

TOWN OF HAMILTON, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Hamilton, 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 Hamilton, Massachusetts, as of and for the fiscal year ended June 30, 2010, 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 Hamilton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hamilton, Massachusetts, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011, on our consideration of the Town of Hamilton, Massachusetts' 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and budgetary comparison and certain pension information (located on pages 55 through 59) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to read "Dale T. & Co., LLC". The signature is written in a cursive, flowing style.

February 18, 2011

Management's Discussion and Analysis

As management of the Town of Hamilton, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$14,289,513 (net assets). The Town's governmental activities had negative unrestricted net assets totaling (\$150,544) and \$230,365 in unrestricted net assets for its business-type activities.
- The Town's total net assets decreased by \$1,669,324 in the current fiscal year.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$5,211,191, an increase of \$965,482 in comparison with the prior year. Approximately \$4,692,000 represents unreserved fund balance.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$1,058,415, or 4.3 percent of total general fund expenditures and transfers out. In the prior year, undesignated fund balance for the general fund totaled \$407,892.
- The Town's total bonded debt decreased by \$615,000 during fiscal year 2010; no new debt was issued during the fiscal year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

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

The **statement of net assets** presents information on all of the Town's non-fiduciary 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 of the Town 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, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town 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*). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, and debt service (interest). Business-type activities include the water and waste removal operations.

The government-wide financial statements can be found on pages 15-17 of this report.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 68 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, stabilization (special revenue) fund and community preservation (special revenue) fund, which are considered to be major funds. Data from the other 65 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 18-23 of this report.

Proprietary funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and waste removal operations, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

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 programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

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

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-53 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be located on pages 55-59 of this report.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$14,289,513 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets.....	\$ 6,407,181	\$ 5,301,265	\$ 398,406	\$ 415,256	\$ 6,805,587	\$ 5,716,521
Noncurrent assets (excluding capital assets).....	145,378	101,719	-	-	145,378	101,719
Capital assets (net).....	13,560,462	14,077,060	5,686,100	5,643,218	19,246,562	19,720,278
Total assets.....	20,113,021	19,480,044	6,084,506	6,058,474	26,197,527	25,538,518
Liabilities						
Current liabilities (excluding debt).....	625,678	418,068	117,544	40,145	743,222	458,213
Noncurrent liabilities (excluding debt).....	3,304,295	657,018	50,497	39,450	3,354,792	696,468
Current debt.....	440,000	440,000	175,000	175,000	615,000	615,000
Noncurrent debt.....	5,620,000	6,060,000	1,575,000	1,750,000	7,195,000	7,810,000
Total liabilities.....	9,989,973	7,575,086	1,918,041	2,004,595	11,908,014	9,579,681
Net Assets						
Invested in capital assets (net of related debt).....	7,680,673	7,617,406	3,936,100	3,718,218	11,616,773	11,335,624
Restricted.....	2,592,919	2,428,768	-	-	2,592,919	2,428,768
Unrestricted.....	(150,544)	1,858,784	230,365	335,661	79,821	2,194,445
Total net assets.....	\$ 10,123,048	\$ 11,904,958	\$ 4,166,465	\$ 4,053,879	\$ 14,289,513	\$ 15,958,837

The largest portion of the Town's net assets (81.3%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, library books, software, and infrastructure); less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (18.1%) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net assets of \$230,365 may be used to meet the Town's ongoing obligations to citizens and creditors for the Town's business-type activities.

The Town has an unrestricted net deficit totaling \$150,544 for its governmental activities. Such resources have been consumed with the recognition of its net OPEB obligation and landfill closure liabilities.

Changes in Net Assets

For the fiscal year ended June 30, 2010, the Town's total net assets decreased by \$1,669,324, compared to an increase of \$263,809 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 706,116	\$ 771,046	\$ 1,101,692	\$ 935,587	\$ 1,807,808	\$ 1,706,633
Operating grants and contributions.....	866,359	816,972	10,295	424	876,654	817,396
Capital grants and contributions.....	18,231	38,786	-	-	18,231	38,786
<i>General Revenues:</i>						
Real estate and personal property taxes and tax liens.....	22,147,133	21,787,433	-	-	22,147,133	21,787,433
Motor vehicle and other excise taxes.....	877,027	894,867	-	-	877,027	894,867
Penalties and interest on taxes.....	80,627	61,096	-	-	80,627	61,096
Payments in lieu of taxes.....	2,596	39,419	-	-	2,596	39,419
Community preservation surcharges.....	350,498	351,667	-	-	350,498	351,667
Grants and contributions not restricted to specific programs.....	719,802	855,775	-	-	719,802	855,775
Unrestricted investment income.....	12,647	36,467	-	-	12,647	36,467
Gain on sale of capital assets.....	2,429	-	-	-	2,429	-
Total revenues.....	25,783,465	25,653,528	1,111,987	936,011	26,895,452	26,589,539
Expenses						
General government.....	1,879,297	1,591,752	-	-	1,879,297	1,591,752
Public safety.....	3,317,302	3,874,613	-	-	3,317,302	3,874,613
Education.....	16,089,311	16,067,945	-	-	16,089,311	16,067,945
Public works.....	4,038,716	1,546,930	-	-	4,038,716	1,546,930
Health and human services.....	535,170	389,339	-	-	535,170	389,339
Culture and recreation.....	1,220,760	1,386,044	-	-	1,220,760	1,386,044
Debt service - interest.....	258,908	295,567	-	-	258,908	295,567
Water.....	-	-	889,071	858,962	889,071	858,962
Waste removal.....	-	-	336,241	314,578	336,241	314,578
Total expenses.....	27,339,464	25,152,190	1,225,312	1,173,540	28,564,776	26,325,730
Change in net assets before transfers.....	(1,555,999)	501,338	(113,325)	(237,529)	(1,669,324)	263,809
Transfers, net.....	(225,911)	(267,188)	225,911	267,188	-	-
Change in net assets.....	(1,781,910)	234,150	112,586	29,659	(1,669,324)	263,809
Net assets - beginning of year.....	11,904,958	11,670,808	4,053,879	4,024,220	15,958,837	15,695,028
Net assets - end of year.....	<u>\$ 10,123,048</u>	<u>\$ 11,904,958</u>	<u>\$ 4,166,465</u>	<u>\$ 4,053,879</u>	<u>\$ 14,289,513</u>	<u>\$ 15,958,837</u>

Governmental activities decreased the Town's net assets by \$1,781,910. In the prior year, governmental activities increased the Town's net assets by \$234,150. The key element of this change is the recognition of the Town's liability for landfill closure (\$2,564,300).

Business-type activities increased the Town's net assets by \$112,586. In the prior year, business-type activities increased the Town's net assets by \$29,659.

Fund Financial Statement Analysis

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

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's 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.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$5,211,191, an increase of \$965,482 in comparison with the prior year. 90.0% (\$4,691,998) of the total amount represents undesignated fund balance. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$107,523)
- Loans (\$25,348)
- Perpetual permanent funds (\$312,132)
- Other specific purposes (\$74,190)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$1,058,415, while total fund balance was \$1,165,938. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund expenditures and transfers out. Undesignated fund balance represents 4.3% of total general fund expenditures and transfers out, while total fund balance represents 4.8% of that same amount.

The balance of the Town's general fund increased by \$599,440 during fiscal year 2010. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$738,000. In addition, the net increase in tax refunds payable was approximately \$146,000.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the stabilization fund (special revenue) increased by \$2,216 during the current fiscal year, which is attributable to investment earnings.

The fund balance of the community preservation fund (special revenue) increased by \$240,376 during the current fiscal year. The fund recognized \$352,455 in surcharges, \$122,482 in intergovernmental revenues and \$22,221 in investment income. Expenditures of \$256,782 were incurred during the fiscal year.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and waste removal enterprise funds at the end of the year amounted to \$181,064 and \$49,301, respectively. The water fund had an increase in net assets for the year of \$78,983 and the waste removal fund had an increase of \$33,603. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget totaled \$24,679,850. During the year, supplemental appropriations totaling \$92,640 were authorized. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
General government expenditures.....	\$ 51,000	Undesignated fund balance
Public safety expenditures.....	40,000	Transfer from police/fire accidental fund
Health and human services expenditures.....	1,640	Undesignated fund balance
Total increase.....	\$ 92,640	

During the year, general fund revenues and other financing sources/uses exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of approximately \$630,000. Encumbrances and continuing appropriations total \$107,523 at year-end.

Capital Asset and Debt Administration

Capital assets

The Town’s investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$19,246,562 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, library books, and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled \$473,716 or 2.4% (a 2.6% decrease for governmental activities and a 0.2% increase for business-type activities).

Major capital asset events that occurred during the current fiscal year include the following:

- Water filtration project construction in progress (\$213,972)
- Infrastructure projects (\$97,696)
- Public safety equipment (\$93,384)
- Public safety vehicles (\$68,970)

The following table summarizes the Town’s capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
Land.....	\$ 795,064	\$ 796,875	\$ 283,912	\$ 283,912	\$ 1,078,976	\$ 1,080,787
Land improvements.....	337,638	359,181	-	-	337,638	359,181
Buildings and improvements.....	9,695,271	10,002,375	2,449,000	2,511,000	12,144,271	12,513,375
Machinery and equipment.....	300,135	254,308	6,825	9,975	306,960	264,283
Vehicles.....	254,122	413,890	11,644	19,407	265,766	433,297
Library books.....	66,415	92,982	-	-	66,415	92,982
Infrastructure.....	2,111,817	2,157,449	2,720,747	2,818,924	4,832,564	4,976,373
Construction in progress.....	-	-	213,972	-	213,972	-
Total capital assets.....	\$ 13,560,462	\$ 14,077,060	\$ 5,686,100	\$ 5,643,218	\$ 19,246,562	\$ 19,720,278

Additional information on the Town's capital assets can be found in Note 5 on pages 42-43 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$7,810,000, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
General obligation bonds.....	\$ 5,885,000	\$ 6,300,000	\$ 1,750,000	\$ 1,925,000	\$ 7,635,000	\$ 8,225,000
State House Serial Loan Notes.....	175,000	200,000	-	-	175,000	200,000
Total bonds and notes.....	\$ 6,060,000	\$ 6,500,000	\$ 1,750,000	\$ 1,925,000	\$ 7,810,000	\$ 8,425,000

The Town's total bonded debt decreased by \$615,000 during the current fiscal year; no new debt was issued during the fiscal year.

Moody's Investors Service, Inc. assigned an "Aaa" rating on bonds issued during fiscal year 2006.

Additional information on the Town's long-term debt can be found in Note 9 on pages 46-48 of this report.

Economic Factors, Next Year's Budget and Rates

The following factors were considered in preparing the Town's fiscal year 2011 budget:

The development of the fiscal year 2011 general fund operating budget was influenced by the Massachusetts property tax limitation of annual levy growth to 2 ½%; the slowing in new growth to the tax base; the continued erosion of Local Receipts; the direct impact of reduced excise tax receipts; the continued pressure of overhead costs such as fuel, energy, health insurance and retirement; and the continuing political influence of citizen organizations - one supporting local education and one resisting property tax overrides.

The Hamilton-Wenham Regional School District (HWRSD) School Committee recommended a modest increase in budget to fund educational programs. The Town responded to the need to replace two vehicles, one for Public Safety and one for Public Works. The total increase for the fiscal year 2011 budget is 1.21% increase in Town expenses, an additional \$158,813 in stand-alone budgeted items and 1.82% increase in the HWRSD expenses. The use of an Emergency 911 Operations Support grant helped stabilize the loss in local receipts and the reduction in state aid to a net effect of an increase of 1.2% borne by taxpayers over fiscal year 2010.

The educational costs for the two town regional school education systems make up 61.77% of the general fund operating budget for the Town of Hamilton. The HWRSD assessment for fiscal year 2011 operating budget went from \$15,323,686 to \$15,601,818, an increase of 1.21% from fiscal year 2010. The HWRSD refinanced a significant portion of the school debt allowing for work on energy improvement projects for two of the elementary school buildings while keeping the current payment stream. The North Shore Regional Vocational School assessment for fiscal year 2011 increased by 33.96%, from \$118,700 to \$159,008.

Town officials continued their decision to withhold any cost-of-living wage and salary adjustments for municipal employees for fiscal year 2011. The Town's management and leadership team continue to focus on the cost efficiencies such as energy efficiency and savings programs. The Town is exploring new opportunities to grow the local revenues and to increase and diversify the tax base. The Town voted to participate in the new Meals Tax voted in by the state's legislature in June of 2009. The projected meals tax revenue is \$32,000 and will be set aside for downtown development projects. In addition the Town voted to implement and initiate funding of the Other Post Employment Benefits Liability Trust per Massachusetts General Law 32n, section 20.

The Town is working on organizational structure and implemented a Town Manager form of government and increased the Board of Selectmen from three to five members. These changes will allow the elected leadership team to focus on the economic direction of the Town by delegating the authority for municipal operations to the Town Manager. Their efforts will be concentrated on the Town's opportunities for developing the former landfill site for commercial use since it has direct access to a major intra-state highway, entertaining bids for the location of cell towers, and pursuing unique commercial development opportunities by creating changes in zoning bylaws to utilize the Town's characteristics and proximity to Boston.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 577 Bay Road, Hamilton, Massachusetts 01936.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2010

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents.....	\$ 2,886,665	\$ 106,590	\$ 2,993,255
Restricted cash and cash equivalents.....	964,192	-	964,192
Restricted investments.....	1,723,309	-	1,723,309
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	461,317	-	461,317
Tax and utility liens.....	134,714	-	134,714
Motor vehicle and other excise taxes.....	61,624	-	61,624
Community preservation surcharges.....	5,410	-	5,410
Water charges.....	-	291,816	291,816
Departmental and other.....	8,440	-	8,440
Loans.....	3,426	-	3,426
Tax foreclosures.....	158,084	-	158,084
Total current assets.....	6,407,181	398,406	6,805,587
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	123,456	-	123,456
Loans.....	21,922	-	21,922
Capital assets not being depreciated.....	795,064	497,884	1,292,948
Capital assets, net of accumulated depreciation.....	12,765,398	5,188,216	17,953,614
Total noncurrent assets.....	13,705,840	5,686,100	19,391,940
Total assets.....	20,113,021	6,084,506	26,197,527
LIABILITIES			
Current liabilities:			
Warrants payable.....	261,951	110,758	372,709
Accrued payroll.....	70,023	4,246	74,269
Tax refunds payable.....	146,090	-	146,090
Accrued interest.....	63,053	-	63,053
Capital lease obligations.....	63,606	-	63,606
Compensated absences.....	20,955	2,540	23,495
Long-term bonds and notes payable.....	440,000	175,000	615,000
Total current liabilities.....	1,065,678	292,544	1,358,222
Noncurrent liabilities:			
Capital lease obligations.....	26,580	-	26,580
Landfill closure.....	2,564,300	-	2,564,300
Net OPEB obligation.....	524,815	27,637	552,452
Compensated absences.....	188,600	22,860	211,460
Long-term bonds and notes payable.....	5,620,000	1,575,000	7,195,000
Total noncurrent liabilities.....	8,924,295	1,625,497	10,549,792
Total liabilities.....	9,989,973	1,918,041	11,908,014
NET ASSETS			
Invested in capital assets, net of related debt.....	7,680,673	3,936,100	11,616,773
Restricted for:			
Community preservation.....	1,961,755	-	1,961,755
Loans.....	25,348	-	25,348
Permanent funds:			
Expendable.....	219,494	-	219,494
Nonexpendable.....	312,132	-	312,132
Other specific purposes.....	74,190	-	74,190
Unrestricted.....	(150,544)	230,365	79,821
Total net assets.....	\$ 10,123,048	\$ 4,166,465	\$ 14,289,513

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 1,879,297	\$ 216,034	\$ 143,522	\$ -	\$ (1,519,741)
Public safety.....	3,317,302	219,454	466,010	-	(2,631,838)
Education.....	16,089,311	-	-	-	(16,089,311)
Public works.....	4,038,716	27,411	24,113	18,231	(3,968,961)
Health and human services.....	535,170	53,344	27,033	-	(454,793)
Culture and recreation.....	1,220,760	189,873	205,681	-	(825,206)
Debt service - interest.....	258,908	-	-	-	(258,908)
Total governmental activities.....	27,339,464	706,116	866,359	18,231	(25,748,758)
Business-type activities:					
Water.....	889,071	1,018,382	631	-	129,942
Waste removal.....	336,241	83,310	9,664	-	(243,267)
Total business-type activities.....	1,225,312	1,101,692	10,295	-	(113,325)
Total primary government.....	\$ 28,564,776	\$ 1,807,808	\$ 876,654	\$ 18,231	\$ (25,862,083)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/revenue (from previous page).....	\$ (25,748,758)	\$ (113,325)	\$ (25,862,083)
<i>General revenues:</i>			
Real estate and personal property taxes.....	22,147,133	-	22,147,133
Motor vehicle and other excise taxes.....	877,027	-	877,027
Penalties and interest on taxes.....	80,627	-	80,627
Payments in lieu of taxes.....	2,596	-	2,596
Community preservation surcharges.....	350,498	-	350,498
Grants and contributions not restricted to specific programs.....	719,802	-	719,802
Unrestricted investment income.....	12,647	-	12,647
Gain on sale of capital assets.....	2,429	-	2,429
<i>Transfers, net</i>	(225,911)	225,911	-
Total general revenues, special items and transfers.....	23,966,848	225,911	24,192,759
Change in net assets.....	(1,781,910)	112,586	(1,669,324)
Net assets - beginning of year.....	11,904,958	4,053,879	15,958,837
Net assets - end of year.....	\$ 10,123,048	\$ 4,166,465	\$ 14,289,513

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2010

ASSETS	General	Stabilization	Community Preservation
Cash and cash equivalents.....	\$ 1,510,480	\$ 628,352	\$ -
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	461,317	-	-
Real estate tax deferrals.....	123,456	-	-
Tax liens.....	134,714	-	-
Motor vehicle and other excise taxes.....	61,624	-	-
Community preservation surcharges.....	-	-	5,410
Departmental and other.....	66	-	-
Loans.....	-	-	-
Tax foreclosures.....	158,084	-	-
Restricted assets:			
Cash and cash equivalents.....	-	-	723,990
Investments.....	-	-	1,259,166
TOTAL ASSETS.....	\$ 2,449,741	\$ 628,352	\$ 1,988,566
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 226,425	\$ -	\$ 26,652
Accrued payroll.....	61,768	-	159
Tax refunds payable.....	146,090	-	-
Deferred revenue.....	849,520	-	5,410
TOTAL LIABILITIES.....	1,283,803	-	32,221
 FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	107,523	-	-
Loans.....	-	-	-
Perpetual permanent funds.....	-	-	-
Other specific purposes.....	-	-	-
Unreserved:			
Undesignated, reported in:			
General fund.....	1,058,415	-	-
Special revenue funds.....	-	628,352	1,956,345
Capital projects funds.....	-	-	-
Permanent funds.....	-	-	-
TOTAL FUND BALANCES.....	1,165,938	628,352	1,956,345
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 2,449,741	\$ 628,352	\$ 1,988,566

See notes to basic financial statements.

<u>Nonmajor Governmental Funds</u>		<u>Total Governmental Funds</u>	
\$	747,833	\$	2,886,665
	-		461,317
	-		123,456
	-		134,714
	-		61,624
	-		5,410
	8,374		8,440
	25,348		25,348
	-		158,084
	240,202		964,192
	464,143		1,723,309
	<u>1,485,900</u>		<u>6,552,559</u>
\$	<u>1,485,900</u>	\$	<u>6,552,559</u>
\$	8,874	\$	261,951
	8,096		70,023
	-		146,090
	8,374		863,304
	<u>25,344</u>		<u>1,341,368</u>
	-		107,523
	25,348		25,348
	312,132		312,132
	74,190		74,190
	-		1,058,415
	558,995		3,143,692
	270,397		270,397
	219,494		219,494
	<u>1,460,556</u>		<u>5,211,191</u>
\$	<u>1,485,900</u>	\$	<u>6,552,559</u>

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Stabilization	Community Preservation
REVENUES			
Real estate and personal property taxes.....	\$ 22,078,214	\$ -	\$ -
Motor vehicle and other excise taxes.....	868,296	-	-
Tax liens.....	188,638	-	-
Payments in lieu of taxes.....	2,596	-	-
Community preservation surcharges.....	-	-	352,455
Charges for services.....	-	-	-
Intergovernmental.....	994,149	-	122,482
Special assessments.....	2,934	-	-
Penalties and interest on taxes.....	80,627	-	-
Licenses and permits.....	131,609	-	-
Fines and forfeitures.....	6,347	-	-
Departmental.....	276,841	-	-
Contributions.....	-	-	-
Investment income.....	10,428	2,216	22,221
Other.....	-	-	-
TOTAL REVENUES.....	24,640,679	2,216	497,158
EXPENDITURES			
Current:			
General government.....	1,357,367	-	43,327
Public safety.....	2,285,089	-	-
Education.....	16,039,153	-	-
Public works.....	1,047,696	-	-
Health and human services.....	153,084	-	121,338
Culture and recreation.....	763,594	-	92,117
Pension benefits.....	538,405	-	-
Employee benefits.....	711,569	-	-
Property and liability insurance.....	150,410	-	-
State and county charges.....	232,222	-	-
Debt service:			
Principal.....	440,000	-	-
Interest.....	263,340	-	-
TOTAL EXPENDITURES.....	23,981,929	-	256,782
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	658,750	2,216	240,376
OTHER FINANCING SOURCES (USES)			
Transfers in.....	246,000	-	-
Sale of capital assets.....	114,601	-	-
Transfers out.....	(419,911)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(59,310)	-	-
NET CHANGE IN FUND BALANCES.....	599,440	2,216	240,376
FUND BALANCES AT BEGINNING OF YEAR (AS RESTATED).....	566,498	626,136	1,715,969
FUND BALANCES AT END OF YEAR.....	\$ 1,165,938	\$ 628,352	\$ 1,956,345

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 22,078,214
-	868,296
-	188,638
-	2,596
-	352,455
283,735	283,735
401,318	1,517,949
-	2,934
-	80,627
-	131,609
-	6,347
-	276,841
20,053	20,053
15,535	50,400
33,024	33,024
<u>753,665</u>	<u>25,893,718</u>
103,194	1,503,888
286,006	2,571,095
-	16,039,153
18,231	1,065,927
8,008	282,430
162,776	1,018,487
-	538,405
-	711,569
-	150,410
-	232,222
-	440,000
-	263,340
<u>578,215</u>	<u>24,816,926</u>
<u>175,450</u>	<u>1,076,792</u>
3,722	249,722
-	114,601
<u>(55,722)</u>	<u>(475,633)</u>
<u>(52,000)</u>	<u>(111,310)</u>
123,450	965,482
<u>1,337,106</u>	<u>4,245,709</u>
<u>\$ 1,460,556</u>	<u>\$ 5,211,191</u>

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

JUNE 30, 2010

Total governmental fund balances (page 19).....	\$	5,211,191
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		13,560,462
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		863,304
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(63,053)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable, net of unamortized premiums and deferred losses on refundings.....		(6,060,000)
Capital lease obligations.....		(90,186)
Landfill closure.....		(2,564,300)
Net OPEB obligation.....		(524,815)
Compensated absences.....		(209,555)
Net assets of governmental activities (page 15).....	\$	<u>10,123,048</u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 21).....	\$	965,482
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		260,050
Depreciation.....		(664,476)
<p>In the statement of activities, only the <i>gain/(loss)</i> on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.....</p>		
		(112,172)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(112,682)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>		
Bond maturities.....		440,000
Capital lease maturities.....		60,828
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>		
		4,432
<p>Some expenses reported in the statement activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Workers' compensation.....		75,467
Landfill closure.....		(2,564,300)
Net OPEB obligation.....		(254,973)
Compensated absences.....		120,434
		120,434
Changes in net assets of governmental activities (page 17).....	\$	(1,781,910)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
ASSETS	Water	Waste Removal	Total
Current assets:			
Cash and cash equivalents.....	\$ 41,633	\$ 64,957	\$ 106,590
Receivables, net of allowance for uncollectible amounts:			
Water charges.....	291,816	-	291,816
Total current assets.....	333,449	64,957	398,406
Noncurrent assets:			
Capital assets not being depreciated.....	497,884	-	497,884
Capital assets, net of accumulated depreciation.....	5,188,216	-	5,188,216
Total noncurrent assets.....	5,686,100	-	5,686,100
Total assets.....	6,019,549	64,957	6,084,506
LIABILITIES			
Current liabilities:			
Warrants payable.....	95,102	15,656	110,758
Accrued payroll.....	4,246	-	4,246
Compensated absences.....	2,540	-	2,540
Long-term bonds and notes payable.....	175,000	-	175,000
Total current liabilities.....	276,888	15,656	292,544
Noncurrent liabilities:			
Net OPEB obligation.....	27,637	-	27,637
Compensated absences.....	22,860	-	22,860
Long-term bonds and notes payable.....	1,575,000	-	1,575,000
Total noncurrent liabilities.....	1,625,497	-	1,625,497
Total liabilities.....	1,902,385	15,656	1,918,041
NET ASSETS			
Invested in capital assets, net of related debt.....	3,936,100	-	3,936,100
Unrestricted.....	181,064	49,301	230,365
Total net assets.....	\$ 4,117,164	\$ 49,301	\$ 4,166,465

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Waste Removal</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services.....	\$ 1,009,912	\$ 83,310	\$ 1,093,222
Other.....	8,470	-	8,470
TOTAL OPERATING REVENUES.....	1,018,382	83,310	1,101,692
OPERATING EXPENSES			
Cost of service and administration.....	606,899	336,241	943,140
Depreciation.....	171,090	-	171,090
TOTAL OPERATING EXPENSES.....	777,989	336,241	1,114,230
OPERATING INCOME (LOSS).....	240,393	(252,931)	(12,538)
NONOPERATING REVENUES (EXPENSES)			
Investment income.....	631	-	631
Contributions.....	-	9,664	9,664
Interest expense.....	(111,082)	-	(111,082)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(110,451)	9,664	(100,787)
INCOME (LOSS) BEFORE TRANSFERS.....	129,942	(243,267)	(113,325)
TRANSFERS			
Transfers in.....	143,041	276,870	419,911
Transfers out.....	(194,000)	-	(194,000)
TOTAL TRANSFERS.....	(50,959)	276,870	225,911
CHANGE IN NET ASSETS.....	78,983	33,603	112,586
NET ASSETS AT BEGINNING OF YEAR.....	4,038,181	15,698	4,053,879
NET ASSETS AT END OF YEAR.....	\$ 4,117,164	\$ 49,301	\$ 4,166,465

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	Water	Waste Removal	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users.....	\$ 974,657	\$ 83,310	\$ 1,057,967
Payments to vendors.....	(273,904)	(330,905)	(604,809)
Payments to employees.....	(249,885)	-	(249,885)
NET CASH FROM OPERATING ACTIVITIES.....	<u>450,868</u>	<u>(247,595)</u>	<u>203,273</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in.....	143,041	276,870	419,911
Contributions.....	-	9,664	9,664
Transfers out.....	(194,000)	-	(194,000)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>(50,959)</u>	<u>286,534</u>	<u>235,575</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets.....	(213,972)	-	(213,972)
Principal payments on bonds and notes.....	(175,000)	-	(175,000)
Interest expense.....	(111,082)	-	(111,082)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(500,054)</u>	<u>-</u>	<u>(500,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income.....	631	-	631
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(99,514)	38,939	(60,575)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	141,147	26,018	167,165
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 41,633</u>	<u>\$ 64,957</u>	<u>\$ 106,590</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss).....	\$ 240,393	\$ (252,931)	\$ (12,538)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	171,090	-	171,090
Changes in assets and liabilities:			
Water charges.....	(45,285)	-	(45,285)
Water liens.....	1,560	-	1,560
Warrants payable.....	70,411	5,336	75,747
Accrued payroll.....	1,916	-	1,916
Net OPEB obligation.....	13,427	-	13,427
Accrued compensated absences.....	(2,644)	-	(2,644)
Total adjustments.....	<u>210,475</u>	<u>5,336</u>	<u>215,811</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 450,868</u>	<u>\$ (247,595)</u>	<u>\$ 203,273</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

ASSETS	<u>Private Purpose Trust Funds</u>
Cash and cash equivalents.....	\$ 59,296
NET ASSETS	
Held in trust for other purposes.....	\$ <u>59,296</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations.....	\$ 5,577
Net investment income:	
Interest.....	<u>1,119</u>
TOTAL ADDITIONS.....	<u>6,696</u>
DEDUCTIONS	
Other.....	<u>8,217</u>
CHANGE IN NET ASSETS.....	(1,521)
NET ASSETS AT BEGINNING OF YEAR.....	<u>60,817</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 59,296</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

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

B. Reporting Entity

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

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Ventures

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

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

Hamilton-Wenham Library

During fiscal year 1998, the Town entered into an agreement with the Town of Wenham (Joint Library Agreement) to construct and operate a joint public library to be operated under the direction of a Joint Board of Library Trustees. The construction project was completed during fiscal year 2002, and the Joint Library began operations during fiscal year 2002. Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Wenham is the administrator for all matters associated with the management and operation of the Joint Library. Accordingly, all revenues and expenditures associated with the Joint Library are accounted for by the Town of Wenham. During fiscal year 2010, the Town paid approximately \$582,000 to the Town of Wenham to cover the Town's portion of the operating and administrative costs.

Complete financial statements for the Town of Wenham and the Joint Library can be obtained directly from the Town of Wenham, located at 184 Main Street, Wenham, Massachusetts, 01984.

Hamilton-Wenham Emergency Center

The Hamilton-Wenham Emergency Center (Center) is the control point for all emergency and non-emergency calls for public safety. Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Hamilton is the administrator for all matters associated with the management and operation of the Center. Accordingly, all revenues and expenditures associated with the Center are accounted for by the Town of Hamilton. During fiscal year 2010, the Center's operating and administrative expenditures totaled approximately \$585,333. The Town of Wenham paid the Town of Hamilton approximately \$182,000 for their share of the Center's costs.

The Center's activities are accounted for in the Town of Hamilton's general fund. Neither Town has an equity interest in the operation of the Center.

Hamilton-Wenham Recreation Department

The Towns of Hamilton and Wenham operate a joint recreation department (Department). Operating and administrative expenditures are apportioned to the Towns of Hamilton and Wenham based on their assessed values on their last three tax recapitulation sheets. The Town of Hamilton is the administrator for all matters associated with the management and operation of the Department. Accordingly, all revenues and expenditures associated with the Department are accounted for by the Town of Hamilton. During fiscal year 2010, the Department's operating and administrative expenditures totaled approximately \$141,000. The Town of Wenham paid the Town of Hamilton approximately \$47,000 for their share of the Department's costs.

The Department's activities are accounted for in the Town of Hamilton's general fund. Neither Town has an equity interest in the operation of the Department.

Hamilton-Wenham Regional School District

The Hamilton-Wenham Regional School District (District) is governed by a six member school committee consisting of one appointed and two elected representatives from the Town. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. Operating costs are apportioned amongst the Towns based on the assessed values on their last three tax recapitulation sheets. Capital costs, including debt service, are apportioned amongst the Towns based on a combination of the three year valuation average and pupil enrollments. For the fiscal year ended June 30, 2010, the Town's assessment for operating and capital costs totaled approximately \$15,324,000 and \$598,000, respectively.

Complete financial statements for the District can be obtained directly from the District located at Administrative Offices, 5 School Street, Wenham, Massachusetts, 01984.

North Shore Technical School

The North Shore Technical School is governed by a sixteen member school district committee consisting of one elected representative of the Town. The Town is indirectly liable for the North Shore Technical School debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2010, the Town's assessment totaled approximately \$117,000. Separate financial statements may be obtained by writing to the Treasurer of the North Shore Technical School at 30 Log Bridge Road, Middleton, Massachusetts 01949.

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

D. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide and enterprise fund financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Government-Wide Financial Statements

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

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

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges between the general fund and enterprise fund would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

The *community preservation fund* is a special revenue fund used to account for the 2% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Property exempt from the surcharge consists of the first \$100,000 of all residential property and also property owned by low-income residents or seniors with low or moderate income as defined by Massachusetts Department of Revenue (DOR) guidelines. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

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

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

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

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

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

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

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the activities of the water department.

The *waste removal enterprise fund* is used to account for the activities of the pay-as-you-throw waste removal program.

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

The following fiduciary fund type is reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

E. Deposits and Investments

Government-Wide and Fund Financial Statements

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

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

Community Preservation Surcharges

Community preservation surcharges are levied annually at a rate of 2% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax on a quarterly basis each August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

Water Charges and Water Liens

User fees are levied biannually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are based on actual subsequent billings and are recorded as revenue in the current period. Water liens are processed in December of each year and are included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the fiscal year of the levy.

Departmental and Other

Departmental and other receivables primarily consist of police details and are recorded as receivables in the fiscal year accrued.

Loans

The Health Department administers septic loan programs that provide assistance to residents to upgrade their septic systems. Loans are recorded as receivables at the time of issuance.

G. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other
- Loans

The allowances applicable to the receivables identified above are immaterial at June 30, 2010 and therefore are not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- Community preservation surcharges
- Water charges and liens

Intergovernmental receivables are considered 100% collectible.

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

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

*I. Restricted Assets*Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

*J. Capital Assets*Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, library books, software and infrastructure (e.g., roads, water mains and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

Depreciable assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings and improvements.....	40 - 50
Machinery and equipment.....	5 - 10
Vehicles.....	5 - 10
Library books.....	10
Software.....	5
Infrastructure.....	20 - 50

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

Governmental Funds Financial Statements

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

K. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Deferred Revenue

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

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

Net assets are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net assets have been "restricted" for the following:

"Community Preservation" represents amounts restricted for the purpose of acquiring land for conservation, recreational, and affordable housing projects.

“Loans” represents outstanding septic loans receivable.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

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

“Other specific purposes” represents other restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

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

Fund balances have been “reserved for” the following:

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

“Loans” represents outstanding septic loans receivable.

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

“Other specific purposes” represents other restrictions placed on assets from outside parties.

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Investment Income

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

Investment income from the proprietary funds is retained in the funds.

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 13, the Town provides health insurance coverage for current and future retirees and their spouses.

S. Use of Estimates

Government-Wide and Fund Financial Statements

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

T. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget for the general fund authorized \$24,679,850 in appropriations and other amounts to be raised. During fiscal year 2010, supplemental appropriations totaling \$92,640 were authorized.

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

B. Appropriation Deficits

For the fiscal year ended June 30, 2010, expenditures for state and county charges exceeded appropriations.

C. Individual Fund Deficits

At June 30, 2010, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
ECO Grant.....	\$ 53,529	State grant
Police Detail.....	6,557	Available funds

NOTE 3 - DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool - the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds and the private purpose trust funds are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2010, \$1,189,687 of the Town's bank balance of \$2,593,094 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2010 are presented in the following table. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Agencies.....	\$ 330,794	\$ 50,500	\$ 280,294
Money market mutual funds.....	438,613	438,613	-
Certificates of deposit.....	1,392,515	173,050	1,219,465
External investment pool (MMDT).....	1,118,459	1,118,459	-
Total debt securities.....	\$ <u>3,280,381</u>	\$ <u>1,780,622</u>	\$ <u>1,499,759</u>

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2010, the Town's investments were not exposed to custodial credit.

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2010, the credit quality ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *	
		Baa3	Unrated
Money market mutual funds.....	\$ 438,613	\$ -	\$ 438,613
Certificates of deposit.....	1,392,515	151,661	1,240,854
External investment pool (MMDT).....	1,118,459	-	1,118,459
Total.....	\$ <u>2,949,587</u>	\$ <u>151,661</u>	\$ <u>2,797,926</u>

* Per the rating scale of Standard and Poor's (a national credit rating organization)

NOTE 4 - ACCOUNTS RECEIVABLE

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 461,317	\$ -	\$ 461,317
Real estate tax deferrals.....	123,456	-	123,456
Tax liens.....	134,714	-	134,714
Motor vehicle and other excise taxes.....	61,624	-	61,624
Community preservation surcharges.....	5,410	-	5,410
Departmental and other.....	8,440	-	8,440
Loans.....	25,348	-	25,348
	<u>\$ 820,309</u>	<u>\$ -</u>	<u>\$ 820,309</u>

At June 30, 2010, receivables for the water enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water charges.....	\$ 291,816	\$ -	\$ 291,816

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Community Preservation	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes....	\$ 371,576	\$ -	\$ -	\$ 371,576
Real estate tax deferrals.....	123,456	-	-	123,456
Tax liens.....	134,714	-	-	134,714
Motor vehicle and other excise taxes.....	61,624	-	-	61,624
Community preservation surcharges.....	-	5,410	-	5,410
Departmental and other.....	66	-	8,374	8,440
Tax foreclosures.....	158,084	-	-	158,084
Total.....	<u>\$ 849,520</u>	<u>\$ 5,410</u>	<u>\$ 8,374</u>	<u>\$ 863,304</u>

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 796,875	\$ -	\$ (1,811)	\$ 795,064
<u>Capital assets being depreciated:</u>				
Land improvements.....	548,911	-	-	548,911
Buildings and improvements.....	13,545,732	-	-	13,545,732
Machinery and equipment.....	527,553	93,384	-	620,937
Vehicles.....	1,627,773	68,970	(315,616)	1,381,127
Library books.....	265,666	-	-	265,666
Software.....	20,765	-	-	20,765
Infrastructure.....	5,870,702	97,696	-	5,968,398
Total capital assets being depreciated.....	22,407,102	260,050	(315,616)	22,351,536
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(189,730)	(21,543)	-	(211,273)
Buildings and improvements.....	(3,543,357)	(307,104)	-	(3,850,461)
Machinery and equipment.....	(273,245)	(47,557)	-	(320,802)
Vehicles.....	(1,213,883)	(118,377)	205,255	(1,127,005)
Library books.....	(172,684)	(26,567)	-	(199,251)
Software.....	(20,765)	-	-	(20,765)
Infrastructure.....	(3,713,253)	(143,328)	-	(3,856,581)
Total accumulated depreciation.....	(9,126,917)	(664,476)	205,255	(9,586,138)
Total capital assets being depreciated, net.....	13,280,185	(404,426)	(110,361)	12,765,398
Total governmental activities capital assets, net.....	\$ 14,077,060	\$ (404,426)	\$ (112,172)	\$ 13,560,462

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 283,912	\$ -	\$ -	\$ 283,912
Construction in progress.....	-	213,972	-	213,972
Total capital assets not being depreciated.....	283,912	213,972	-	497,884
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	3,100,000	-	-	3,100,000
Machinery and equipment.....	52,500	-	-	52,500
Vehicles.....	38,812	-	-	38,812
Infrastructure.....	5,350,156	-	-	5,350,156
Total capital assets being depreciated.....	8,541,468	-	-	8,541,468
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(589,000)	(62,000)	-	(651,000)
Machinery and equipment.....	(42,525)	(3,150)	-	(45,675)
Vehicles.....	(19,405)	(7,763)	-	(27,168)
Infrastructure.....	(2,531,232)	(98,177)	-	(2,629,409)
Total accumulated depreciation.....	(3,182,162)	(171,090)	-	(3,353,252)
Total capital assets being depreciated, net.....	5,359,306	(171,090)	-	5,188,216
Total business-type activities capital assets, net.....	\$ 5,643,218	\$ 42,882	\$ -	\$ 5,686,100

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

Governmental Activities:

General government.....	\$ 12,491
Public safety.....	232,613
Education.....	37,890
Public works.....	234,088
Culture and recreation.....	147,394

Total depreciation expense - governmental activities..... \$ 664,476

Business-Type Activities:

Water.....	\$ <u>171,090</u>
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NOTE 6 - CAPITAL LEASES

The Town has entered into capital lease agreements for a fire truck pumper and other vehicles under which the fire truck and other vehicles will become property of the Town when all terms of the lease agreement are met. The agreement also contains early purchase options which would allow the Town to purchase the fire truck and vehicles before the end of the lease term.

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

<u>Fiscal Years</u> <u>Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2011.....	\$ 67,962
2012.....	<u>28,029</u>
Total minimum lease payments.....	95,991
Less: amounts representing interest.....	<u>(5,805)</u>
Present value of minimum lease payments.....	<u>\$ 90,186</u>

The fire truck, other vehicles and the related accumulated amortization under capital leases are as follows:

<u>Asset:</u>	<u>Governmental</u> <u>Activities</u>
Vehicles.....	\$ 341,925
Less: accumulated amortization.....	<u>(280,452)</u>
Total.....	<u>\$ 61,473</u>

Amortization of the leased fire truck and other vehicles under capital leases is included with depreciation expense, which is allocated functionally.

NOTE 7 - INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	Waste Removal Fund	
General Fund.....	\$ -	\$ -	\$ 143,041	\$ 276,870	\$ 419,911 (1)
Nonmajor Governmental Funds....	52,000	3,722	-	-	55,722 (2)
Water Enterprise Fund.....	194,000	-	-	-	194,000 (3)
	<u>\$ 246,000</u>	<u>\$ 3,722</u>	<u>\$ 143,041</u>	<u>\$ 276,870</u>	<u>\$ 669,633</u>

(1) Represents budgeted transfers to the water enterprise fund for debt service costs (\$143,041) and general fund subsidy of the waste removal enterprise fund (\$276,870).

(2) Represents budgeted transfers from the police/fire insurance fund (\$40,000), sale of lots and graves (\$2,000) and cemetery perpetual care (\$10,000) funds. Also represents a transfer from the Clark fund (\$3,722) to the conservation commission fund.

(3) Represents budgeted transfer from the water enterprise fund (\$194,000) to the general fund for indirect costs.

NOTE 8 - SHORT-TERM FINANCING

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

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

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

The Town has no short term debt outstanding at June 30, 2010, and did not issue or retire any short term debt during the fiscal year.

Subsequent Events

On July 14, 2010, the Town issued a BAN in the amount of \$576,000 for water treatment plant and energy conservation projects. The BAN accrues interest at a rate of 1.10% and matures December 17, 2010.

On December 17, 2010, the Town renewed the BAN totaling \$576,000 for water treatment plant and energy conservation projects. The BAN accrues interest at a rate of 1.05% and matures March 11, 2011.

NOTE 9 - LONG-TERM DEBT

Chapter 44, Section 10, of the MGL authorizes indebtedness up to a limit of 5% of the Town's equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". However, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Interest Rate %	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Library.....	4.61	\$ 1,265,000	\$ -	\$ (115,000)	\$ 1,150,000
Public Safety Building.....	3.65 - 5.00	5,035,000	-	(300,000)	4,735,000
State House Serial Loan Notes.....	5.20	200,000	-	(25,000)	175,000
Total governmental funds.....		\$ 6,500,000	\$ -	\$ (440,000)	\$ 6,060,000

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

Fiscal Year	Principal	Interest	Total
2011.....	\$ 440,000	\$ 245,210	\$ 685,210
2012.....	440,000	225,466	665,466
2013.....	440,000	205,606	645,606
2014.....	440,000	187,130	627,130
2015.....	440,000	168,540	608,540
2016.....	440,000	149,778	589,778
2017.....	440,000	131,483	571,483
2018.....	415,000	113,408	528,408
2019.....	415,000	96,483	511,483
2020.....	410,000	79,576	489,576
2021.....	290,000	62,784	352,784
2022.....	290,000	51,692	341,692
2023.....	290,000	40,455	330,455
2024.....	290,000	29,000	319,000
2025.....	290,000	17,400	307,400
2026.....	290,000	5,800	295,800
Total.....	\$ 6,060,000	\$ 1,809,811	\$ 7,869,811

Bonds and Notes Payable - Enterprise Fund

<u>Project</u>	<u>Interest Rate %</u>	<u>Outstanding at June 30, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2010</u>
Water bonds.....	5.71	\$ 1,925,000	\$ -	\$ (175,000)	\$ 1,750,000

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 175,000	\$ 101,676	\$ 276,676
2012.....	175,000	92,050	267,050
2013.....	175,000	82,250	257,250
2014.....	175,000	71,750	246,750
2015.....	175,000	61,050	236,050
2016.....	175,000	50,750	225,750
2017.....	175,000	40,688	215,688
2018.....	175,000	30,626	205,626
2019.....	175,000	20,562	195,562
2020.....	175,000	10,500	185,500
Total.....	\$ 1,750,000	\$ 561,902	\$ 2,311,902

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2010, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water Treatment Plant.....	\$ 310,000
Energy Conservation.....	266,000
Total.....	\$ 576,000

Changes in Long-Term Liabilities

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

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 6,500,000	\$ -	\$ (440,000)	\$ 6,060,000	\$ 440,000
Capital lease obligations.....	151,014	-	(60,828)	90,186	63,606
Workers' compensation claims.....	75,467	-	(75,467)	-	-
Landfill closure.....	-	2,564,300	-	2,564,300	-
Net OPEB obligation.....	269,842	387,633	(132,660)	524,815	-
Compensated absences.....	329,989	-	(120,434)	209,555	20,955
Total.....	<u>\$ 7,326,312</u>	<u>\$ 2,951,933</u>	<u>\$ (829,389)</u>	<u>\$ 9,448,856</u>	<u>\$ 524,561</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 1,925,000	\$ -	\$ (175,000)	\$ 1,750,000	\$ 175,000
Net OPEB obligation.....	14,210	20,413	(6,986)	27,637	-
Compensated absences.....	28,044	-	(2,644)	25,400	2,540
Total.....	<u>\$ 1,967,254</u>	<u>\$ 20,413</u>	<u>\$ (184,630)</u>	<u>\$ 1,803,037</u>	<u>\$ 177,540</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 10 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town participates in a health insurance risk pool trust administered by Massachusetts Interlocal Insurance Association (Association), which was founded to establish insurance cost stability for Massachusetts' entities. The Association offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Association. The Town is obligated to pay the Association its required premiums and, in the event that the Association is terminated, its pro-rata share of a deficit, should one exist. These premium based payments are recorded as expenditures in the General Fund.

Workers' compensation activities are recorded in the General Fund where expenditures are recognized when the claims are expected to be paid with current expendable available resources. As of June 30, 2010, there were no outstanding workers' compensation claims.

NOTE 11 - PENSION PLAN

Plan Description - The Town contributes to the Essex Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Essex Regional Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, Massachusetts 01923.

Funding Policy – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$536,288, \$506,125, and \$484,450, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 – MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments were immaterial for the fiscal year ended June 30, 2010, and, accordingly, are not reported in the financial statements.

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS

Plan Description – The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2008, the latest actuarial valuation, is as follows:

Active employees.....	54
Retired employees.....	<u>23</u>
Total.....	<u><u>77</u></u>

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town are 45% and 55%, respectively. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

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

	<u>Amount</u>
Annual required contribution.....	\$ 406,479
Interest on net OPEB obligation.....	11,362
Adjustment to annual required contribution.....	<u>(9,795)</u>
Annual OPEB cost.....	408,046
Contributions made.....	<u>(139,646)</u>
Increase in net OPEB obligation.....	268,400
Net OPEB obligation at beginning of year.....	<u>284,052</u>
Net OPEB obligation at end of year.....	<u>\$ 552,452</u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009*.....	\$ 389,141	27.0%	\$ 284,052
June 30, 2010.....	408,046	34.2%	552,452

* Transition year

Funded Status and Funding Progress - The funded status of the Plan at July 1, 2008, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/08	\$ -	\$ 4,163,491	\$ 4,163,491	-	\$ 3,971,852	105%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2008
Actuarial cost method:	Projected Unit Credit
Amortization method:	Amortized as level dollar amount over 30 years at transition
Remaining amortization period:	30 years at July 1, 2008
Interest discount rate:	4.00%
Healthcare/Medical cost trend rate:	9.00% decreasing by 1.00% for 4 years to an ultimate level of 5.00% per year
Projected salary increases:	4.5% annually

Allocation of AOPEBC - AOPEBC costs were allocated to the Town's functions as follows:

Governmental Activities:	
General government.....	\$ 85,131
Public safety.....	189,352
Public works.....	87,107
Health and human services.....	11,625
Culture and recreation.....	14,418
	<hr/>
Total AOPEBC - governmental activities.....	387,633
 Business-Type Activities:	
Water.....	20,413
	<hr/>
Total AOPEBC.....	\$ 408,046
	<hr/> <hr/>

NOTE 14 - LANDFILL CLOSURE

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that was divided between two cells (hereinafter referred to as Area 1 and Area 2). Area 1 ceased operations in 1978 and, accordingly, was capped in 1980 in accordance with the regulations in effect at that time. Area 2 ceased operations in 1983. However, Area 2 was not capped in accordance with the regulations in effect at that time. As a result, the Town contracted a third-party to perform a comprehensive site assessment and has been working with the Department of Environmental Protection to determine the steps required to be in compliance with applicable laws and regulations.

The Department of Environmental Protection is requiring the Town to re-cap its old landfill based on current regulations. As a result, the Town has reflected \$2,564,300 as the estimated landfill closure liability at June 30, 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 15 - CONTINGENCIES

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

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

NOTE 16 - PRIOR PERIOD RECLASSIFICATIONS

The beginning balance of the nonmajor governmental funds has been restated from \$1,333,069 to \$1,337,106 and the beginning fund balance of the police/fire station fund has been restated from \$4,037 to \$0 to reflect the reclassification of the police/fire station fund from a major governmental fund to nonmajor governmental funds.

NOTE 17 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

The Town implemented the following GASB pronouncements during fiscal year 2010:

- Statement #51, *Accounting and Financial Reporting for Intangible Assets*. The implementation of this Statement had no impact on the financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement had no impact on the financial statements.
- Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The implementation of this Statement had no impact on the financial statements.
- Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The implementation of this Statement had no impact on the financial statements.
- Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The implementation of this Statement had no impact on the financial statements.

NOTE 18 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented during fiscal year 2012. The implementation of this Statement will not impact the basic financial statements.
- Statement #59, *Financial Instruments Omnibus*, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective due dates.

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Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 22,195,887	\$ 52,640	\$ 22,248,527
Motor vehicle and other excise taxes.....	-	909,200	-	909,200
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	39,000	-	39,000
Intergovernmental.....	-	973,016	-	973,016
Special assessments.....	-	-	-	-
Penalties and interest on taxes.....	-	73,500	-	73,500
Licenses and permits.....	-	157,000	-	157,000
Fines and forfeitures.....	-	4,580	-	4,580
Departmental.....	-	245,300	-	245,300
Investment income.....	-	20,000	-	20,000
TOTAL REVENUES.....	-	24,617,483	52,640	24,670,123
EXPENDITURES				
Current:				
General government.....	79,766	1,458,626	6,725	1,545,117
Public safety.....	-	2,322,944	32,224	2,355,168
Education.....	-	15,442,386	717,383	16,159,769
Public works.....	26,590	1,182,064	(108,891)	1,099,763
Health and human services.....	250	131,772	32,137	164,159
Culture and recreation.....	-	688,136	83,161	771,297
Pension benefits.....	-	536,500	2,420	538,920
Employee benefits.....	32,500	691,000	37,500	761,000
Property and liability insurance.....	-	144,200	7,126	151,326
State and county charges.....	-	231,587	238	231,825
Debt service:				
Principal.....	-	1,157,383	(717,383)	440,000
Interest.....	-	273,341	-	273,341
TOTAL EXPENDITURES.....	139,106	24,259,939	92,640	24,491,685
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(139,106)	357,544	(40,000)	178,438
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	206,000	40,000	246,000
Sale of land.....	-	-	-	-
Transfers out.....	-	(419,911)	-	(419,911)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(213,911)	40,000	(173,911)
NET CHANGE IN FUND BALANCE.....	(139,106)	143,633	-	4,527
FUND BALANCE AT BEGINNING OF YEAR.....	480,150	480,150	480,150	480,150
FUND BALANCE AT END OF YEAR.....	\$ 341,044	\$ 623,783	\$ 480,150	\$ 484,677

See notes to required supplementary information.

Actual	Encumbrances and Continuing Appropriations	Total Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 22,220,911	\$ -	\$ 22,220,911	\$ (27,616)
868,296	-	868,296	(40,904)
188,638	-	188,638	188,638
2,596	-	2,596	(36,404)
994,149	-	994,149	21,133
2,934	-	2,934	2,934
80,627	-	80,627	7,127
131,609	-	131,609	(25,391)
6,347	-	6,347	1,767
276,841	-	276,841	31,541
10,428	-	10,428	(9,572)
<u>24,783,376</u>	<u>-</u>	<u>24,783,376</u>	<u>113,253</u>
1,357,367	71,635	1,429,002	116,115
2,285,089	21,296	2,306,385	48,783
16,039,153	-	16,039,153	120,616
1,047,696	14,592	1,062,288	37,475
153,084	-	153,084	11,075
763,594	-	763,594	7,703
538,405	-	538,405	515
711,569	-	711,569	49,431
150,410	-	150,410	916
232,222	-	232,222	(397)
440,000	-	440,000	-
263,340	-	263,340	10,001
<u>23,981,929</u>	<u>107,523</u>	<u>24,089,452</u>	<u>402,233</u>
801,447	(107,523)	693,924	515,486
246,000	-	246,000	-
114,601	-	114,601	114,601
(419,911)	-	(419,911)	-
<u>(59,310)</u>	<u>-</u>	<u>(59,310)</u>	<u>114,601</u>
742,137	(107,523)	634,614	630,087
480,150	480,150	480,150	-
<u>\$ 1,222,287</u>	<u>\$ 372,627</u>	<u>\$ 1,114,764</u>	<u>\$ 630,087</u>

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

SCHEDULES OF FUNDING PROGRESS (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 Percentage of Covered Payroll ((B-A)/C)
01/01/08	\$ 301,420,965	\$ 445,171,554	\$ 143,750,589	67.7%	\$ 111,726,856	128.7%
01/01/06	261,327,047	375,593,562	114,266,515	69.6%	98,641,094	115.8%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%
01/01/99	180,034,700	268,386,000	88,351,300	67.1%	89,645,300	98.6%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2004	\$ 12,648,657	100
2005	14,609,198	100
2006	15,274,181	100
2007	16,294,571	100
2008	16,995,636	100
2009	18,173,867	100

The following schedule provides information related to the Town's portion of the System's ARC:

TOWN SHARE OF SYSTEM ARC

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2005	\$ 394,545	100	3.1%
2006	433,190	100	3.0%
2007	458,124	100	3.0%
2008	484,450	100	3.0%
2009	506,125	100	3.0%
2010	536,288	100	3.0%

NOTE A - BUDGETARY - GAAP RECONCILIATION

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

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 24,783,376	\$ 24,089,452
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	3,393	-
Net change in recording tax refunds payable.....	(146,090)	-
To record encumbrances and continuing appropriations.....	<u>-</u>	<u>(107,523)</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 24,640,679</u>	<u>\$ 23,981,929</u>

NOTE B - PENSION PLAN

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2008
Actuarial cost method:	Entry age normal
Amortization method:	Approximate level percent of payroll based on 4.5% annual increases; except level dollar for ERI liability for certain units
Remaining amortization period:	As of July 1, 2008, schedules as selected by units for 2002 ERI liability, schedules as selected by units for 2003 ERI liability and 20 years for remaining unfunded liability.
Asset valuation method:	A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefits payments and administrative expenses). Twenty percent of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value. In order that the actuarial value not differ to significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.

Actuarial assumptions:

Investment rate of return:	8.50%
Projected salary increases:	5.00%
Cost of living adjustments:	3.00% of first \$12,000 of retirement income