,115,113</u> | <u>(1,104,293)</u> | <u>10,820</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (225,521) | (1,523,449) | (1,748,970) |
| Fund Equity, at Beginning of Year | <u>3,012,568</u> | <u>13,150,931</u> | <u>16,163,499</u> |
| Fund Equity, at End of Year | <u>\$ 2,787,047</u> | <u>\$ 11,627,482</u> | <u>\$ 14,414,529</u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS
 RECONCILIATION OF THE STATEMENT OF REVENUES
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

| | |
|--|--------------------------------------|
| NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ (1,748,970) |
| <ul style="list-style-type: none"> • 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 purchases | 2,717,803 |
| Depreciation | (4,168,549) |
| Capital dispositions | (47,226) |
| <ul style="list-style-type: none"> • 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. | |
| | (1,985,308) |
| <ul style="list-style-type: none"> • 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: | |
| Repayments of debt | 3,433,569 |
| Payment of capital lease | 85,608 |
| Bond premium amortization | 138,097 |
| Deferred charges on refunding amortization | (213,205) |
| Bond issue cost amortization | (28,474) |
| <ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | |
| | 55,107 |
| <ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. | |
| | <u>(13,416,630)</u> |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | \$ <u><u>(15,178,178)</u></u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|---------------------------|---|
| | <u>Original Budget</u> | <u>Final Budget</u> | | |
| Revenues and Other Sources: | | | | |
| Taxes | \$ 38,625,273 | \$ 38,625,273 | \$ 38,625,273 | \$ - |
| Excise | 3,251,922 | 3,251,922 | 3,231,443 | (20,479) |
| Penalties, interest and other taxes | 499,542 | 499,542 | 504,026 | 4,484 |
| Intergovernmental | 25,226,791 | 25,226,791 | 25,128,004 | (98,787) |
| Licenses and permits | 539,202 | 539,202 | 629,588 | 90,386 |
| Fines and forfeits | 28,945 | 28,945 | 34,611 | 5,666 |
| Investment income | 230,895 | 230,895 | 116,226 | (114,669) |
| Betterments | 136,096 | 136,096 | 161,332 | 25,236 |
| Miscellaneous | 407,087 | 407,087 | 408,828 | 1,741 |
| Transfers in | 2,557,235 | 2,557,235 | 2,912,936 | 355,701 |
| Use of overlay surplus | 35,000 | 53,000 | 53,000 | - |
| Use of free cash | 1,031,635 | 1,271,960 | 1,271,960 | - |
| | <u>72,569,623</u> | <u>72,827,948</u> | <u>73,077,227</u> | <u>249,279</u> |
| Expenditures and Other Uses: | | | | |
| General government | 2,753,440 | 2,753,440 | 2,631,191 | 122,249 |
| Public safety | 9,204,388 | 9,214,388 | 9,213,827 | 561 |
| Education | 36,391,605 | 36,391,605 | 36,356,714 | 34,891 |
| Public works | 1,668,496 | 1,892,996 | 1,779,902 | 113,094 |
| Health and human services | 767,911 | 767,911 | 718,009 | 49,902 |
| Culture and recreation | 955,783 | 955,783 | 953,849 | 1,934 |
| Debt service | 5,358,873 | 5,358,873 | 5,068,311 | 290,562 |
| Intergovernmental | 2,957,203 | 2,957,203 | 2,901,041 | 56,162 |
| Employee benefits | 11,415,602 | 11,375,927 | 11,122,611 | 253,316 |
| Prior year deficits raised | 120 | 120 | 120 | - |
| Transfers out | 1,096,202 | 1,159,702 | 1,159,702 | - |
| | <u>72,569,623</u> | <u>72,827,948</u> | <u>71,905,277</u> | <u>922,671</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | \$ <u>-</u> | \$ <u>-</u> | \$ <u>1,171,950</u> | \$ <u>1,171,950</u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2010
 (DECEMBER 31, 2009 FOR THE ELECTRIC DEPARTMENT)

| | Business-Type Activities Enterprise Funds | | | | <u>Total</u> |
|---|---|-----------------------|--------------------------|--------------------------|-----------------------|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Landfill Fund</u> | <u>Electric Fund</u> | |
| <u>ASSETS</u> | | | | | |
| Current: | | | | | |
| Cash and short-term investments | \$ 4,576,837 | \$ 4,649,486 | \$ 1,616,884 | \$ 7,852,085 | \$ 18,695,292 |
| User fees | 2,788,316 | 2,247,572 | 404,581 | 1,415,033 | 6,855,502 |
| Due from other governments | 81,463 | 353,016 | 52,116 | - | 486,595 |
| Materials and supplies inventory | - | - | - | 741,869 | 741,869 |
| Prepaid expenses | - | - | - | 351,528 | 351,528 |
| Purchased power working capital | - | - | - | 2,002,049 | 2,002,049 |
| Total current assets | 7,446,616 | 7,250,074 | 2,073,581 | 12,362,564 | 29,132,835 |
| Noncurrent: | | | | | |
| Restricted cash | - | - | - | 20,359,936 | 20,359,936 |
| Restricted investments | - | - | - | 2,511,951 | 2,511,951 |
| Investment in Hydro Quebec | - | - | - | 10,528 | 10,528 |
| Investment in Captive Insurance Trust | - | - | - | 96,000 | 96,000 |
| Due from other governments, net of current portion | 826,834 | 273,008 | 481,317 | - | 1,581,159 |
| Capital assets | | | | | |
| Land and construction in progress | 417,458 | 983,195 | 3,492 | 99,623 | 1,503,768 |
| Other capital assets, net of accumulated depreciation | 34,339,841 | 40,425,503 | 24,416 | 17,660,387 | 92,450,147 |
| Total noncurrent assets | 35,584,133 | 41,681,706 | 509,225 | 40,738,425 | 118,513,489 |
| TOTAL ASSETS | 43,030,749 | 48,931,780 | 2,582,806 | 53,100,989 | 147,646,324 |
| <u>LIABILITIES</u> | | | | | |
| Current: | | | | | |
| Warrants payable | 35,150 | 31,627 | 9,393 | - | 76,170 |
| Accounts payable | 166,320 | 194,578 | 20,326 | 2,585,341 | 2,966,565 |
| Accrued liabilities | 88,717 | 137,067 | 42,210 | 48,644 | 316,638 |
| Bond anticipation notes | 1,336,315 | 3,246,285 | - | - | 4,582,600 |
| Current portion of long-term liabilities: | | | | | |
| Bonds payable | 720,136 | 1,134,434 | 266,715 | 275,000 | 2,396,285 |
| Compensated absence | 427 | 85 | 127 | 198,745 | 199,384 |
| Landfill | - | - | 56,250 | - | 56,250 |
| Deferred credits | - | - | - | 1,042,464 | 1,042,464 |
| Prepaid user fees | - | - | 5,436 | - | 5,436 |
| Refunds due to customers | - | - | - | 1,976,386 | 1,976,386 |
| Total current liabilities | 2,347,065 | 4,744,076 | 400,457 | 6,126,580 | 13,618,178 |
| Noncurrent: | | | | | |
| Bonds payable, net of current portion | 6,881,697 | 12,373,142 | 2,930,691 | 2,196,629 | 24,382,159 |
| Compensated absence, net of current portion | 8,109 | 1,625 | 2,421 | 77,800 | 89,955 |
| Landfill, net of current portion | - | - | 1,462,500 | - | 1,462,500 |
| Deferred credits, net of current portion | - | - | - | 1,042,463 | 1,042,463 |
| Customer deposits | - | - | - | 382,055 | 382,055 |
| Customer advances for construction | - | - | - | 300 | 300 |
| Accrued other post-employment benefits | 732,501 | 554,177 | 241,423 | - | 1,528,101 |
| Rate stabilization | - | - | - | 1,164,714 | 1,164,714 |
| Total noncurrent liabilities | 7,622,307 | 12,928,944 | 4,637,035 | 4,863,961 | 30,052,247 |
| TOTAL LIABILITIES | 9,969,372 | 17,673,020 | 5,037,492 | 10,990,541 | 43,670,425 |
| <u>NET ASSETS</u> | | | | | |
| Invested in capital assets, net of related debt | 28,665,710 | 27,231,659 | 217,888 | 15,288,381 | 71,403,638 |
| Unrestricted | 4,395,667 | 4,027,101 | (2,672,574) | 26,822,067 | 32,572,261 |
| TOTAL NET ASSETS | \$ 33,061,377 | \$ 31,258,760 | \$ (2,454,686) | \$ 42,110,448 | \$ 103,975,899 |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010
(DECEMBER 31, 2009 FOR THE ELECTRIC DEPARTMENT)

| | Business-Type Activities Enterprise Funds | | | | Total |
|--|---|----------------------|-----------------------|----------------------|-----------------------|
| | Water Fund | Sewer Fund | Landfill Fund | Electric Fund | |
| Operating Revenues: | | | | | |
| Charges for services | \$ 4,558,322 | \$ 3,625,966 | \$ 2,840,168 | \$ 26,415,645 | \$ 37,440,101 |
| Other operating revenue | <u>69,687</u> | <u>550,533</u> | <u>664</u> | <u>381,218</u> | <u>1,002,102</u> |
| Total Operating Revenues | 4,628,009 | 4,176,499 | 2,840,832 | 26,796,863 | 38,442,203 |
| Operating Expenses: | | | | | |
| Operating expenses | 2,378,353 | 2,484,898 | 1,701,704 | 23,990,157 | 30,555,112 |
| Depreciation | 732,040 | 1,449,668 | 7,064 | 1,924,538 | 4,113,310 |
| Employee benefits | <u>466,806</u> | <u>335,527</u> | <u>166,219</u> | <u>-</u> | <u>968,552</u> |
| Total Operating Expenses | <u>3,577,199</u> | <u>4,270,093</u> | <u>1,874,987</u> | <u>25,914,695</u> | <u>35,636,974</u> |
| Operating Income (Loss) | 1,050,810 | (93,594) | 965,845 | 882,168 | 2,805,229 |
| Nonoperating Revenues (Expenses): | | | | | |
| Investment income | 13,769 | 2,021 | 10,202 | 546,530 | 572,522 |
| Intergovernmental | 172,899 | 27,583 | - | - | 200,482 |
| Interest expense | (268,304) | (444,741) | (92,860) | (140,843) | (946,748) |
| Loss on sale of investments | - | - | - | (446,750) | (446,750) |
| Other revenues | <u>-</u> | <u>8,713</u> | <u>-</u> | <u>-</u> | <u>8,713</u> |
| Total Nonoperating Revenues (Expenses), Net | <u>(81,636)</u> | <u>(406,424)</u> | <u>(82,658)</u> | <u>(41,063)</u> | <u>(611,781)</u> |
| Income (Loss) Before Transfers | 969,174 | (500,018) | 883,187 | 841,105 | 2,193,448 |
| Transfers: | | | | | |
| Transfers in | 88,373 | 608,695 | - | - | 697,068 |
| Transfers out | <u>(204,380)</u> | <u>(204,660)</u> | <u>(35,256)</u> | <u>(300,000)</u> | <u>(744,296)</u> |
| Change in Net Assets | 853,167 | (95,983) | 847,931 | 541,105 | 2,146,220 |
| Net Assets at Beginning of Year, as restated | <u>32,208,210</u> | <u>31,354,743</u> | <u>(3,302,617)</u> | <u>41,569,343</u> | <u>101,829,679</u> |
| Net Assets at End of Year | <u>\$ 33,061,377</u> | <u>\$ 31,258,760</u> | <u>\$ (2,454,686)</u> | <u>\$ 42,110,448</u> | <u>\$ 103,975,899</u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010
 (DECEMBER 31, 2009 FOR THE ELECTRIC DEPARTMENT)

| | <u>Business-Type Activities Enterprise Fund</u> | | | | |
|---|---|---------------------|---------------------|----------------------|----------------------|
| | Water Fund | Sewer Fund | Landfill Fund | Electric Fund | Total |
| <u>Cash Flows From Operating Activities:</u> | | | | | |
| Receipts from customers and users | \$ 4,018,282 | \$ 4,710,780 | \$ 2,752,499 | \$ 30,401,908 | \$ 41,883,469 |
| Payments to vendors and employees | <u>(2,402,919)</u> | <u>(2,676,158)</u> | <u>(1,848,387)</u> | <u>(26,287,448)</u> | <u>(33,214,912)</u> |
| Net Cash Provided By (Used For) Operating Activities | 1,615,363 | 2,034,622 | 904,112 | 4,114,460 | 8,668,557 |
| <u>Cash Flows From Noncapital Financing Activities:</u> | | | | | |
| Operating transfers in | 88,373 | 608,695 | - | - | 697,068 |
| Operating transfers out | (204,380) | (204,660) | (35,256) | (300,000) | (744,296) |
| Intergovernmental revenue | 172,899 | 27,583 | - | - | 200,482 |
| Other income | <u>-</u> | <u>8,713</u> | <u>-</u> | <u>-</u> | <u>8,713</u> |
| Net Cash (Used For) Noncapital Financing Activities | 56,892 | 440,331 | (35,256) | (300,000) | 161,967 |
| <u>Cash Flows From Capital and Related Financing Activities:</u> | | | | | |
| Acquisition of bonds and notes | 1,336,315 | 2,347,621 | - | - | 3,683,936 |
| Payments of bonds and notes | (721,396) | (1,209,939) | (261,546) | (473,692) | (2,666,573) |
| Acquisition and construction of capital assets | (1,280,275) | (1,523,595) | - | (1,394,090) | (4,197,960) |
| Interest expense | <u>(268,304)</u> | <u>(444,741)</u> | <u>(92,860)</u> | <u>(146,695)</u> | <u>(952,600)</u> |
| Net Cash (Used For) Capital and Related Financing Activities | <u>(933,660)</u> | <u>(830,654)</u> | <u>(354,406)</u> | <u>(2,014,477)</u> | <u>(4,133,197)</u> |
| <u>Cash Flows From Investing Activities:</u> | | | | | |
| Loss on sale of investments | - | - | - | (446,750) | (446,750) |
| Purchase of investments | - | - | - | (227,852) | (227,852) |
| Proceeds from sales and maturities of investments | - | - | - | 1,400,953 | 1,400,953 |
| Interest income | <u>13,769</u> | <u>2,021</u> | <u>10,202</u> | <u>546,530</u> | <u>572,522</u> |
| Net Cash (Used For) Investing Activities | <u>13,769</u> | <u>2,021</u> | <u>10,202</u> | <u>1,272,881</u> | <u>1,298,873</u> |
| Net Change in Cash and Short-Term Investments | 752,364 | 1,646,320 | 524,652 | 3,072,864 | 5,996,200 |
| Cash and Short-Term Investments, Beginning of Year | <u>3,824,473</u> | <u>3,003,166</u> | <u>1,092,233</u> | <u>8,213,976</u> | <u>16,133,848</u> |
| Cash and Short-Term Investments, End of Year | <u>\$ 4,576,837</u> | <u>\$ 4,649,486</u> | <u>\$ 1,616,885</u> | <u>\$ 11,286,840</u> | <u>\$ 22,130,048</u> |
| <u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u> | | | | | |
| Operating income (loss) | \$ 1,050,810 | \$ (93,594) | \$ 965,845 | \$ 882,168 | \$ 2,805,229 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation | 732,040 | 1,449,668 | 7,064 | 1,924,538 | 4,113,310 |
| Refunds due to customers | - | - | - | 1,976,386 | 1,976,386 |
| Changes in assets and liabilities: | | | | | |
| User fees | (678,942) | (160,821) | (132,988) | 449,230 | (523,521) |
| Intergovernmental receivables | 69,215 | 357,195 | 44,655 | - | 471,065 |
| Inventory | - | - | - | 23,956 | 23,956 |
| Prepaid expenses | - | - | - | (79,553) | (79,553) |
| Purchased power working capital | - | - | - | (739,922) | (739,922) |
| Warrants and accounts payable | (28,788) | 149,197 | (93,462) | (401,384) | (374,437) |
| Accrued liabilities | 4,222 | (2,550) | (3,433) | - | (1,761) |
| Rate stabilization | - | - | - | 1,164,714 | 1,164,714 |
| Compensated absences | 1,599 | (2,380) | 1,026 | 16,076 | 16,321 |
| Deferred credits | - | - | - | (1,042,464) | (1,042,464) |
| Customer deposits | - | - | - | 14,415 | 14,415 |
| Accrued other post-employment benefits | 465,207 | 337,907 | 166,219 | (74,000) | 895,333 |
| Customer advances for construction | - | - | - | 300 | 300 |
| Other liabilities | <u>-</u> | <u>-</u> | <u>(50,814)</u> | <u>-</u> | <u>(50,814)</u> |
| Net Cash Provided By (Used For) Operating Activities | <u>\$ 1,615,363</u> | <u>\$ 2,034,622</u> | <u>\$ 904,112</u> | <u>\$ 4,114,460</u> | <u>\$ 8,668,557</u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

| | Pension Trust Fund (For the Year Ended December 31, 2009) | Private Purpose Trust Funds | Agency Funds |
|--|--|--------------------------------------|-----------------|
| <u>ASSETS</u> | | | |
| Cash and short-term investments | \$ 2,695,782 | \$ 3,459 | \$ 261,569 |
| Investments | 54,856,342 | 391,245 | - |
| Accounts receivable | <u>81,970</u> | <u>-</u> | <u>59,474</u> |
| Total Assets | 57,634,094 | 394,704 | 321,043 |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| Warrants payable | - | - | 22,273 |
| Accounts payable | 35,239 | - | 332 |
| Other liabilities | <u>-</u> | <u>-</u> | <u>298,438</u> |
| Total Liabilities | <u>35,239</u> | <u>-</u> | <u>321,043</u> |
| <u>NET ASSETS</u> | | | |
| Total net assets held in trust | <u>\$ 57,598,855</u> | <u>\$ 394,704</u> | <u>\$ -</u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

| | Pension Trust Fund (For the Year Ended December 31, 2009) | Private Purpose Trust Funds |
|--|--|-----------------------------------|
| Additions: | | |
| Contributions | | |
| Employers | \$ 2,452,429 | \$ - |
| Other systems and Commonwealth of Massachusetts | 162,790 | - |
| Plan members | 2,093,589 | - |
| Other | 17,934 | 32,570 |
| | <u>4,726,742</u> | <u>32,570</u> |
| Investment income (Loss): | | |
| Increase (decrease) in fair value of investments | 9,904,757 | - |
| Less: management fees | (135,333) | - |
| | <u>9,769,424</u> | <u>-</u> |
| Net investment income (loss) | | |
| | <u>9,769,424</u> | <u>-</u> |
| Total additions | 14,496,166 | 32,570 |
| Deductions: | | |
| Education expense | - | 18,210 |
| Benefit payments to plan members and beneficiaries | 3,801,676 | - |
| Refunds to plan members | 57,902 | - |
| Administrative expenses | 193,823 | - |
| Other | 67,557 | - |
| Total deductions | <u>4,120,958</u> | <u>18,210</u> |
| Net increase (decrease) | 10,375,208 | 14,360 |
| Net assets: | | |
| Beginning of year | <u>47,223,647</u> | <u>380,344</u> |
| End of year | <u>\$ 57,598,855</u> | <u>\$ 394,704</u> |

See notes to financial statements.

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of North Attleborough (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

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

In the Fiduciary Funds: The North Attleborough Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 500 East Washington Street, 2nd Floor, Tower Square, P.O. Box 574, North Attleborough, Massachusetts 02761.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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.

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*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within

60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

The government reports the following major proprietary funds:

- Water
- Sewer
- Landfill
- Electric

The *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent

fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System and Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2010 tax levy reflected an excess capacity of \$ 34,961.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable govern-

mental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 40 |
| Building improvements | 20 |
| Infrastructure | 30 - 75 |
| Vehicles | 5 |
| Office equipment | 5 |
| Computer equipment | 5 |

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Desig-

nations of fund balance represent tentative management plans that are subject to change.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

| <u>General Fund</u> | <u>Revenues and Other Financing Sources</u> | <u>Expenditures and Other Financing Uses</u> |
|---|---|--|
| Revenues/Expenditures (GAAP basis) | \$ 74,957,366 | \$ 76,298,000 |
| Other financing sources/uses (GAAP basis) | <u>2,912,936</u> | <u>1,797,823</u> |
| Subtotal (GAAP Basis) | 77,870,302 | 78,095,823 |
| Adjust tax revenue to accrual basis | 113,852 | - |
| Reverse expenditures of prior year appropriation carryforwards | - | (414,019) |
| To book current year appropriation carryforwards | - | 455,240 |
| To record raising of prior years' deficits | - | 120 |
| To record use of free cash | 1,271,960 | - |
| To record use of overlay surplus | 53,000 | - |
| To reverse the effect of non- budgeted State contributions for teachers' retirement | <u>(6,231,887)</u> | <u>(6,231,887)</u> |
| Budgetary basis | <u>\$ 73,077,227</u> | <u>\$ 71,905,277</u> |

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2010:

Special Revenue Funds:

| | |
|--------------------------------------|------------|
| American Recovery & Reinvestment Act | |
| Staff Grant | \$ (3,777) |

The deficit in this fund will be eliminated through future departmental revenues.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk. The Town's deposit policy for custodial risk is to review the financial institution's financial statements and the background of the Advisor, with appropriate regulatory authorities (FINRA). The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry.

As of June 30, 2010 and December 31, 2009, neither the Town's nor the System's bank balances of \$ 31,967,223 and \$ 2,760,637 were exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's and System's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the minimum rating required by the Massachusetts General Law and the actual rating as of year end for each investment type held by the Town. (All federal agency securities have an implied credit rating of AAA.):

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Year End</u> | | | |
|---------------------------|-------------------|-----------------------------|-------------------------------|------------------------------|---------------|---------------|--------------|
| | | | | <u>Aaa</u> | <u>Aa</u> | <u>A</u> | <u>BB</u> |
| U.S. Treasury strips | \$ 1,671 | N/A | \$ - | \$ 1,671 | \$ - | \$ - | \$ - |
| Certificates of deposit | 1,738 | N/A | - | 1,738 | - | - | - |
| Corporate bonds | 442 | N/A | - | - | 158 | 237 | 47 |
| Corporate equities | 102 | N/A | 102 | - | - | - | - |
| Mutual funds | 771 | N/A | 771 | - | - | - | - |
| Federal agency securities | <u>5,173</u> | N/A | - | <u>5,173</u> | - | - | - |
| Total investments | <u>\$ 9,897</u> | | <u>\$ 873</u> | <u>\$ 8,582</u> | <u>\$ 158</u> | <u>\$ 237</u> | <u>\$ 47</u> |

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

Presented below is the actual rating as of year end of the System (in thousands):

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> |
|------------------------|-------------------|-----------------------------|-------------------------------|
| Equities | \$ 20,505 | N/A | \$ 20,505 |
| Mutual funds | <u>34,351</u> | N/A | <u>34,351</u> |
| Total investments | <u>\$ 54,856</u> | | <u>\$ 54,856</u> |

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does have policies for custodial credit risk. The Town's policy on custodial credit risk is as follows:

The Town reviews the financial institutions financial statements and the background of the Advisor, with appropriate regulatory authorities (FINRA). The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, capital ade-

quacy of the firm, and overall affirmative reputation in the municipal industry.

Further, all securities not held directly by the Town will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

The System does not have policies for custodial credit risk. The Town manages custodial credit risk exposure because all related investments are held in the Town's name.

C. Concentration of Credit Risk

The Town's policy to limit the amount the Town may invest in any one issuer with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and state pools (MMDT) is 10%. The Town does not have any investments in excess of 10%.

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type. The System does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy on interest rate risk is that they will manage interest rate risk by managing duration in the account. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | | | |
|---------------------------------|-------------------|---|-----------------|---------------|---------------------|---------------|
| | | <u>Less Than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>More Than 10</u> | <u>Exempt</u> |
| Debt Related Securities: | | | | | | |
| U.S. Treasury strips | \$ 1,671 | \$ 499 | \$ 1,172 | \$ - | \$ - | \$ - |
| Certificates of deposit | 1,738 | 1,133 | 605 | - | - | - |
| Corporate bonds | 442 | 237 | 205 | - | - | - |
| Corporate equities | 102 | - | - | - | - | 102 |
| Mutual Funds | 771 | - | - | - | - | 771 |
| Federal agency securities | 5,173 | 291 | 4,436 | 397 | 49 | - |
| Total | \$ 9,897 | \$ 2,160 | \$ 6,418 | \$ 397 | \$ 49 | \$ 873 |

As of December 31, 2009, the Electric Department had the following investments (in thousands):

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | | | <u>Rating</u> |
|---------------------------------|-------------------|---|------------------|-----------------|---------------------|---------------|
| | | <u>Less Than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>More Than 10</u> | |
| Debt Related Securities: | | | | | | |
| U.S. government agencies | \$ 9,960 | \$ 508 | \$ 6,648 | \$ 1,055 | \$ 1,749 | AAA |
| U.S. zero coupon treasuries | 6,603 | 350 | 3,753 | 2,500 | - | AAA |
| U.S. treasury notes | 388 | - | 388 | - | - | AAA |
| Total | \$ 16,951 | \$ 858 | \$ 10,789 | \$ 3,555 | \$ 1,749 | |
| <u>Other Investments</u> | | | | | | |
| MMWEC reserve trust fund | | \$ 2,512 | | | | |
| MMDT | | | 1,975 | | | |
| Total | | \$ 4,487 | | | | |

Information about the sensitivity of the December 31, 2009 fair values of the Retirement System's investments to market interest rate fluctuations is as follows (in thousands):

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> |
|------------------------|-------------------|---|
| | | <u>Exempt</u> |
| Equities | \$ 20,505 | \$ 20,505 |
| Mutual funds | 34,351 | 34,351 |
| Total | \$ 54,856 | \$ 54,856 |

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy is to not invest in any instrument exposed to foreign currency risk. The System's policy is to maintain 10% of the investment allocation in International stocks.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2010 consist of the following (in thousands):

| | | |
|-------------------|----------|-----------------|
| Real Estate | | |
| 2010 | \$ 950 | |
| 2009 | 7 | |
| 2008 | <u>4</u> | |
| | | 961 |
| Personal Property | | |
| 2010 | 17 | |
| 2009 | 8 | |
| 2008 | 5 | |
| 2007 | 3 | |
| 2006 | 2 | |
| Prior | <u>5</u> | |
| | | 40 |
| Tax Liens | | 314 |
| Other | | <u>4</u> |
| Total | | <u>\$ 1,319</u> |

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

| | <u>Governmental</u> | <u>Business-Type</u> |
|----------------|---------------------|----------------------|
| Property taxes | \$ 148,030 | \$ - |
| Excises | 368,698 | - |
| Departmental | 8 | - |
| Utilities | - | 165,000 |

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2010.

8. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows (in thousands):

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 60,036 | \$ 545 | \$ - | \$ 60,581 |
| Machinery, equipment, and furnishings | 13,361 | 849 | (560) | 13,650 |
| Infrastructure | <u>56,989</u> | <u>1,324</u> | <u>-</u> | <u>58,313</u> |
| Total capital assets, being depreciated | 130,386 | 2,718 | (560) | 132,544 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (23,911) | (1,564) | - | (25,475) |
| Machinery, equipment, and furnishings | (8,269) | (1,212) | 513 | (8,968) |
| Infrastructure | <u>(26,139)</u> | <u>(1,393)</u> | <u>-</u> | <u>(27,532)</u> |
| Total accumulated depreciation | <u>(58,319)</u> | <u>(4,169)</u> | <u>513</u> | <u>(61,975)</u> |
| Total capital assets, being depreciated, net | 72,067 | (1,451) | (47) | 70,569 |
| Capital assets, not being depreciated: | | | | |
| Land | <u>9,010</u> | <u>-</u> | <u>-</u> | <u>9,010</u> |
| Total capital assets, not being depreciated | <u>9,010</u> | <u>-</u> | <u>-</u> | <u>9,010</u> |
| Governmental activities capital assets, net | <u>\$ 81,077</u> | <u>\$ (1,451)</u> | <u>\$ (47)</u> | <u>\$ 79,579</u> |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 40,070 | \$ 2,568 | \$ (207) | \$ 42,431 |
| Machinery, equipment, and furnishings | 2,013 | 693 | (19) | 2,687 |
| Infrastructure | <u>110,255</u> | <u>544</u> | <u>-</u> | <u>110,799</u> |
| Total capital assets, being depreciated | 152,338 | 3,805 | (226) | 155,917 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (20,494) | (2,016) | 207 | (22,303) |
| Machinery, equipment, and furnishings | (1,351) | (251) | 19 | (1,583) |
| Infrastructure | <u>(37,734)</u> | <u>(1,847)</u> | <u>-</u> | <u>(39,581)</u> |
| Total accumulated depreciation | <u>(59,579)</u> | <u>(4,114)</u> | <u>226</u> | <u>(63,467)</u> |
| Total capital assets, being depreciated, net | 92,759 | (309) | - | 92,450 |
| Capital assets, not being depreciated: | | | | |
| Land | 246 | - | - | 246 |
| Construction in progress | <u>864</u> | <u>394</u> | <u>-</u> | <u>1,258</u> |
| Total capital assets, not being depreciated | <u>1,110</u> | <u>394</u> | <u>-</u> | <u>1,504</u> |
| Business-type activities capital assets, net | <u>\$ 93,869</u> | <u>\$ 85</u> | <u>\$ -</u> | <u>\$ 93,954</u> |

Depreciation expense was charged to functions of the Town as follows (in thousands):

| | |
|---|-----------------|
| Governmental Activities: | |
| General government | \$ 127 |
| Public safety | 436 |
| Education | 1,517 |
| Public works | 1,995 |
| Culture and recreation | 93 |
| Human services | <u>1</u> |
| Total depreciation expense - governmental activities | <u>\$ 4,169</u> |
| Business-Type Activities: | |
| Water | \$ 732 |
| Sewer | 1,450 |
| Landfill | 7 |
| Electric | <u>1,925</u> |
| Total depreciation expense - business-type activities | <u>\$ 4,114</u> |

9. Warrants and Accounts Payable

Warrants payable represent 2010 expenditures paid by July 15, 2010. Accounts payable represent additional 2010 expenditures paid after July 15, 2010.

10. Deferred Revenue

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.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2010 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

12. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2010:

| <u>General Government</u> | <u>Interest Rate</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Balance at June 30, 2010</u> |
|----------------------------------|----------------------|----------------------|-------------------------|---------------------------------|
| Bond anticipation note | 1.50% | 05/27/10 | 12/29/10 | \$ 43,000 |
| Bond anticipation note | 1.50% | 05/27/10 | 12/29/10 | 300,000 |
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | 588,000 |
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | 530,000 |
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | 300,000 |
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | 346,000 |
| Total Anticipation Notes Payable | | | | <u>\$ 2,107,000</u> |

| <u>Water Enterprise</u> | <u>Interest Rate</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Balance at June 30, 2010</u> |
|----------------------------------|----------------------|----------------------|-------------------------|---------------------------------|
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | \$ 750,000 |
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | 337,500 |
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | 168,815 |
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | 80,000 |
| Total Anticipation Notes Payable | | | | <u>\$ 1,336,315</u> |

| <u>Sewer Enterprise</u> | <u>Interest Rate</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Balance at June 30, 2010</u> |
|----------------------------------|----------------------|----------------------|-------------------------|---------------------------------|
| Bond anticipation note | 1.22% | 05/15/09 | 12/31/10 | \$ 668,644 |
| Bond anticipation note | 1.22% | 05/15/09 | 12/31/10 | 130,020 |
| Bond anticipation note | 1.22% | 04/16/09 | 12/31/10 | 100,000 |
| Bond anticipation note | 1.50% | 12/29/09 | 12/29/10 | 358,744 |
| Bond anticipation note | 1.50% | 05/27/10 | 12/29/10 | 1,730,000 |
| Bond anticipation note | 1.50% | 05/27/10 | 12/29/10 | 258,877 |
| Total Anticipation Notes Payable | | | | <u>\$ 3,246,285</u> |

The following summarizes activity in notes payable during fiscal year 2010:

| <u>General Government</u> | <u>Balance Beginning of Year</u> | <u>New Issues</u> | <u>Maturities</u> | <u>Balance End of Year</u> |
|---------------------------|----------------------------------|---------------------|-------------------|----------------------------|
| Body armor vests | \$ - | \$ 43,000 | \$ - | \$ 43,000 |
| Roads | - | 300,000 | - | 300,000 |
| School | - | 588,000 | - | 588,000 |
| Roads | - | 530,000 | - | 530,000 |
| Ambulance | - | 300,000 | - | 300,000 |
| Other | - | 346,000 | - | 346,000 |
| Total | <u>\$ -</u> | <u>\$ 2,107,000</u> | <u>\$ -</u> | <u>\$ 2,107,000</u> |

| | Balance Beginning of Year | New Issues | Maturities | Balance End of Year |
|--------------------------|---------------------------------|---------------|------------|---------------------------|
| <u>Water Enterprise</u> | | | | |
| Water meter system | \$ - | \$ 750,000 | \$ - | \$ 750,000 |
| Water main replacement | - | 337,500 | - | 337,500 |
| Water main replacement | - | 168,815 | - | 168,815 |
| Adamsdale well expansion | - | 80,000 | - | 80,000 |
| Total | \$ - | \$ 1,336,315 | \$ - | \$ 1,336,315 |

| | Balance Beginning of Year | New Issues | Maturities | Balance End of Year |
|-------------------------|---------------------------------|---------------|------------|---------------------------|
| <u>Sewer Enterprise</u> | | | | |
| MWPAT interim | \$ 668,644 | \$ - | \$ - | \$ 668,644 |
| MWPAT interim | 130,020 | - | - | 130,020 |
| MWPAT interim | 100,000 | - | - | 100,000 |
| Wastewater treatment 4 | - | 358,744 | - | 358,744 |
| WWTF DWSIGN | - | 1,730,000 | - | 1,730,000 |
| Sewer I & I | - | 258,877 | - | 258,877 |
| Total | \$ 898,664 | \$ 2,347,621 | \$ - | \$ 3,246,285 |

13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2012. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2010:

| | Capital Leases |
|---|-------------------|
| 2011 | \$ 95,564 |
| 2012 | 55,743 |
| Total minimum lease payments | 151,307 |
| Less amounts representing interest | (6,353) |
| Present Value of Minimum Lease Payments | \$ <u>144,954</u> |

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

| | Serial Maturities Through | Interest Rate(s)%* | Amount Outstanding as of June 30, 2010 |
|---------------------------------|---------------------------------|-----------------------|---|
| <u>Governmental Activities:</u> | | | |
| General obligation bond | 11/15/19 | 4.96% | \$ 1,240,000 |
| General obligation bond | 02/15/23 | 4.05% | 5,750,000 |
| General obligation bond | 11/01/13 | 3.08% | 35,600 |
| General obligation bond | 07/15/18 | 3.46% | 10,125,000 |
| General obligation bond | 03/15/16 | 3.68% | 607,800 |
| General obligation bond | 10/15/16 | 3.92% | 805,000 |
| General obligation bond | 10/15/27 | 3.94% | 725,000 |
| General obligation bond | 06/30/29 | 3.72% | 1,840,000 |
| Total Governmental Activities: | | | <u>\$ 21,128,400</u> |

| | Serial Maturities Through | Interest Rate(s)%* | Amount Outstanding as of June 30, 2010 |
|---|---------------------------------|-----------------------|---|
| <u>Business-Type Activities (non-electric):</u> | | | |
| Water: | | | |
| General obligation bond | 11/15/19 | 4.47% | \$ 215,000 |
| DW 99-23A | 02/01/21 | 2.00% | 188,797 |
| General obligation bond | 02/15/23 | 4.04% | 740,000 |
| General obligation bond | 11/01/13 | 3.17% | 249,200 |
| DW 98-23 | 08/01/20 | 2.97% | 2,429,836 |
| General obligation bond | 07/15/18 | 3.46% | 1,154,000 |
| General obligation bond | 10/15/26 | 3.91% | 410,000 |
| General obligation bond | 10/15/27 | 3.94% | 1,365,000 |
| General obligation bond | 06/30/29 | 3.72% | 850,000 |
| Total Water | | | 7,601,833 |
| Sewer: | | | |
| WWPAT CW 98-121 | 08/01/20 | 2.00% | 758,975 |
| General obligation bond | 11/15/19 | 4.49% | 295,000 |
| WWPAT CW 01-27 | 08/01/22 | 2.00% | 427,816 |
| General obligation bond | 02/15/23 | 4.05% | 1,935,000 |
| General obligation bond | 11/01/13 | 2.36% | 160,200 |
| General obligation bond | 07/15/18 | 3.46% | 1,476,000 |
| WWPAT CW 02-41 refunded | 08/01/23 | 2.00% | 913,811 |
| General obligation bond | 03/15/16 | 3.63% | 107,200 |
| General obligation bond | 10/15/26 | 3.92% | 1,430,000 |
| WWPAT CW 03-33 | 02/01/25 | 2.00% | 1,015,558 |
| WWPAT CW 03-24 refunding | 02/01/25 | 2.00% | 64,535 |
| WWPAT CW 05-33 | 07/15/26 | 2.00% | 797,410 |
| WWPAT CW 06-36 | 07/15/27 | 2.00% | 811,713 |
| WWPAT CW 04-32 | 07/15/25 | 2.00% | 1,617,336 |
| General obligation bond | 10/15/17 | 3.94% | 235,000 |
| General obligation bond | 06/30/29 | 3.72% | 1,320,000 |
| WWPAT CW 04-32-A | 07/15/25 | 2.00% | 142,023 |
| Total Sewer | | | 13,507,577 |

(continued)

(continued)

| | | | |
|---|----------|------------|----------------------|
| Landfill: | | | |
| General obligation bond | 02/15/03 | 4.04% | 1,420,000 |
| WWPAT CW 98-69A | 08/01/19 | 2.00% | 70,566 |
| WWPAT CW 98-69 refunding | 08/01/19 | 2.93% | 902,909 |
| WWPAT CW 98-114 refunding | 08/01/19 | 2.93% | 803,930 |
| Total Landfill | | | <u>3,197,405</u> |
| Total Business-Type Activities (non-electric): | | | 24,306,815 |
| Business-Type Activities (electric at 12/31/09): | | | |
| 2003 Muni-Net Bonds | | 3.0 - 5.0% | 840,000 |
| 2003 Plant Expansion Bonds | | 1.5 - 5.0% | <u>1,720,000</u> |
| Total Electric Principal: | | | <u>2,560,000</u> |
| Unamortized bond discount | | | <u>(88,371)</u> |
| Total Business-Type Activities (electric) | | | <u>2,471,629</u> |
| Total Business-Type Activities: | | | <u>\$ 26,778,444</u> |

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2010 are as follows:

| <u>Governmental</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|----------------------|---------------------|----------------------|
| 2011 | \$ 3,174,000 | \$ 842,983 | \$ 4,016,983 |
| 2012 | 2,895,800 | 741,878 | 3,637,678 |
| 2013 | 2,775,800 | 634,393 | 3,410,193 |
| 2014 | 2,495,800 | 513,980 | 3,009,780 |
| 2015 | 2,068,000 | 408,068 | 2,476,068 |
| 2016 - 2020 | 6,084,000 | 927,899 | 7,011,899 |
| 2021 - 2025 | 1,510,000 | 169,632 | 1,679,632 |
| 2026 - 2030 | <u>125,000</u> | <u>10,275</u> | <u>135,275</u> |
| Total | <u>\$ 21,128,400</u> | <u>\$ 4,249,108</u> | <u>\$ 25,377,508</u> |

The General Fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of December 30, 2009.

| <u>Business-Type (non-electric)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|
| 2011 | \$ 2,121,285 | \$ 745,143 | \$ 2,866,428 |
| 2012 | 2,040,186 | 684,913 | 2,725,099 |
| 2013 | 2,019,710 | 613,300 | 2,633,010 |
| 2014 | 1,964,662 | 546,767 | 2,511,429 |
| 2015 | 1,853,956 | 580,642 | 2,434,598 |
| 2016 - 2020 | 8,759,939 | 1,464,121 | 10,224,060 |
| 2021 - 2025 | 4,505,027 | 464,064 | 4,969,091 |
| 2026 - 2030 | <u>1,042,050</u> | <u>55,957</u> | <u>1,098,007</u> |
| Total | <u>\$ 24,306,815</u> | <u>\$ 5,154,907</u> | <u>\$ 29,461,722</u> |

| Business-Type (electric at 12/31/09) | Unamortized | | | | |
|---|---------------------|--------------------|---------------------|-------------------|---------------------|
| | Principal | Bond Discount | Net Principal | Interest | Total |
| 2010 | \$ 275,000 | \$ (11,308) | \$ 263,692 | \$ 113,164 | \$ 376,856 |
| 2011 | 275,000 | (11,308) | 263,692 | 105,120 | 368,812 |
| 2012 | 275,000 | (11,308) | 263,692 | 96,120 | 359,812 |
| 2013 | 275,000 | (11,308) | 263,692 | 82,820 | 346,512 |
| 2014 | 275,000 | (43,139) | 231,861 | 69,370 | 301,231 |
| 2015 - 2019 | 945,000 | - | 945,000 | 160,400 | 1,105,400 |
| 2020 - 2023 | 240,000 | - | 240,000 | 29,850 | 269,850 |
| Total | <u>\$ 2,560,000</u> | <u>\$ (88,371)</u> | <u>\$ 2,471,629</u> | <u>\$ 656,844</u> | <u>\$ 3,128,473</u> |

C. Changes in General Long-Term Liabilities

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

| | Total Balance 7/1/09 | Additions | Reductions | Total Balance 6/30/10 | Less Current Portion | Equals Long-Term Portion 6/30/10 |
|--|----------------------------|------------------|-------------------|-----------------------------|----------------------------|---|
| <u>Governmental Activities</u> | | | | | | |
| Bonds payable | \$ 24,562 | \$ - | \$ (3,434) | \$ 21,128 | \$ (3,174) | \$ 17,954 |
| Other: | | | | | | |
| Compensated absence | 185 | 83 | - | 268 | (13) | 255 |
| Capital lease | 231 | - | (86) | 145 | (90) | 55 |
| Unamortized bond premium | 544 | - | (138) | 406 | (138) | 268 |
| Accrued other post-employment benefits | 11,524 | 13,334 | - | 24,858 | - | 24,858 |
| Totals | <u>\$ 37,046</u> | <u>\$ 13,417</u> | <u>\$ (3,658)</u> | <u>\$ 46,805</u> | <u>\$ (3,415)</u> | <u>\$ 43,390</u> |

| | Total Balance 7/1/09 | Additions | Reductions | Total Balance 6/30/10 | Less Current Portion | Equals Long-Term Portion 6/30/10 |
|--|----------------------------|-----------------|-------------------|-----------------------------|----------------------------|---|
| <u>Business-Type Activities</u> | | | | | | |
| Bonds payable | \$ 29,445 | \$ - | \$ (2,668) | \$ 26,777 | \$ (2,396) | \$ 24,381 |
| Other: | | | | | | |
| Compensated absence | 274 | 16 | - | 290 | (200) | 90 |
| Landfill closure | 1,575 | - | (56) | 1,519 | (56) | 1,463 |
| Deferred credits | 3,127 | - | (1,042) | 2,085 | (1,042) | 1,043 |
| Customer deposits | 367 | 15 | - | 382 | - | 382 |
| Accrued other post-employment benefits | 633 | 895 | - | 1,528 | - | 1,528 |
| Rate stabilization | - | 1,165 | - | 1,165 | - | 1,165 |
| Totals | <u>\$ 35,421</u> | <u>\$ 2,091</u> | <u>\$ (3,766)</u> | <u>\$ 33,746</u> | <u>\$ (3,694)</u> | <u>\$ 30,052</u> |

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill capacity used as of each balance sheet date.

The landfill was closed in 2002. The \$ 1,518,750 reported as landfill closure and postclosure care liability at June 30, 2010 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. The actual life of the landfill may be longer due to increased recycling efforts. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2010:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Debt Service - This represents prior year MSBA proceeds, which will be used for future note repayments.

Reserved for Other Purposes - Represents the portion of fund balance reserved for petty cash and inventories.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

18. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund undesignated fund balance:

| | |
|--------------------------|----------------------------|
| GAAP basis balance | \$ 1,442,712 |
| Overlay deficits | 120 |
| Tax refund estimate | <u>390,000</u> |
| Statutory (UMAS) Balance | <u><u>\$ 1,832,832</u></u> |

19. Transfers

Transfers between Governmental Activities and Business-type Activities do not offset by \$ (36,407). This is due to transfers between Governmental

Activities and Agency Funds. Additionally, transfers from the Electric Department in the Business-Type Activities are reported at December 31, 2009, whereas the transfers to the Electric Department in the Governmental Activities are reported at June 30, 2010.

20. Subsequent Events

Debt

Subsequent to June 30, 2010, the Town has incurred the following additional debt:

| | <u>Amount</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> |
|-------|---------------|----------------------|-------------------|----------------------|
| MWPAT | \$ 130,000 | 2.00% | 07/08/10 | 07/15/30 |
| MWPAT | \$ 389,421 | 2.00% | 07/08/10 | 07/15/30 |
| MWPAT | \$ 792,391 | 2.00% | 07/08/10 | 07/15/30 |
| MWPAT | \$ 86,968 | 2.00% | 07/08/10 | 07/15/25 |

21. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Water Infrastructure - The Town has entered into contracts totaling \$ 1,634,974 to reconstruct and upgrade water mains.

Wastewater Treatment Facility - The Town has entered into contracts totaling \$ 1,074,027 to reconstruct and upgrade the wastewater treatment facility and sewer mains.

22. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

The Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan or the Group Insurance Commission (GIC). The GIC is a quasi-independent state agency that administers an agent multi-employer defined benefit OPEB plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2010, the actuarial valuation date, approximately 577 retirees and 931 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute a variable portion of their post-employment medical costs, which varies by plan. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2010 annual OPEB 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and

amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2010, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2010.

| | |
|---|-----------------------------|
| Annual Required Contribution (ARC) | \$ 16,289,858 |
| Interest on net OPEB obligation | 425,590 |
| Adjustment to ARC | <u>(348,455)</u> |
| Annual OPEB cost | 16,366,993 |
| Contributions made | <u>(2,137,295)</u> |
| Increase in net OPEB obligation | 14,229,698 |
| Net OPEB obligation - beginning of year | <u>12,156,803</u> |
| Net OPEB obligation - end of year | <u><u>\$ 26,386,501</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| <u>Fiscal year ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|--|----------------------------|
| 2010 | \$ 16,366,993 | 15% | \$ 26,386,501 |
| 2009 | \$ 15,542,449 | 22% | \$ 12,156,803 |

The Town's net OPEB obligation as of June 30, 2010 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the date of the most recent actuarial valuation was as follows:

| | |
|---|------------------------------|
| Actuarial accrued liability (AAL) | \$ 184,584,357 |
| Actuarial value of plan assets | <u>(150,000)</u> |
| Unfunded actuarial accrued liability (UAAL) | <u><u>\$ 184,434,357</u></u> |
| Funded ratio (actuarial value of plan assets/AAL) | <u><u>0.08%</u></u> |
| Covered payroll (active plan members) | <u><u>\$ 49,047,424</u></u> |
| UAAL as a percentage of covered payroll | <u><u>376%</u></u> |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town 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 Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 3.5% investment rate of return and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

23. Contributory Retirement System

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description and Contribution Information

Substantially all employees of the Town are members of the North Attleborough Contributory Retirement System (NACRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the NACRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the NACRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The NACRS Retirement Board does not have the

authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at January 1, 2009, the date of the latest actuarial valuation:

| | |
|---|-------------------|
| Retirees and beneficiaries receiving benefits | 190 |
| Inactive and disabled members | 182 |
| Active plan members | <u>564</u> |
| Total | <u><u>936</u></u> |
| Number of participating employers | 2 |

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

| | |
|-------------------------------------|----|
| Before January 1, 1975 | 5% |
| January 1, 1975 - December 31, 1983 | 7% |
| January 1, 1984 - June 30, 1996 | 8% |
| Beginning July 1, 1996 | 9% |

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

| <u>Year Ended</u> <u>June 30</u> | <u>Annual Required</u> <u>Contribution</u> | <u>Percentage</u> <u>Contributed</u> |
|-------------------------------------|---|---|
| 2009 | \$ 2,150,077 | 100% |
| 2010 | \$ 2,452,428 | 100% |

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

C. Funded Status and Funding Progress

The information presented below is from the North Attleborough Contributory Retirement System's most recent valuation (in thousands).

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial 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] |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| 01/01/09 | \$ 56,668 | \$ 82,122 | \$ 25,454 | 69.0% | \$ 20,118 | 126.5% |
| 01/01/08 | \$ 63,704 | \$ 76,814 | \$ 13,110 | 82.9% | \$ 19,878 | 66.0% |

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$ 25,454 million was calculated. The actuarial assumptions included (a) 8% investment rate of return and (b) a projected salary increase of 4%-5% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$ 12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of the unfunded actuarially accrued liability is being amortized over 32 years using an open group method which assumes a 4%-5% per year increase in payroll.

E. Teachers

As required by State statutes, teachers of the North Attleborough Public Schools are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

| | |
|-------------------------------------|------|
| Before January 1, 1975 | 5% |
| January 1, 1975 - December 31, 1983 | 7% * |
| January 1, 1984 - June 30, 1996 | 8% * |
| July 1, 1996 - June 30, 2001 | 9% * |
| Beginning July 1, 2001 | 11% |

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

In fiscal year 2010, the Commonwealth of Massachusetts contributed \$ 6,231,887 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

24. Risk Management

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 government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

25. Beginning Fund Balance Net Assets Reclassification

The beginning (July 1, 2009) fund balances of the Town have been restated as follows:

Government-Wide Financial Statements:

| | Governmental <u>Activities</u> | Water <u>Fund</u> |
|-----------------------------|-----------------------------------|----------------------|
| As previously reported | \$ 76,146,482 | \$ 32,328,210 |
| To reclassify bonds payable | <u>120,000</u> | <u>(120,000)</u> |
| As restated | <u>\$ 76,266,482</u> | <u>\$ 32,208,210</u> |

TOWN OF NORTH ATTLEBOROUGH, MASSACHUSETTS

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

**June 30, 2010
(Unaudited)**

Employees' Retirement System

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent- age of Covered Payroll [(b-a)/c] |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 01/01/09 | \$ 56,668,376 | \$ 82,122,479 | \$ 25,454,103 | 69.0% | \$ 20,117,831 | 126.5% |
| 01/01/08 | \$ 63,704,468 | \$ 76,813,575 | \$ 13,109,107 | 82.9% | \$ 19,877,795 | 65.9% |
| 01/01/06 | \$ 53,591,084 | \$ 64,875,957 | \$ 11,284,873 | 82.6% | \$ 17,860,873 | 63.2% |
| 01/01/04 | \$ 47,165,481 | \$ 57,218,053 | \$ 10,052,572 | 82.4% | \$ 16,376,143 | 61.4% |
| 01/01/02 | \$ 40,232,054 | \$ 49,619,671 | \$ 9,387,617 | 81.1% | \$ 15,515,521 | 60.5% |
| 01/01/00 | \$ 37,496,091 | \$ 41,776,394 | \$ 4,280,303 | 89.8% | \$ 13,315,066 | 32.1% |
| 01/01/98 | \$ 29,744,805 | \$ 35,015,145 | \$ 5,270,340 | 84.9% | \$ 11,451,863 | 46.0% |

Other Post-Employment Benefits

| 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 Percent- age of Covered Payroll [(b-a)/c] |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 06/30/10 | \$ 150,000 | \$ 184,584,357 | \$ 184,434,357 | 0.08% | \$ 49,047,424 | 376.0% |
| 07/01/08 | \$ - | \$ 210,177,152 | \$ 210,177,152 | 0.00% | \$ 49,398,406 | 425.5% |

See Independent Auditors' Report.