

TOWN OF NATICK, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

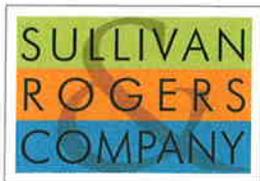
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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Natick, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Natick, Massachusetts, as of and for the fiscal year ended June 30, 2009 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2008), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Natick, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morse Institute in Natick, a discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included in these financial statements, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Morse Institute in Natick were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

As more fully described in Note 1, the financial statements of the Morse Institute in Natick were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on the report of the other auditor, the financial statements of the Morse Institute in Natick referred to above, presents fairly, in all material respects, the financial position of the Morse Institute in Natick as of June 30, 2009, and the change in financial position for the year then ended in conformity with the basis of accounting as described in Note 1.

In addition, 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 Natick, Massachusetts, as of June 30, 2009 (except for the Natick Contributory Retirement System, which is as of and for the year ended December 31, 2008), 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.

As more fully described in Note 18, the Town has restated the beginning net assets of its governmental activities, business-type activities and water and sewer enterprise fund. We have audited the adjustments as described in Note 18 that were applied to restate the fiscal year 2009 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

As more fully described in Note 13, the Town has implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2010, on our consideration of the Town of Natick, 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 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 4 through 13) and budgetary comparison information and certain pension information (located on pages 63 through 67), are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



March 11, 2010

Management's Discussion and Analysis

As management of the Town of Natick, 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, 2009.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$108,828,901 (net assets). Of this amount, \$21,833,721 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$3,062,418.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$28,339,200, an increase of \$362,429 in comparison with the prior year. Approximately \$20,837,000 represents unreserved fund balance.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$6,156,031, or 5.6 percent of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$2,423,902 during the fiscal year. The Town issued \$4,274,000 of new debt during the year for building remodeling, surface drain, departmental equipment and water mains lining.

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 Town's water and sewer and golf course 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 45 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 and stabilization (special revenue) funds, each of which are considered to be major funds. Data from the other 43 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds

The Town maintains two types of proprietary funds.

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

The basic proprietary fund financial statements can be found on pages 22-24 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.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 25-26 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 27-61 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 found on pages 63-67.

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 \$108,828,901 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008*</u>
Assets						
Current assets.....	\$ 40,514,350	\$ 37,792,534	\$ 11,083,198	\$ 8,194,720	\$ 51,597,548	\$ 45,987,254
Noncurrent assets (excluding capital assets).....	6,234,290	6,797,092	2,215,659	2,374,684	8,449,949	9,171,776
Capital assets (net).....	<u>90,933,051</u>	<u>91,131,919</u>	<u>35,609,688</u>	<u>34,808,219</u>	<u>126,542,739</u>	<u>125,940,138</u>
Total assets.....	<u>137,681,691</u>	<u>135,721,545</u>	<u>48,908,545</u>	<u>45,377,623</u>	<u>186,590,236</u>	<u>181,099,168</u>
Liabilities						
Current liabilities (excluding debt).....	6,356,847	6,739,672	387,635	368,049	6,744,482	7,107,721
Noncurrent liabilities (excluding debt).....	9,738,408	2,086,451	220,829	52,159	9,959,237	2,138,610
Current debt.....	7,739,529	4,668,549	2,433,301	1,553,520	10,172,830	6,222,069
Noncurrent debt.....	<u>35,959,777</u>	<u>39,246,139</u>	<u>14,925,009</u>	<u>14,493,310</u>	<u>50,884,786</u>	<u>53,739,449</u>
Total liabilities.....	<u>59,794,561</u>	<u>52,740,811</u>	<u>17,966,774</u>	<u>16,467,038</u>	<u>77,761,335</u>	<u>69,207,849</u>
Net Assets						
Invested in capital assets (net of related debt).....	60,556,120	58,758,691	20,966,608	20,245,204	81,522,728	79,003,895
Restricted.....	5,472,452	5,124,881	-	-	5,472,452	5,124,881
Unrestricted.....	<u>11,858,558</u>	<u>19,097,162</u>	<u>9,975,163</u>	<u>8,665,381</u>	<u>21,833,721</u>	<u>27,762,543</u>
Total net assets.....	<u>\$ 77,887,130</u>	<u>\$ 82,980,734</u>	<u>\$ 30,941,771</u>	<u>\$ 28,910,585</u>	<u>\$ 108,828,901</u>	<u>\$ 111,891,319</u>

* As restated and more fully described in Note 18 (page 60)

The largest portion of the Town’s net assets (74.9%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, library books 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 (5.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (20.1% or \$21,833,721) may be used to meet the Town’s ongoing obligations to citizens and creditors. Of this amount, \$11,858,558 may be used to support governmental activities and \$9,975,163 may be used to support business-type activities.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

For the fiscal year ended June 30, 2009, the Town’s total net assets decreased by \$3,062,418, compared to a decrease of \$36,179 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008*	2009	2008*	2009	2008*
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 9,526,893	\$ 10,769,314	\$ 14,570,576	\$ 14,375,104	\$ 24,097,469	\$ 25,144,418
Operating grants and contributions.....	20,701,762	21,786,065	136,019	290,136	20,837,781	22,076,201
Capital grants and contributions.....	914,330	(2,524,641)	-	-	914,330	(2,524,641)
<i>General Revenues:</i>						
Real estate and personal property taxes.....	74,016,536	64,768,128	-	-	74,016,536	64,768,128
Motor vehicle and other excise taxes.....	3,934,228	3,931,831	-	-	3,934,228	3,931,831
Hotel/motel taxes.....	833,846	867,120	-	-	833,846	867,120
Tax and utility liens.....	819,382	119,579	-	-	819,382	119,579
Penalties and interest on taxes.....	532,254	201,659	-	-	532,254	201,659
Payments in lieu of taxes.....	117,635	16,679	-	-	117,635	16,679
Grants and contributions not restricted to specific programs.....	4,596,670	5,010,103	-	-	4,596,670	5,010,103
Unrestricted investment income.....	354,263	905,654	-	-	354,263	905,654
Gain on sale of capital assets.....	-	14,180	-	-	-	14,180
Total revenues.....	116,347,799	105,865,671	14,706,595	14,665,240	131,054,394	120,530,911
Expenses						
General government.....	7,081,409	7,019,340	-	-	7,081,409	7,019,340
Public safety.....	19,805,403	17,124,585	-	-	19,805,403	17,124,585
Education.....	77,349,502	67,384,366	-	-	77,349,502	67,384,366
Public works.....	10,145,559	10,330,012	-	-	10,145,559	10,330,012
Health and human services.....	2,266,468	2,271,539	-	-	2,266,468	2,271,539
Culture and recreation.....	2,168,205	2,420,865	-	-	2,168,205	2,420,865
Library.....	2,817,469	1,923,952	-	-	2,817,469	1,923,952
Debt service - interest.....	1,984,200	2,315,010	-	-	1,984,200	2,315,010
Water and Sewer.....	-	-	9,666,094	8,884,240	9,666,094	8,884,240
Golf.....	-	-	832,503	893,181	832,503	893,181
Total expenses.....	123,618,215	110,789,669	10,498,597	9,777,421	134,116,812	120,567,090
Change in net assets before transfers.....	(7,270,416)	(4,923,998)	4,207,998	4,887,819	(3,062,418)	(36,179)
Transfers, net.....	2,176,812	2,024,592	(2,176,812)	(2,024,592)	-	-
Change in net assets.....	(5,093,604)	(2,899,406)	2,031,186	2,863,227	(3,062,418)	(36,179)
Net assets - beginning of year (as restated).....	82,980,734	85,880,140	28,910,585	26,047,358	111,891,319	111,927,498
Net assets - end of year.....	\$ 77,887,130	\$ 82,980,734	\$ 30,941,771	\$ 28,910,585	\$ 108,828,901	\$ 111,891,319

* As restated and more fully described in Note 18 (page 60)

Governmental activities decreased the Town's net assets by \$5,093,604. In the prior year, governmental activities decreased the Town's net assets by \$2,899,406. The key elements of this change are the first-time recognition of the Town's liability for its net post-employment benefits obligation (\$7,732,743); a court judgment rendered against the Town during fiscal year 2009 totaling approximately \$951,000; and the fiscal year 2008 \$6,000,000 adjustment (decrease) to the Massachusetts School Building Authority (MSBA) receivable as a result of the final audits of school construction projects.

Business-type activities increased the Town's net assets by \$2,031,186. In the prior year, business-type activities increased the Town's net assets by \$2,863,227. The key elements of this change are the first-time recognition of the Town's liability for its net post-employment benefits obligation (\$178,934) and an increase in water and sewer cost of service and administration operating expenses of (\$802,866) due to increased salary, supply and electricity expenses associated with ongoing capital projects.

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 \$28,339,200, an increase of \$362,429 in comparison with the prior year. 66.5% of this total amount (\$18,846,903) 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 (\$2,052,527)
- Debt service (\$1,836,501)
- Perpetual permanent funds (\$13,939)
- Other specific purposes (\$3,599,330)
- Subsequent year's expenditures (\$1,990,000)

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 \$6,156,031, while total fund balance was \$10,198,558. 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 5.6% of total general fund expenditures and transfers out, while total fund balance represents 9.3% of that same amount.

The balance of the Town's general fund increased by \$152,653 during fiscal year 2009. Although the Town recognized an approximate \$5,317,000 budgetary surplus (excluding encumbrances and continuing appropriations), approximately \$5,289,000 of reserves was utilized for spending during the fiscal year. In addition, estimated abatements decreased approximately \$915,000.

Financial highlights of the Town's other major governmental fund is as follows:

The fund balance of the stabilization fund (special revenue) decreased by \$513,939 during the current fiscal year. The fund recognized \$50,594 of investment income and transfers in from the golf enterprise fund of \$35,467. Transfers out to the general fund of \$600,000 were made during fiscal year 2009.

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 sewer and golf course enterprise funds at the end of the year amounted to \$9,881,852 and \$93,311, respectively. The water and sewer fund had an increase in net assets for the year of \$2,013,358, whereas the golf course fund had an increase of \$17,828. 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 of \$100,910,525 was increased by \$227,142 (0.2%) during the year. The following table summarizes the increase:

<u>Purpose of Increase/Decrease</u>	<u>Amount</u>	<u>Funding Source</u>
School department operating budget.....	\$ 247,667	Undesignated fund balance
Reserve fund.....	76,000	Tax levy and transfers
Fire department equipment.....	72,700	Tax levy and transfers
Eliot school maintenance.....	60,000	Tax levy and transfers
Irrigation pump test and calibration.....	40,000	Tax levy and transfers
Route 27 design.....	35,000	Tax levy and transfers
Police dispatch digitizer.....	30,300	Tax levy and transfers
Fire department training.....	24,000	Tax levy and transfers
Council on aging transportation.....	2,000	Tax levy and transfers
South middlesex regional technical school	(5,745)	Tax levy and transfers
Debt service - principal.....	(99,525)	Tax levy and transfers
Debt service - interest.....	<u>(255,255)</u>	Tax levy and transfers
 Total increase.....	 \$ <u>227,142</u>	

During the year, general fund revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$3,264,000. Encumbrances and continuing appropriations total approximately \$2,053,000 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 \$126,542,739 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, library books and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$602,601 or 0.5% (a 0.1% decrease for governmental activities and a 0.6% increase for business-type activities).

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

- Water and sewer construction in progress (\$2,084,149)
- Streets and sidewalk improvements (\$999,457)
- Glen Street construction in progress (\$855,955)
- School boilers (\$746,178)
- Sargent field improvements (\$428,705)

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>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008*</u>
Land.....	\$ 10,124,124	\$ 10,124,124	\$ 1,053,254	\$ 1,053,254	\$ 11,177,378	\$ 11,177,378
Construction in progress.....	1,728,557	1,272,354	3,707,055	1,622,906	5,435,612	2,895,260
Land improvements.....	1,085,333	734,526	2,165,139	2,254,874	3,250,472	2,989,400
Buildings.....	58,798,945	60,831,789	115,994	119,007	58,914,939	60,950,796
Machinery and equipment.....	1,657,263	812,203	284,928	337,302	1,942,191	1,149,505
Vehicles.....	3,344,996	3,308,566	359,981	449,340	3,704,977	3,757,906
Library books.....	880,190	888,828	-	-	880,190	888,828
Infrastructure.....	13,313,643	13,159,529	27,923,337	28,971,536	41,236,980	42,131,065
Total capital assets.....	<u>\$ 90,933,051</u>	<u>\$ 91,131,919</u>	<u>\$ 35,609,688</u>	<u>\$ 34,808,219</u>	<u>\$ 126,542,739</u>	<u>\$ 125,940,138</u>

* As restated and more fully described in Note 18 (page 60)

Additional information on the Town's capital assets can be found in Note 5 on pages 42-44 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$57,537,616, 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>	
	<u>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008*</u>
General obligation bonds.....	\$ 40,351,763	\$ 43,445,907	\$ 12,218,237	\$ 11,229,093	\$ 52,570,000	\$ 54,675,000
MWRA notes.....	-	-	67,650	135,300	67,650	135,300
MWPAT notes.....	427,543	468,781	4,472,423	4,682,437	4,899,966	5,151,218
Total bonds and notes.....	<u>\$ 40,779,306</u>	<u>\$ 43,914,688</u>	<u>\$ 16,758,310</u>	<u>\$ 16,046,830</u>	<u>\$ 57,537,616</u>	<u>\$ 59,961,518</u>

* As restated and more fully described in Note 18 (page 60)

The Town's total bonded debt decreased by \$2,423,902 (4.0%) during the current fiscal year. \$4,274,000 of new debt was issued during the year for building remodeling, surface drain, departmental equipment and water mains lining.

The Town received an AAA rating from Standard & Poor's for its most recent issuance of long-term debt on August 18, 2008.

Additional information on the Town's long-term debt can be found in Note 9 on page 47-54 of this report.

Economic Factors and Next Year's Budgets

The economic recession which plagued the rest of the country also plagued Natick. Although unemployment in Natick (7.1% as of September 2009) was less than in the Commonwealth (9.3% as of September 2009), job loss was felt by many Natick citizens and the associated pressures and constraints were impacting families throughout the community.

Fiscal year 2009 witnessed significant fluctuations in projected revenues, especially in regard to the intergovernmental aid received by Natick from the Commonwealth of Massachusetts. Mid-year intergovernmental aid reductions forced the Town to reexamine all operations and take necessary actions to preserve positive fund balance at year end. As a result, beginning in February 2009, a significant effort to produce a positive end-of-year fund balance was achieved by the implementation of hiring and purchasing freezes throughout the Town. This produced significant savings within the municipal and shared departments, which was in turn returned to fund balance at year end.

The development of the fiscal year 2010 general fund operating budget was influenced by several major factors, including sharply declining revenues and increasing fixed expenses. Given the limitations of Proposition 2 ½, Massachusetts communities like Natick are limited to the rate of increase in base property taxes annually to 2 ½ percent. This places a large burden on other revenue categories to be as robust as possible to maintain government services. The fiscal year 2010 general fund budget, which at one point had a \$5.1 million deficit, was largely out of balance due to the reduction of over 15% (or over \$1.72 million) of Cherry Sheet aid provided by the Commonwealth of Massachusetts. Within that reduction, categories pertaining to unallocated/unrestricted aid to municipalities saw reductions of over 33%, reducing that aid to levels not witnessed in over a generation. Estimated Receipts – those dollars collected through departmental fees, excise taxes and permits – also witnessed sharp declines in the areas of Investment Income, Motor Vehicle Excise and Building Permits. Finally, nearly \$850,000 less Free Cash was utilized to balance the fiscal year 2010 than in previous years, as the sums utilized in prior years were simply not available.

On the expense side, increases in health care costs, collective bargaining agreements, and higher assessments from the Regional School District and snow & ice overruns all contributed to the need for service reductions in fiscal year 2010. Municipal departments were forced to reduce between 2% and 6.5% off their fiscal year 2010 budget requests, with large departments sustaining personnel reductions. Vacant positions were in large part eliminated from the budget. Education budgets were also reduced significantly, though partially offset in those reductions by the availability of ARRA (American Reinvestment and Recovery Act) funds.

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, 13 East Central Street, Natick, Massachusetts 01760.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Morse Institute
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 32,105,720	\$ 4,371,244	\$ 36,476,964	\$ 880,933
Restricted cash and cash equivalents.....	3,698,882	2,658,178	6,357,060	-
Investments.....	-	-	-	956,254
Receivables, net of allowance for uncollectible amounts:				
Real estate and personal property taxes.....	933,849	-	933,849	-
Tax, trash and utility liens.....	2,086,761	103,149	2,189,910	-
Motor vehicle and other excise taxes.....	271,579	-	271,579	-
User charges.....	-	3,381,921	3,381,921	-
Special assessments.....	28,720	146,376	175,096	-
Departmental and other.....	358,604	-	358,604	-
Intergovernmental.....	1,440,700	-	1,440,700	-
Internal balances.....	(419,447)	419,447	-	-
Tax foreclosures.....	8,982	-	8,982	-
Inventory.....	-	2,883	2,883	-
Total current assets.....	40,514,350	11,083,198	51,597,548	1,837,187
Noncurrent assets:				
Receivables, net of allowance for uncollectible amounts:				
Real estate tax deferrals.....	292,978	-	292,978	-
Special assessments.....	265,697	2,158,607	2,424,304	-
Intergovernmental.....	5,675,615	57,052	5,732,667	-
Capital assets not being depreciated.....	11,852,681	4,760,309	16,612,990	-
Capital assets, net of accumulated depreciation.....	79,080,370	30,849,379	109,929,749	-
Total noncurrent assets.....	97,167,341	37,825,347	134,992,688	-
Total assets.....	137,681,691	48,908,545	186,590,236	1,837,187
LIABILITIES				
Current liabilities:				
Warrants payable.....	1,025,888	108,466	1,134,354	-
Accrued payroll.....	702,102	26,793	728,895	-
Tax refunds payable.....	1,150,384	-	1,150,384	-
Other liabilities.....	1,554,141	-	1,554,141	-
Accrued interest.....	667,288	247,721	915,009	-
Workers' compensation claims.....	127,915	-	127,915	-
Court judgments.....	950,751	-	950,751	-
Landfill closure.....	34,043	-	34,043	-
Compensated absences.....	144,335	4,655	148,990	-
Short-term notes payable.....	2,920,000	600,000	3,520,000	-
Long-term bonds and notes payable.....	4,819,529	1,833,301	6,652,830	-
Total current liabilities.....	14,096,376	2,820,936	16,917,312	-
Noncurrent liabilities:				
Workers' compensation claims.....	127,915	-	127,915	-
Landfill closure.....	578,731	-	578,731	-
Net OPEB obligation.....	7,732,743	178,934	7,911,677	-
Compensated absences.....	1,299,019	41,895	1,340,914	-
Long-term bonds and notes payable.....	35,959,777	14,925,009	50,884,786	-
Total noncurrent liabilities.....	45,698,185	15,145,838	60,844,023	-
Total liabilities.....	59,794,561	17,966,774	77,761,335	-
NET ASSETS				
Invested in capital assets, net of related debt.....	60,556,120	20,966,608	81,522,728	-
Restricted for:				
Debt service.....	1,836,501	-	1,836,501	-
Permanent funds:				
Expendable.....	22,682	-	22,682	-
Nonexpendable.....	13,939	-	13,939	957,463
Other specific purposes.....	3,599,330	-	3,599,330	-
Unrestricted.....	11,858,558	9,975,163	21,833,721	879,724
Total net assets.....	\$ 77,887,130	\$ 30,941,771	\$ 108,828,901	\$ 1,837,187

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 7,081,409	\$ 1,841,794	\$ 542,398	\$ -	\$ (4,697,217)
Public safety.....	19,805,403	2,414,673	544,790	-	(16,845,940)
Education.....	77,349,502	2,469,409	18,906,692	341,684	(55,631,717)
Public works.....	10,145,559	1,217,980	2,533	572,646	(8,352,400)
Health and human services.....	2,266,468	195,678	301,287	-	(1,769,503)
Culture and recreation.....	2,168,205	1,387,359	179,780	-	(601,066)
Library.....	2,817,469	-	-	-	(2,817,469)
Debt service - interest.....	1,984,200	-	224,282	-	(1,759,918)
Total governmental activities.....	<u>123,618,215</u>	<u>9,526,893</u>	<u>20,701,762</u>	<u>914,330</u>	<u>(92,475,230)</u>
Business-type activities:					
Water and Sewer.....	9,666,094	14,039,778	136,019	-	4,509,703
Golf.....	832,503	530,798	-	-	(301,705)
Total business-type activities.....	<u>10,498,597</u>	<u>14,570,576</u>	<u>136,019</u>	<u>-</u>	<u>4,207,998</u>
Total primary government.....	<u>\$ 134,116,812</u>	<u>\$ 24,097,469</u>	<u>\$ 20,837,781</u>	<u>\$ 914,330</u>	<u>\$ (88,267,232)</u>
Component units:					
Morse Institute.....	<u>\$ 190,710</u>	<u>\$ 6,141</u>	<u>\$ 55,507</u>	<u>\$ -</u>	<u>\$ (129,062)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net assets:				
Net (expense)/revenue (from previous page).....	\$ (92,475,230)	\$ 4,207,998	\$ (88,267,232)	\$ (129,062)
<i>General revenues:</i>				
Real estate and personal property taxes.....	74,835,918	-	74,835,918	-
Motor vehicle and other excise taxes.....	3,934,228	-	3,934,228	-
Hotel/motel taxes.....	833,846	-	833,846	-
Penalties and interest on taxes.....	532,254	-	532,254	-
Payments in lieu of taxes.....	117,635	-	117,635	-
Grants and contributions not restricted to specific programs.....	4,596,670	-	4,596,670	-
Unrestricted investment income.....	354,263	-	354,263	-
Transfers, net	2,176,812	(2,176,812)	-	-
Total general revenues and transfers.....	87,381,626	(2,176,812)	85,204,814	-
Change in net assets.....	(5,093,604)	2,031,186	(3,062,418)	(129,062)
Net assets - beginning of year (as restated).....	82,980,734	28,910,585	111,891,319	1,966,249
Net assets - end of year.....	\$ 77,887,130	\$ 30,941,771	\$ 108,828,901	\$ 1,837,187

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

ASSETS	General	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 15,215,803	\$ 2,874,078	\$ 14,015,839	\$ 32,105,720
Receivables, net of allowance for uncollectible amounts:				
Real estate and personal property taxes.....	933,849	-	-	933,849
Real estate tax deferrals.....	292,978	-	-	292,978
Tax and trash liens.....	2,086,761	-	-	2,086,761
Motor vehicle and other excise taxes.....	271,579	-	-	271,579
Special assessments.....	113,612	-	180,805	294,417
Departmental and other.....	358,604	-	-	358,604
Intergovernmental.....	6,336,540	-	779,775	7,116,315
Tax foreclosures.....	8,982	-	-	8,982
Restricted assets:				
Cash and cash equivalents.....	-	-	3,698,882	3,698,882
TOTAL ASSETS.....	\$ 25,618,708	\$ 2,874,078	\$ 18,675,301	\$ 47,168,087
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 762,964	\$ -	\$ 262,925	\$ 1,025,889
Accrued payroll.....	657,095	-	45,007	702,102
Tax refunds payable.....	1,150,384	-	-	1,150,384
Other liabilities.....	1,554,141	-	-	1,554,141
Deferred revenue.....	9,925,368	-	180,805	10,106,173
Due to other funds.....	419,447	-	-	419,447
Court judgments.....	950,751	-	-	950,751
Short-term notes payable.....	-	-	2,920,000	2,920,000
TOTAL LIABILITIES.....	15,420,150	-	3,408,737	18,828,887
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	2,052,527	-	-	2,052,527
Debt service.....	-	-	1,836,501	1,836,501
Perpetual permanent funds.....	-	-	13,939	13,939
Other specific purposes.....	-	-	3,599,330	3,599,330
Unreserved:				
Designated for subsequent year's expenditures.....	1,990,000	-	-	1,990,000
Undesignated, reported in:				
General fund.....	6,156,031	-	-	6,156,031
Special revenue funds.....	-	2,874,078	8,845,791	11,719,869
Capital projects funds.....	-	-	948,321	948,321
Permanent funds.....	-	-	22,682	22,682
TOTAL FUND BALANCES.....	10,198,558	2,874,078	15,266,564	28,339,200
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 25,618,708	\$ 2,874,078	\$ 18,675,301	\$ 47,168,087

See notes to basic financial statements.

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

JUNE 30, 2009

Total governmental fund balances (page 18).....	\$	28,339,200
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		90,933,051
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		10,106,173
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.....		(667,287)
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.....		(40,779,306)
Workers' compensation claims.....		(255,830)
Landfill closure.....		(612,774)
Net OPEB obligation.....		(7,732,743)
Compensated absences.....		(1,443,354)
Net assets of governmental activities (page 15).....	\$	<u>77,887,130</u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real estate and personal property taxes.....	\$ 74,235,548	\$ -	\$ -	\$ 74,235,548
Motor vehicle and other excise taxes.....	4,187,047	-	-	4,187,047
Hotel/motel tax.....	833,846	-	-	833,846
Tax and trash liens.....	647,703	-	-	647,703
Payments in lieu of taxes.....	117,635	-	-	117,635
Trash disposal.....	1,005,638	-	-	1,005,638
Intergovernmental.....	19,977,655	-	5,899,150	25,876,805
Special assessments.....	21,243	-	41,393	62,636
Penalties and interest on taxes.....	532,254	-	-	532,254
Licenses and permits.....	1,224,906	-	-	1,224,906
Fines and forfeitures.....	177,431	-	81,472	258,903
Departmental and other.....	2,364,913	-	4,711,449	7,076,362
Contributions.....	-	-	374,587	374,587
Investment income.....	354,263	50,594	132,844	537,701
TOTAL REVENUES.....	105,680,082	50,594	11,240,895	116,971,571
EXPENDITURES				
Current:				
General government.....	5,205,482	-	383,249	5,588,731
Public safety.....	12,905,021	-	262,967	13,167,988
Education.....	44,850,607	-	8,029,198	52,879,805
Public works.....	7,546,517	-	1,912,170	9,458,687
Health and human services.....	1,033,157	-	79,193	1,112,350
Culture and recreation.....	573,532	-	1,144,716	1,718,248
Library.....	1,858,557	-	90,645	1,949,202
Pension benefits.....	13,842,043	-	-	13,842,043
Employee benefits.....	12,293,905	-	-	12,293,905
Property and liability insurance.....	398,800	-	-	398,800
State and county charges.....	1,476,900	-	-	1,476,900
Debt service:				
Principal.....	4,859,382	-	-	4,859,382
Interest.....	2,027,935	-	-	2,027,935
TOTAL EXPENDITURES.....	108,871,838	-	11,902,138	120,773,976
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(3,191,756)	50,594	(661,243)	(3,802,405)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	3,538,623	35,467	90,000	3,664,090
Proceeds of bonds and notes.....	-	-	1,724,000	1,724,000
Premium from issuance of bonds and notes.....	210,786	-	-	210,786
Sale of capital assets.....	-	-	53,236	53,236
Transfers out.....	(405,000)	(600,000)	(482,278)	(1,487,278)
TOTAL OTHER FINANCING SOURCES (USES).....	3,344,409	(564,533)	1,384,958	4,164,834
NET CHANGE IN FUND BALANCES.....	152,653	(513,939)	723,715	362,429
FUND BALANCES AT BEGINNING OF YEAR.....	10,045,905	3,388,017	14,542,849	27,976,771
FUND BALANCES AT END OF YEAR.....	\$ 10,198,558	\$ 2,874,078	\$ 15,266,564	\$ 28,339,200

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, 2009

Net change in fund balances - total governmental funds (page 20).....	\$	362,429
<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.....		3,759,445
Depreciation.....		(3,894,669)
<p>In the statement of activities, only the <i>gain/loss</i> on the disposal of capital assets is reported, whereas in the governmental funds the proceeds (if applicable) of the disposal are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.....</p>		
		(63,644)
<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>		
		(834,557)
<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 proceeds.....		(1,724,000)
Bond maturities.....		4,859,382
<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>		
		43,733
<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.....		101,340
Landfill closure.....		34,043
Net OPEB obligation.....		(7,732,743)
Compensated absences.....		(4,363)
		(5,093,604)
Changes in net assets of governmental activities (page 17).....	\$	(5,093,604)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS

JUNE 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	Water and Sewer	Golf	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 4,208,649	\$ 162,595	\$ 4,371,244
Restricted cash and cash equivalents.....	2,647,060	11,118	2,658,178
Receivables, net of allowance for uncollectible amounts:			
Utility liens.....	103,149	-	103,149
User charges.....	3,381,921	-	3,381,921
Special assessments.....	146,376	-	146,376
Due from other funds.....	419,447	-	419,447
Inventory.....	-	2,883	2,883
Total current assets.....	<u>10,906,602</u>	<u>176,596</u>	<u>11,083,198</u>
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Special assessments.....	2,158,607	-	2,158,607
Intergovernmental.....	57,052	-	57,052
Capital assets not being depreciated.....	4,086,310	673,999	4,760,309
Capital assets, net of accumulated depreciation.....	<u>28,724,190</u>	<u>2,125,189</u>	<u>30,849,379</u>
Total noncurrent assets.....	<u>35,026,159</u>	<u>2,799,188</u>	<u>37,825,347</u>
Total assets.....	<u>45,932,761</u>	<u>2,975,784</u>	<u>48,908,545</u>
LIABILITIES			
Current liabilities:			
Warrants payable.....	83,240	25,226	108,466
Accrued payroll.....	26,793	-	26,793
Accrued interest.....	218,606	29,115	247,721
Compensated absences.....	4,655	-	4,655
Short-term notes payable.....	600,000	-	600,000
Long-term bonds and notes payable.....	<u>1,637,370</u>	<u>195,931</u>	<u>1,833,301</u>
Total current liabilities.....	<u>2,570,664</u>	<u>250,272</u>	<u>2,820,936</u>
Noncurrent liabilities:			
Net OPEB obligation.....	161,108	17,826	178,934
Compensated absences.....	41,895	-	41,895
Long-term bonds and notes payable.....	<u>12,698,703</u>	<u>2,226,306</u>	<u>14,925,009</u>
Total noncurrent liabilities.....	<u>12,901,706</u>	<u>2,244,132</u>	<u>15,145,838</u>
Total liabilities.....	<u>15,472,370</u>	<u>2,494,404</u>	<u>17,966,774</u>
FUND NET ASSETS			
Invested in capital assets, net of related debt.....	20,578,539	388,069	20,966,608
Unrestricted.....	<u>9,881,852</u>	<u>93,311</u>	<u>9,975,163</u>
Total net assets.....	<u>\$ 30,460,391</u>	<u>\$ 481,380</u>	<u>\$ 30,941,771</u>

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, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Golf</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services.....	\$ 14,039,778	\$ 530,798	\$ 14,570,576
OPERATING EXPENSES			
Cost of service and administration.....	3,532,157	614,944	4,147,101
MWRA assessment.....	3,948,943	-	3,948,943
Repairs and maintenance.....	254,778	11,174	265,952
Depreciation.....	1,278,357	83,297	1,361,654
TOTAL OPERATING EXPENSES.....	9,014,235	709,415	9,723,650
OPERATING INCOME (LOSS).....	5,025,543	(178,617)	4,846,926
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental.....	87,221	-	87,221
Investment income.....	48,798	-	48,798
Interest expense.....	(651,859)	(123,088)	(774,947)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(515,840)	(123,088)	(638,928)
INCOME (LOSS) BEFORE TRANSFERS.....	4,509,703	(301,705)	4,207,998
TRANSFERS			
Transfers in.....	50,000	355,000	405,000
Transfers out.....	(2,546,345)	(35,467)	(2,581,812)
TOTAL TRANSFERS.....	(2,496,345)	319,533	(2,176,812)
CHANGE IN FUND NET ASSETS.....	2,013,358	17,828	2,031,186
FUND NET ASSETS AT BEGINNING OF YEAR (AS RESTATED).....	28,447,033	463,552	28,910,585
FUND NET ASSETS AT END OF YEAR.....	\$ 30,460,391	\$ 481,380	\$ 30,941,771

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Golf</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users.....	\$ 14,021,859	\$ 530,798	\$ 14,552,657
Payments to vendors.....	(5,888,381)	(470,205)	(6,358,586)
Payments to employees.....	(1,695,458)	(138,232)	(1,833,690)
NET CASH FROM OPERATING ACTIVITIES.....	<u>6,438,020</u>	<u>(77,639)</u>	<u>6,360,381</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in.....	50,000	355,000	405,000
Transfers out.....	(2,546,345)	(35,467)	(2,581,812)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>(2,496,345)</u>	<u>319,533</u>	<u>(2,176,812)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the issuance of bonds and notes.....	3,150,000	-	3,150,000
Acquisition and construction of capital assets.....	(2,163,123)	-	(2,163,123)
Principal payments on bonds and notes.....	(1,642,589)	(195,931)	(1,838,520)
Interest expense.....	(541,683)	(125,358)	(667,041)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,197,395)</u>	<u>(321,289)</u>	<u>(1,518,684)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income.....	48,798	-	48,798
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,793,078	(79,395)	2,713,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$1,375,944 and \$50,819 reported as restricted in the water and sewer and golf course enterprise funds, respectively).....			
	<u>4,062,631</u>	<u>253,108</u>	<u>4,315,739</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$2,647,060 and \$11,118 reported as restricted in the water and sewer and golf course enterprise funds, respectively).....			
	<u>\$ 6,855,709</u>	<u>\$ 173,713</u>	<u>\$ 7,029,422</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss).....	\$ 5,025,543	\$ (178,617)	\$ 4,846,926
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	1,278,357	83,297	1,361,654
Changes in assets and liabilities:			
Utility liens.....	23,846	-	23,846
User charges.....	(202,570)	-	(202,570)
Special assessments.....	160,805	-	160,805
Inventory.....	-	2,149	2,149
Warrants payable.....	28,273	(2,294)	25,979
Accrued payroll.....	(25,938)	-	(25,938)
Net OPEB obligation.....	161,108	17,826	178,934
Accrued compensated absences.....	(11,404)	-	(11,404)
Total adjustments.....	<u>1,412,477</u>	<u>100,978</u>	<u>1,513,455</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 6,438,020</u>	<u>\$ (77,639)</u>	<u>\$ 6,360,381</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Intergovernmental debt subsidies (MWPAT).....	\$ 87,221	\$ -	\$ 87,221

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

ASSETS	Pension Trust Fund (As of 12/31/08)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 1,045,164	\$ 372,302	\$ 2,308,097
Investments.....	56,705,896	-	-
Receivables, net of allowance for uncollectible amounts:			
Departmental and other.....	2,627,707	-	93,305
Total assets.....	60,378,767	372,302	2,401,402
LIABILITIES			
Warrants payable.....	-	-	23,813
Accrued payroll.....	-	-	22,634
Liabilities due depositors.....	-	-	2,354,955
Total liabilities.....	-	-	2,401,402
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 60,378,767	\$ 372,302	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Pension Trust Fund (As of 12/31/08)</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Employer.....	\$ 5,334,374	\$ -
Employee.....	<u>2,356,252</u>	<u>-</u>
Total contributions.....	<u>7,690,626</u>	<u>-</u>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	(30,154,870)	-
Interest.....	<u>2,167,712</u>	<u>5,430</u>
Total investment income (loss).....	(27,987,158)	5,430
Less investment expense.....	<u>(491,920)</u>	<u>-</u>
Net investment income (loss).....	<u>(28,479,078)</u>	<u>5,430</u>
Intergovernmental.....	<u>308,556</u>	<u>-</u>
Transfers from other systems.....	<u>338,036</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>(20,141,860)</u>	<u>5,430</u>
DEDUCTIONS		
Administration.....	203,156	-
Retirement benefits and refunds.....	7,657,683	-
Transfers to other systems.....	435,875	-
Other.....	<u>-</u>	<u>12,669</u>
TOTAL DEDUCTIONS.....	<u>8,296,714</u>	<u>12,669</u>
CHANGE IN NET ASSETS.....	(28,438,574)	(7,239)
NET ASSETS AT BEGINNING OF YEAR.....	<u>88,817,341</u>	<u>379,541</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 60,378,767</u>	<u>\$ 372,302</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 Natick, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

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.

Blended Component Unit

The Town has included the Natick Contributory Retirement System (System) as a component unit (blended) in the reporting entity because of the significance of its operational and financial relationship with the Town. Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees, the Natick Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, one member appointed by the Town's Board of Selectmen and one member appointed by the System's four other Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 13 East Central Street, Natick, Massachusetts 01760.

Discretely Presented Component Unit

Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The Town has included the Morse Institute in Natick (Institute) as a discretely presented component unit because it is fiscally dependent on the Town and because the nature and significance of its relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading.

The Institute provides support to enhance the operations of the Town's public library and is exempt from federal and state income taxes as it is established under Section 501(c)(3) of the Internal Revenue Code.

The Institute issues separately audited cash basis financial statements, which is a comprehensive basis of accounting other than GAAP. The main difference is that the effect on earnings from accounts and pledges receivable as well as accounts payable and donated services are not recognized. Complete financial statements of the Institute, audited by other auditors, can be obtained directly from the Institute by contacting the Director at 14 East Central Street, Natick, Massachusetts 01760.

Joint Venture

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 one joint venture 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.

South Middlesex Regional Vocational Technical High School District

The Town is indirectly liable for the South Middlesex Regional Vocational Technical High School District (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2009 assessment total approximately \$1,100,000. Separate audited financial statements may be obtained by contacting the District at 750 Winter Street, Framingham, Massachusetts 01702.

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 and its discretely presented component units. *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. Likewise, the primary government is reported separately from legally separate discretely presented component units for which the primary government is financially accountable.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than 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 and sewer* enterprise fund is used to account for the water and sewer activities.

The *golf course* enterprise fund is used to account for the Sassamon Trace golf course activities.

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 types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

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

The *agency fund* is used to account for assets held in a custodial capacity. Agency funds do not present the results of operations or have a measurement focus.

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. Fair value is based on quotations from a national securities and exchange except for pooled funds, alternative investments and real estate, for which fair value is determined as follows:

Pooled Funds

The fair value of shares in managed investment pools is based on unit value reported by the funds.

Alternative Investments

Alternative investments are recorded at fair value as determined in good faith by the general partners of the venture capital firms after consideration of pertinent information, including current financial position and operating results, price-earnings multiples and available market prices of similar companies' securities, the nature of securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated.

Real Estate

The fair value of real estate funds is based on independent third-party appraisals. The investment managers of the funds are responsible for the reported value of those investments. However, the structure, risk profile, return potential and marketability of those investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. As a result, the estimated values may differ significantly from the values that would have been used had a ready market for the real estate existed, and the differences could be material.

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.

User Charges (Water and Sewer)

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

Special Assessments

Special assessments consist of sewer, sidewalk, street, RUST and Title V betterments and are recorded as receivables in the fiscal year accrued.

Departmental and Other

Departmental and other receivables primarily consist primarily of ambulance, police details and trash ("Pay as you Throw" (PAYT) program) and are recorded as receivables in the fiscal year accrued.

Intergovernmental

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

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 (excluding the PAYT program)

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
- User charges (water and sewer, including liens)
- Special assessments
- Department and other (PAYT program)

Intergovernmental receivables are considered 100% collectible.

H. Inventories

Government-Wide and Fund Financial Statements

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

Inventories of the golf course enterprise fund are stated at weighted average cost.

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, equipment, vehicles, library books and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

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.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-30
Buildings.....	20-40
Equipment.....	5-10
Vehicles.....	5-15
Library books.....	10
Infrastructure.....	10-50

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 Fund 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:

"Debt service" represents amounts accumulated from the Massachusetts School Building Authority (MSBA) for future payment of long-term debt service costs associated with school construction. This amount will be amortized over the next 12 fiscal years.

"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 restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

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

Fund balances have been "reserved for" the following:

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

"Debt service" represents amounts accumulated from the Massachusetts School Building Authority (MSBA) for future payment of long-term debt service costs associated with school construction. This amount will be amortized over the next 12 fiscal years.

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

"Other specific purposes" represents restrictions placed on assets from outside parties.

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated to fund the fiscal year 2010 budget.

*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 derived from the water and sewer enterprise fund is retained in the fund. Investment income derived from the golf course enterprise fund is voluntarily assigned to the general fund.

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 and life 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 departments subsequent to the approval of the annual budget require Special Town Meeting approval.

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 2009 approved budget for the general fund authorized approximately \$100,910,525 in appropriations and other amounts to be raised. During fiscal year 2009, supplemental appropriations totaling approximately \$227,142 were authorized.

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

B. Fund Deficits

At June 30, 2009, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
911 PSAP & RECC Incentive.....	\$ 54,885	State grant
Capital equipment borrowing.....	35,992	Issuance of debt
Veterans oral history.....	12,930	State grant
Chapter 90.....	10,140	Available funds

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, expenditures exceeded appropriations for snow and ice removal and debt service interest. These over-expenditures will be funded by available funds during fiscal year 2010.

NOTE 3 - DEPOSITS AND INVESTMENTS

Town (excluding the Pension Trust Fund and Institute)

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 private purpose trust funds and the pension trust fund 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, 2009, \$28,974,956 of the Town's bank balance of \$45,497,877 was uninsured and uncollateralized.

Investments Summary

The Town’s investments at June 30, 2009 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Yrs) Less Than 1</u>
<u>Debt Securities:</u>		
External investment pools.....	\$ 77,522	\$ 77,522

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, 2009 the Town’s investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities 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, 2009, the credit quality ratings of the Town’s debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings *</u>
		<u>Unrated</u>
External investment pools.....	\$ 77,522	\$ 77,522

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

Pension Trust Fund (The System)

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System’s deposits may not be recovered. As of December 31, 2008, the System was not exposed to custodial credit risk.

Investments Summary

The System's investments at December 31, 2008 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Mutual bond funds.....	\$ 10,010,990	\$ 10,010,990
<u>Other Investments:</u>		
Equity mutual funds.....	36,480,765	
Real estate investments.....	6,909,570	
Alternative investments.....	<u>3,304,568</u>	
Total other investments.....	<u>46,694,903</u>	
Total investments.....	<u>\$ 56,705,893</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 System's policy regarding interest rate risk is that the duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2008, the System's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System's policy regarding credit risk is that the average quality of all bond holding should be maintained at A or better unless otherwise stated in the "Manager Specific Guidelines". As of December 31, 2008, the credit quality ratings of the System's debt securities are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings *</u>
		<u>Unrated</u>
Mutual bond funds.....	\$ 10,010,990	<u>10,010,990</u>

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

*The Institute (Discretely Presented Component Unit)*Investments Summary

The Institute's investments at June 30, 2009 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>
Corporate bonds.....	\$ 363,251
Common and preferred stock.....	593,003
Total investments.....	<u>\$ 956,254</u>

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2009, 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:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Real estate and personal property taxes.....	\$ 990,135	\$ (56,286)	\$ 933,849
Real estate tax deferrals.....	292,978	-	292,978
Tax, trash and utility liens.....	2,086,761	-	2,086,761
Motor vehicle and other excise taxes.....	439,247	(167,668)	271,579
Special assessments.....	294,417	-	294,417
Departmental and other.....	3,257,290	(177,674)	3,079,616
Intergovernmental.....	7,116,315	-	7,116,315
	<u>\$ 14,477,143</u>	<u>\$ (401,628)</u>	<u>\$ 14,075,515</u>

At June 30, 2009, receivables for the water and sewer enterprise fund consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Utility liens.....	\$ 103,149	\$ -	\$ 103,149
User charges.....	3,381,921	-	3,381,921
Special assessments.....	2,304,983	-	2,304,983
Intergovernmental.....	57,052	-	57,052
	<u>\$ 5,847,105</u>	<u>\$ -</u>	<u>\$ 5,847,105</u>

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

<u>Receivable type:</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Real estate and personal property taxes.....	\$ 531,093	\$ -	\$ 531,093
Real estate tax deferrals.....	292,978	-	292,978
Tax and utility liens.....	2,086,761	-	2,086,761
Motor vehicle and other excise taxes.....	271,579	-	271,579
Special assessments.....	113,612	180,805	294,417
Departmental and other.....	304,380	-	304,380
Intergovernmental (state school construction)....	6,226,750	-	6,226,750
Intergovernmental (other state and federal).....	98,215	-	98,215
Total.....	\$ 9,925,368	\$ 180,805	\$ 10,106,173

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2009, approximately \$917,000 of such assistance was received. Approximately \$9,960,000 will be received in future fiscal years. Of this amount, approximately \$3,733,000 represents reimbursement of long-term interest costs, and approximately \$6,227,000 represents reimbursement of approved construction costs. Accordingly, a \$6,226,750 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,124,124	\$ -	\$ -	\$ 10,124,124
Construction in progress.....	1,272,354	951,089	(494,886)	1,728,557
Total capital assets not being depreciated.....	11,396,478	951,089	(494,886)	11,852,681
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,064,856	428,705	-	2,493,561
Buildings.....	95,717,208	45,793	-	95,763,001
Machinery and equipment.....	3,138,108	1,113,573	(24,645)	4,227,036
Vehicles.....	6,542,592	540,054	(537,789)	6,544,857
Library books.....	1,987,014	175,660	-	2,162,674
Infrastructure.....	36,722,572	999,457	-	37,722,029
Total capital assets being depreciated.....	146,172,350	3,303,242	(562,434)	148,913,158
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,330,330)	(77,898)	-	(1,408,228)
Buildings.....	(34,885,419)	(2,078,637)	-	(36,964,056)
Machinery and equipment.....	(2,325,905)	(261,688)	17,820	(2,569,773)
Vehicles.....	(3,234,026)	(446,805)	480,970	(3,199,861)
Library books.....	(1,098,186)	(184,298)	-	(1,282,484)
Infrastructure.....	(23,563,043)	(845,343)	-	(24,408,386)
Total accumulated depreciation.....	(66,436,909)	(3,894,669)	498,790	(69,832,788)
Total capital assets being depreciated, net.....	79,735,441	(591,427)	(63,644)	79,080,370
Total governmental activities capital assets, net.....	\$ 91,131,919	\$ 359,662	\$ (558,530)	\$ 90,933,051

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activity- Water/Sewer Enterprise:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 379,255	\$ -	\$ -	\$ 379,255
Construction in progress.....	1,622,906	2,084,149	-	3,707,055
Total capital assets not being depreciated.....	<u>2,002,161</u>	<u>2,084,149</u>	<u>-</u>	<u>4,086,310</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	189,023	-	-	189,023
Machinery and equipment.....	680,487	-	-	680,487
Vehicles.....	1,049,672	-	-	1,049,672
Infrastructure.....	49,017,250	78,974	-	49,096,224
Total capital assets being depreciated.....	<u>50,936,432</u>	<u>78,974</u>	<u>-</u>	<u>51,015,406</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(23,628)	(9,451)	-	(33,079)
Machinery and equipment.....	(343,185)	(52,374)	-	(395,559)
Vehicles.....	(600,332)	(89,359)	-	(689,691)
Infrastructure.....	(20,045,714)	(1,127,173)	-	(21,172,887)
Total accumulated depreciation.....	<u>(21,012,859)</u>	<u>(1,278,357)</u>	<u>-</u>	<u>(22,291,216)</u>
Total capital assets being depreciated, net.....	<u>29,923,573</u>	<u>(1,199,383)</u>	<u>-</u>	<u>28,724,190</u>
Total water/sewer enterprise capital assets, net.....	<u>\$ 31,925,734</u>	<u>\$ 884,766</u>	<u>\$ -</u>	<u>\$ 32,810,500</u>

* As restated and more fully described in Note 18 (page 60)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Golf Course Enterprise:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 673,999	\$ -	\$ -	\$ 673,999
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,647,119	-	-	2,647,119
Buildings.....	120,513	-	-	120,513
Machinery and equipment.....	127,478	-	-	127,478
Total capital assets being depreciated.....	2,895,110	-	-	2,895,110
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(557,640)	(80,284)	-	(637,924)
Buildings.....	(1,506)	(3,013)	-	(4,519)
Machinery and equipment.....	(127,478)	-	-	(127,478)
Total accumulated depreciation.....	(686,624)	(83,297)	-	(769,921)
Total capital assets being depreciated, net.....	2,208,486	(83,297)	-	2,125,189
Total golf course enterprise capital assets, net.....	\$ 2,882,485	\$ (83,297)	\$ -	\$ 2,799,188

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

Governmental Activities:

General government.....	\$ 140,448
Public safety.....	549,889
Education.....	1,570,881
Public works.....	1,256,947
Health and human services.....	2,923
Culture and recreation.....	189,282
Library.....	184,299

Total depreciation expense - governmental activities..... \$ 3,894,669

Business-Type Activities:

Water and sewer.....	\$ 1,278,357
Golf.....	83,297

Total depreciation expense - business-type activities..... \$ 1,361,654

NOTE 6 - OPERATING LEASES

Lessee

The Town is committed under several operating leases for office equipment, a parking lot and a modular building used as a clubhouse and administrative building at the golf course. During fiscal year 2009, the Town paid approximately \$350,000 related to these leases, which are accounted for in the general fund and golf course enterprise fund. Future minimum lease payments are as follows:

Governmental Activities

<u>Fiscal Year</u>	<u>Payment</u>
2010.....	\$ 56,000

Business-Type Activities

<u>Fiscal Year</u>	<u>Payment</u>
2010.....	\$ 83,859
2011.....	85,589
2012.....	76,450
2013.....	62,997

Lessor

The Town leases buildings governed by separate agreements. During fiscal year 2009, the Town received approximately \$408,000 related to these leases. Future minimum lease payments to be received are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
2010.....	\$ 278,888
2011.....	177,016
2012.....	9,000

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables between funds at June 30, 2009, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer Fund.....	General Fund.....	\$ <u>419,447</u> (1)

(1) Represents over-allocations of retirement benefits in previous fiscal years.

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

Transfers Out:	Transfers In:					Total
	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Water & Sewer Enterprise Fund	Golf Enterprise Fund	
General Fund.....	\$ -	\$ -	\$ 50,000	\$ -	\$ 355,000	\$ 405,000 (1)
Stabilization Fund.....	600,000	-	-	-	-	600,000 (2)
Nonmajor Governmental Funds...	392,278	-	40,000	50,000	-	482,278 (3)
Water & Sewer Enterprise Fund...	2,546,345	-	-	-	-	2,546,345 (4)
Golf Enterprise Fund.....	-	35,467	-	-	-	35,467 (5)
	<u>\$ 3,538,623</u>	<u>\$ 35,467</u>	<u>\$ 90,000</u>	<u>\$ 50,000</u>	<u>\$ 355,000</u>	<u>\$ 4,069,090</u>

(1) Represents budgeted transfers from the general fund to the capital improvements - other fund (\$50,000) and funding of debt service (\$355,000) for the Sassamon Trace Golf Course.

(2) Represents budgeted transfer to the general fund from the stabilization fund.

(3) Represents budgeted transfers from parking meters (\$80,000); natick mall mitigation (\$126,427); title V (\$7,684); mathworks mitigation (\$35,000); MSBA (\$123,167) and glenwood mitigation (\$20,000) funds. Also represents a transfer to the gift/donations fund from the natick housing partnership receipts reserved fund (\$40,000) and a transfer to the water/sewer enterprise fund from the cloverleaf mitigation pumping receipts reserved fund (\$50,000).

(4) Represents budgeted transfer of indirect costs.

(5) Represents budgeted transfer to the stabilization fund from the golf enterprise fund.

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 fund, respectively.

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

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
BAN	Kennedy school roof repair.....	6/30/09	6/30/10	1.75%	\$ -	\$ 850,000	\$ -	\$ 850,000
BAN	Police station/town hall HVAC.....	6/30/09	6/30/10	1.75%	-	410,000	-	410,000
BAN	Memorial school DDC system.....	6/30/09	6/30/10	1.75%	-	375,000	-	375,000
BAN	Memorial school kitchen.....	6/30/09	6/30/10	1.75%	-	350,000	-	350,000
BAN	Kennedy school kitchen.....	6/30/09	6/30/10	1.75%	-	350,000	-	350,000
BAN	High school feasibility.....	6/30/09	6/30/10	1.75%	-	280,000	-	280,000
BAN	Equipment - trash packer.....	6/30/09	6/30/10	1.75%	-	175,000	-	175,000
BAN	Equipment - sidewalk tractor.....	6/30/09	6/30/10	1.75%	-	130,000	-	130,000
Total.....					\$ -	\$ 2,920,000	\$ -	\$ 2,920,000

Notes Payable – Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
BAN	Water main relining.....	6/30/09	6/30/10	1.75%	\$ -	\$ 600,000	\$ -	\$ 600,000

NOTE 9 – LONG-TERM OBLIGATIONS

Chapter 44, Section 10, of the MGL authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit”. 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, 2009, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Interest Rate	Outstanding at June 30, 2008**	Issued	Redeemed	Outstanding at June 30, 2009
Morse Institute Library.....	5.26%	\$ 1,060,000	\$ -	\$ (155,000)	\$ 905,000
Landfill Capping.....	5.05%	70,000	-	(35,000)	35,000
Landfill Capping*.....	5.30%	90,370	-	(15,225)	75,145
Oil Tank Removal / Remediation*.....	5.29%	306,254	-	(46,000)	260,254
Morse Institute Library*.....	5.30%	1,511,188	-	(226,000)	1,285,188
Municipal Complex (Town Hall / Safety)*.....	5.29%	341,398	-	(56,000)	285,398
Landfill Capping.....	4.73%	1,375,000	-	(125,000)	1,250,000
Morse Institute Library.....	4.67%	1,125,000	-	(125,000)	1,000,000
Municipal Complex (Town Hall / Safety).....	4.67%	4,500,000	-	(500,000)	4,000,000
Municipal Complex (Town Hall / Safety).....	4.87%	5,000,000	-	(500,000)	4,500,000
Landfill Capping (Net of Surplus to G.C.).....	4.93%	1,341,832	-	(114,069)	1,227,763
Septic Title V (MWPAT) T5-97-1026.....	0.00%	92,028	-	(7,684)	84,344
Storm Water (MWPAT).....	0.00%	150,012	-	(28,427)	121,585
Land Acquisition*.....	3.12%	507,500	-	(89,900)	417,600
Fuel Storage (Residential)*.....	3.12%	306,250	-	(54,250)	252,000
Fuel Storage (Municipal)*.....	3.12%	61,250	-	(10,850)	50,400
Curb (Poter Rd, ETC).....	2.19%	25,000	-	(25,000)	-
Septic Title V (MWPAT) T5-97-1026-1.....	0.00%	76,741	-	(5,127)	71,614
Capital Improvements (FY2005).....	3.97%	29,000	-	(15,000)	14,000
Capital Equipment (FY2005).....	4.50%	342,000	-	(172,000)	170,000
Capital Equipment (FY2006) ATM 2005.....	3.90%	105,000	-	(35,000)	70,000
Capital Equipment (FY2006) FTM 2005.....	3.90%	78,000	-	(26,000)	52,000
Capital Equipment (FY2007) ATM 2006.....	3.88%	102,000	-	(27,000)	75,000
Capital Equipment (FY2007) ATM 2006.....	3.88%	12,000	-	(3,000)	9,000
Lilja School*.....	5.30%	135,555	-	(20,850)	114,705
Brown School*.....	5.33%	469,310	-	(90,000)	379,310
Lilja School.....	4.70%	250,000	-	(25,000)	225,000
Lilja School.....	4.70%	3,920,000	-	(396,000)	3,524,000
Lilja School.....	4.94%	180,000	-	(15,000)	165,000
Bennet-Hemenway School.....	5.15%	8,580,000	-	(660,000)	7,920,000
Wilson Middle School.....	4.14%	7,870,000	-	(495,000)	7,375,000
Wilson Middle School.....	4.14%	1,040,000	-	(65,000)	975,000
Kennedy Middle School.....	3.30%	600,000	-	(100,000)	500,000
School Capital Improvements (FY2005).....	3.98%	222,000	-	(112,000)	110,000
M.P.L. of 2008-Building remodeling.....	3.38-5.00%	579,000	364,000	(98,000)	845,000
M.P.L. of 2008-Surface drain.....	3.38-5.00%	250,000	815,000	(115,000)	950,000
M.P.L. of 2008-Departmental Equipment-Fire.....	3.38-5.00%	400,000	-	(45,000)	355,000
M.P.L. of 2008-Departmental Equipment.....	3.38-5.00%	525,000	-	(90,000)	435,000
M.P.L. of 2008-Departmental Equipment.....	3.38-5.00%	50,000	-	(15,000)	35,000
M.P.L. of 2008-Departmental Equipment.....	3.38-5.00%	45,000	-	(15,000)	30,000
M.P.L. of 2008-Departmental Equipment.....	3.38-5.00%	41,000	-	(11,000)	30,000
M.P.L. of 2008-Departmental Equipment.....	3.38-5.00%	-	355,000	(75,000)	280,000
M.P.L. of 2008-Departmental Equipment.....	3.38-5.00%	-	190,000	(20,000)	170,000
Septic Title V (MWPAT) T5-97-1026-B.....	0.00%	150,000	-	-	150,000
Total governmental funds.....		\$ 43,914,688	\$ 1,724,000	\$ (4,859,382)	\$ 40,779,306

* Represents amounts that were refunded during a prior fiscal year

** As restated and more fully described in Note 18 (page 60)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 4,819,529	\$ 1,856,948	\$ 6,676,477
2011.....	4,455,471	1,646,784	6,102,255
2012.....	4,361,388	1,447,884	5,809,272
2013.....	4,271,721	1,250,208	5,521,929
2014.....	4,121,549	1,061,856	5,183,405
2015.....	3,761,549	878,687	4,640,236
2016.....	3,311,411	701,172	4,012,583
2017.....	3,281,411	536,815	3,818,226
2018.....	2,586,411	388,324	2,974,735
2019.....	1,485,411	269,920	1,755,331
2020.....	1,360,411	195,308	1,555,719
2021.....	1,227,602	133,944	1,361,546
2022.....	567,721	74,622	642,343
2023.....	567,721	50,081	617,802
2024.....	562,500	24,975	587,475
2025.....	7,500	-	7,500
2026.....	7,500	-	7,500
2027.....	7,500	-	7,500
2028.....	7,500	-	7,500
2029.....	7,500	-	7,500
Total.....	\$ <u>40,779,306</u>	\$ <u>10,517,528</u>	\$ <u>51,296,834</u>

Bonds and Notes Payable - Enterprise Fund (Water and Sewer)

Project	Interest Rate	Outstanding at June 30, 2008**	Issued	Redeemed	Outstanding at June 30, 2009
Water Treatment Plant*	3.25-3.75%	\$ 225,925	\$ -	\$ (30,925)	\$ 195,000
Water Treatment Plant	4.73%	668,000	-	(63,000)	605,000
Sewer (Pleasant, Rockwood, etc.)	4.71%	132,000	-	(11,000)	121,000
Sewer (Pleasant, Eliot, Union, etc.)	4.92%	430,000	-	(40,000)	390,000
Sewer (Union, St)	4.90%	335,000	-	(30,000)	305,000
Water (Lakeshore Dr)	4.94%	300,000	-	(25,000)	275,000
Water (Lakeshore Dr)	5.14%	330,000	-	(30,000)	300,000
Sewer (Boden Ln & Water, Lincoln, etc.)	5.09%	670,000	-	(90,000)	580,000
Water Meters	4.19%	720,000	-	(180,000)	540,000
Water Relining	4.19%	280,000	-	(70,000)	210,000
Water Relining	4.19%	560,000	-	(140,000)	420,000
Sewer (Lakeshore Rd)	4.71%	280,000	-	(20,000)	260,000
Sewer (Leach Ln)	4.73%	140,000	-	(10,000)	130,000
Water Elm Bank *Refunded	2.96%	725,000	-	(155,000)	570,000
Water Meters	3.30%	210,000	-	(35,000)	175,000
Sewer I&I (MWRA)	0.00%	135,300	-	(67,650)	67,650
Sewer (Speen St, Park Ave)	4.03%	1,995,000	-	(105,000)	1,890,000
Water Treatment (MWPAT) *Refunded	2.00%	4,682,437	-	(210,014)	4,472,423
Water Mains - Lining	3.38-5.00%	450,000	2,550,000	(300,000)	2,700,000
M.P.L. of 2008-Departmental Equipment	3.38-5.00%	90,000	-	(10,000)	80,000
M.P.L. of 2008-Departmental Equipment	3.38-5.00%	70,000	-	(20,000)	50,000
Total Water/Sewer enterprise fund		\$ 13,428,662	\$ 2,550,000	\$ (1,642,589)	\$ 14,336,073

* Represents amounts that were refunded during a prior fiscal year

** As restated and more fully described in Note 18 (page 60)

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

Fiscal Year	Principal	Interest	Total
2010.....	\$ 1,637,370	\$ 618,994	\$ 2,256,364
2011.....	1,560,640	550,143	2,110,783
2012.....	1,511,661	481,835	1,993,496
2013.....	1,107,911	411,559	1,519,470
2014.....	977,023	360,363	1,337,386
2015.....	934,438	319,633	1,254,071
2016.....	932,294	272,943	1,205,237
2017.....	942,041	229,801	1,171,842
2018.....	951,787	184,821	1,136,608
2019.....	652,408	139,939	792,347
2020.....	587,155	109,810	696,965
2021.....	511,902	82,817	594,719
2022.....	461,522	58,363	519,885
2023.....	441,269	34,634	475,903
2024.....	455,889	15,251	471,140
2025.....	460,763	10,893	471,656
2026.....	105,000	6,536	111,536
2027.....	105,000	2,179	107,179
Total.....	\$ <u>14,336,073</u>	\$ <u>3,890,514</u>	\$ <u>18,226,587</u>

Bonds and Notes Payable – Enterprise Fund (Golf)

Project	Interest Rate	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Municipal Golf Course.....	4.73%	\$ 2,075,000	\$ -	\$ (150,000)	\$ 1,925,000
Surplus Proceeds from Landfill to Golf Course.....	4.93%	430,342	-	(36,528)	393,814
Surplus Proceeds from Landfill to Golf Course.....	4.93%	112,826	-	(9,403)	103,423
Total Golf enterprise fund.....		\$ <u>2,618,168</u>	\$ -	\$ <u>(195,931)</u>	\$ <u>2,422,237</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 195,931	\$ 116,856	\$ 312,787
2011.....	195,930	108,224	304,154
2012.....	195,930	99,402	295,332
2013.....	195,930	90,384	286,314
2014.....	194,788	81,322	276,110
2015.....	194,788	71,855	266,643
2016.....	194,788	62,054	256,842
2017.....	194,788	52,236	247,024
2018.....	189,788	42,408	232,196
2019.....	189,788	32,817	222,605
2020.....	189,788	23,216	213,004
2021.....	145,000	14,790	159,790
2022.....	145,000	7,395	152,395
Total.....	\$ 2,422,237	\$ 802,959	\$ 3,225,196

The Town receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT). Principal and interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2009, the Town's subsidy totaled approximately \$108,000. Future subsidies total approximately \$1,032,000. The amount of MWPAT bonds outstanding at June 30, 2009, totaled \$4,899,966.

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five equal annual installments). At June 30, 2009, the outstanding principal amount of these loans totaled \$67,650.

During fiscal year 2009, the Town issued \$4,274,000 of general obligation bonds for building remodeling, surface drain, departmental equipment and water mains lining.

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

Purpose	Amount
High school feasibility.....	\$ 2,000,000
Community center plans.....	1,000,000
Kennedy school roof repair.....	850,000 *
Pipe relining.....	800,000
Memorial school roof.....	780,000
Water main relining.....	600,000 *
Parking garage.....	540,000
Well.....	514,250
Town forest renovation.....	500,000
Police station/town hall HVAC.....	410,000 *
Fire engine.....	400,000
Memorial school DDC system.....	375,000 *
Memorial school kitchen.....	350,000 *
Kennedy school kitchen.....	350,000 *
Sewer pump station.....	300,000
High school feasibility.....	280,000 *
Well.....	250,000
Equipment.....	250,000
Equipment - trash packer.....	175,000 *
Equipment - sidewalk tractor.....	130,000 *
Charles River dam.....	87,000
Voter reader machines.....	76,000
Updates to fire station.....	600
Total.....	<u>\$ 11,017,850</u>

* Represents short-term debt outstanding as of June 30, 2009

Changes in Long-Term Liabilities

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

	Balance June 30, 2008*	Increases	Decreases	Balance June 30, 2009	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 43,914,688	\$ 1,724,000	\$ (4,859,382)	\$ 40,779,306	\$ 4,819,529
Workers' compensation claims....	357,170	-	(101,340)	255,830	127,915
Landfill closure.....	646,817	-	(34,043)	612,774	34,043
Net OPEB obligation.....	-	7,732,743	-	7,732,743	-
Compensated absences.....	1,438,991	4,362	-	1,443,353	144,335
Total.....	\$ 46,357,666	\$ 9,461,105	\$ (4,994,765)	\$ 50,824,006	\$ 5,125,822
Business-type Activities:					
Bonds and notes payable.....	\$ 16,046,830	\$ 2,550,000	\$ (1,838,520)	\$ 16,758,310	\$ 1,833,301
Net OPEB obligation.....	-	178,934	-	178,934	-
Compensated absences.....	57,954	-	(11,404)	46,550	4,655
Total.....	\$ 16,104,784	\$ 2,728,934	\$ (1,849,924)	\$ 16,983,794	\$ 1,837,956

* As restated and more fully described in Note 18 (page 60)

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 provides health insurance through its participation in the West Suburban Health Group (Group), a non-profit trust comprised of 11 towns, one school district and two educational collaboratives. The Town recognizes the cost of providing health insurance by recording its share (depending on the plan, contribution rates range between 50% and 90%) of insurance premiums paid to the Group in the general fund in the fiscal year paid. The purpose of the Group is to pay medical claims of its members' employees and their covered dependents.

The Town participates in a premium-based workers' compensation plan. In prior years, the Town was self-insured for workers' compensation and is liable for the payment of certain claims from those periods. The claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type. The estimated liability at June 30, 2009, totaled \$255,830.

NOTE 11 - PENSION PLAN

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Natick Contributory 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 Commonwealth's 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 Natick Contributory 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 13 East Central Street, Natick, Massachusetts 01760.

Plan Membership - At December 31, 2008, the System's membership consists of the following:

Active members.....	585
Inactive members.....	80
Retirees and beneficiaries currently receiving benefits..	<u>371</u>
Total.....	<u>1,036</u>

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.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2009, 2008, and 2007 were \$5,255,414, \$5,460,965, and \$4,983,669, respectively. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 98.5% of the total. At June 30, 2009, the Town did not have a net pension obligation.

Funded Status and Funding Progress - The funded status of the plan at January 1, 2008, the most recent actuarial valuation date, is as follows:

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	\$ 90,885,080	\$ 131,268,314	\$ 40,383,234	69.2%	\$ 25,775,476	156.7%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

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

Valuation date:	January 1, 2008
Actuarial cost method:	Entry age normal
Amortization method:	4.50% increasing
Remaining amortization period:	18 years from July 1, 2008
Asset valuation method:	5 year smoothing of market value returns greater (less) than expected

Actuarial assumptions:

Investment rate of return:	8.00%
Projected salary increases:	Based on years of service, ranging from 7.00% decreasing to 4.75% after 9 years of service for Group 1 employees, ranging from 7.00% decreasing to 5.00% after 7 years for service for Group 2 employees and ranging from 8.00% decreasing to 5.25% after 8 years for Group 4 employees
Cost of living adjustments:	3.00% of first \$12,000 of retirement income

Legally Required Reserve Accounts - The balance in the System's legally required reserves as of December 31, 2008 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 24,848,624	Active members' contribution balance
Annuity Reserve Fund.....	7,119,919	Retired members' contribution account
Pension Reserve Fund.....	20,852,708	Amounts appropriated to fund future retirement
Pension Fund.....	<u>7,557,516</u>	Remaining net assets
Total.....	<u>\$ 60,378,767</u>	

Noncontributory Retirement Allowance - The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2009 totaled approximately \$115,000.

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 totaled approximately \$8,687,000 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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.....	1,179
Retired employees and spouses.....	<u>788</u>
Total.....	<u><u>1,967</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 (including Medicare Part B) are 50%, respectively. The Plan members and Town each contribute 50% towards a \$5,000 term life insurance premium. 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.....	\$ 10,908,261
Interest on net OPEB obligation.....	-
Adjustment to annual required contribution.....	<u>-</u>
Annual OPEB cost.....	10,908,261
Contributions made.....	<u>(2,996,584)</u>
Increase in net OPEB obligation.....	7,911,677
Net OPEB obligation at beginning of year.....	<u>-</u>
Net OPEB obligation at end of year.....	<u><u>\$ 7,911,677</u></u>

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2009*.....	\$ 10,908,261	27.5%	\$ 7,911,677

* 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:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/08	\$ -	\$ 111,743,502	\$ 111,743,502	-	\$ 59,832,150	186.8%

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:	Entry Age Normal
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	30 years at July 1, 2008
Interest discount rate:	4.00%
Healthcare/Medical cost trend rate:	10.00% beginning in 2008 to an ultimate level of 5.00% in 2013
Projected salary increases:	2.50% annually

Allocation of AOPEBC – AOPEBC costs were allocated to the Town’s functions as follows:

Governmental Activities:	
General government.....	\$ 436,004
Public safety.....	2,078,496
Education.....	7,118,404
Public works.....	495,700
Health and human services.....	142,364
Culture and recreation.....	115,805
Library.....	274,783
	<u> </u>
Total AOPEBC - governmental activities.....	\$ <u>10,661,556</u>
Business-Type Activities:	
Water and sewer.....	\$ 222,127
Golf.....	24,578
	<u> </u>
Total AOPEBC - business-type activities.....	\$ <u>246,705</u>
	<u> </u>
Total AOPEBC.....	\$ <u>10,908,261</u>

NOTE 14 - COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$11,000,000 for water main projects, roadway projects, school construction projects, community center plans and the purchase of departmental equipment.

NOTE 15 - LANDFILL POST-CLOSURE CARE

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 ceased operations in 1988 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$612,774 as the estimated landfill post-closure care liability at June 30, 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 16 - COURT JUDGMENT

On June 15, 2009, a final judgment was rendered against the Town that resulted in a liability totaling \$950,751. Subsequent to year-end, the payment of the liability was authorized by Town Meeting vote and liquidated.

NOTE 17 - CONTINGENCIES

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

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

NOTE 18 - PRIOR PERIOD ADJUSTMENTS

The following changes have been made to beginning net assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water/Sewer Enterprise Fund</u>
Net assets at June 30, 2008, as previously reported.....	\$ 82,970,734	\$ 30,025,507	\$ 29,561,955
To restate capital assets.....	-	(954,922)	(954,922)
To reclassify outstanding debt.....	<u>10,000</u>	<u>(160,000)</u>	<u>(160,000)</u>
Net assets at June 30, 2008, as restated.....	<u>\$ 82,980,734</u>	<u>\$ 28,910,585</u>	<u>\$ 28,447,033</u>

NOTE 19 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

- Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This pronouncement requires the recording of an OPEB liability that relates to the Town's future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance. The statement is recorded prospectively in the first year of implementation. Details relating to the Town's OPEB liability and its calculation are provided at Note 13.
- Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations. The implementation of this Statement had no impact on the financial statements.
- Statement #52, Land and Other Real Estate Held as Investments by Endowments. The implementation of this Statement had no impact on the financial statements.

NOTE 20 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Investments*, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #54, *Fund Balance Reporting and Governmental 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.

These pronouncements will be implemented on 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 (BUDGETARY BASIS OF ACCOUNTING)

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 72,661,346	\$ (122,525)	\$ 72,538,821
Motor vehicle and other excise taxes.....	-	3,800,000	-	3,800,000
Hotel/motel tax.....	-	835,000	-	835,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	16,500	-	16,500
Trash disposal.....	-	1,040,000	-	1,040,000
Intergovernmental.....	-	12,272,978	-	12,272,978
Special assessments.....	-	20,000	-	20,000
Penalties and interest on taxes.....	-	200,000	-	200,000
Licenses and permits.....	-	1,200,000	-	1,200,000
Fines and forfeitures.....	-	230,000	-	230,000
Departmental and other.....	-	2,110,000	-	2,110,000
Investment income.....	-	800,000	-	800,000
TOTAL REVENUES.....	-	95,185,824	(122,525)	95,063,299
EXPENDITURES				
Current:				
General government.....	611,110	4,704,696	1,320,278	6,636,084
Public safety.....	296,457	12,109,070	116,250	12,521,777
Education.....	612,277	44,917,644	(246,151)	45,283,770
Public works.....	1,207,087	7,500,540	(701,434)	8,006,193
Health and human services.....	1,521	990,485	100,039	1,092,045
Culture and recreation.....	-	573,991	5,790	579,781
Library.....	4,242	1,897,285	700	1,902,227
Pension benefits.....	-	5,170,376	-	5,170,376
Employee benefits.....	20,887	13,372,367	(10,000)	13,383,254
Property and liability insurance.....	-	496,150	(15,000)	481,150
State and county charges.....	-	1,552,943	-	1,552,943
Debt service:				
Principal.....	-	5,255,813	(393,330)	4,862,483
Interest.....	-	2,014,165	-	2,014,165
TOTAL EXPENDITURES.....	2,753,581	100,555,525	177,142	103,486,248
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,753,581)	(5,369,701)	(299,667)	(8,422,949)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	3,436,623	102,000	3,538,623
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(355,000)	(50,000)	(405,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	3,081,623	52,000	3,133,623
NET CHANGE IN FUND BALANCE.....	(2,753,581)	(2,288,078)	(247,667)	(5,289,326)
FUND BALANCE AT BEGINNING OF YEAR.....	12,022,569	12,022,569	12,022,569	12,022,569
FUND BALANCE AT END OF YEAR.....	\$ 9,268,988	\$ 9,734,491	\$ 11,774,902	\$ 6,733,243

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 73,070,586	\$ -	\$ 73,070,586	\$ 531,765
4,187,047	-	4,187,047	387,047
833,846	-	833,846	(1,154)
647,703	-	647,703	647,703
117,635	-	117,635	101,135
1,005,638	-	1,005,638	(34,362)
11,270,178	-	11,270,178	(1,002,800)
21,243	-	21,243	1,243
532,254	-	532,254	332,254
1,224,906	-	1,224,906	24,906
177,431	-	177,431	(52,569)
2,454,028	-	2,454,028	344,028
354,263	-	354,263	(445,737)
<u>95,896,758</u>	<u>-</u>	<u>95,896,758</u>	<u>833,459</u>
5,205,481	551,490	5,756,971	879,113
11,954,270	279,162	12,233,432	288,345
44,850,607	379,619	45,230,226	53,544
7,546,517	796,941	8,343,458	(337,265)
1,033,157	1,785	1,034,942	57,103
573,532	501	574,033	5,748
1,858,557	-	1,858,557	43,670
5,154,962	-	5,154,962	15,414
12,293,905	43,029	12,336,934	1,046,320
398,800	-	398,800	82,350
1,476,900	-	1,476,900	76,043
4,852,483	-	4,852,483	10,000
2,014,439	-	2,014,439	(274)
<u>99,213,610</u>	<u>2,052,527</u>	<u>101,266,137</u>	<u>2,220,111</u>
<u>(3,316,852)</u>	<u>(2,052,527)</u>	<u>(5,369,379)</u>	<u>3,053,570</u>
3,538,623	-	3,538,623	-
210,786	-	210,786	210,786
<u>(405,000)</u>	<u>-</u>	<u>(405,000)</u>	<u>-</u>
<u>3,344,409</u>	<u>-</u>	<u>3,344,409</u>	<u>210,786</u>
27,557	(2,052,527)	(2,024,970)	3,264,356
<u>12,022,569</u>	<u>12,022,569</u>	<u>12,022,569</u>	<u>-</u>
<u>\$ 12,050,126</u>	<u>\$ 9,970,042</u>	<u>\$ 9,997,599</u>	<u>\$ 3,264,356</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

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	\$ 90,885,080	\$ 131,268,314	\$ 40,383,234	69.2%	\$ 25,775,476	156.7%
01/01/06	79,234,306	118,903,286	39,668,980	66.6%	24,814,583	159.9%
01/01/04	70,246,877	109,024,236	38,777,359	64.4%	22,170,379	174.9%
01/01/02	68,985,592	100,572,515	31,586,923	68.6%	22,056,144	143.2%
01/01/00	64,669,153	89,688,360	25,019,207	72.1%	18,611,143	134.4%
01/01/99	63,402,638	86,939,398	23,536,760	72.9%	17,641,644	133.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2003	\$ 4,288,248	100
2004	4,481,219	100
2005	4,841,775	100
2006	5,059,655	100
2007	5,541,638	100
2008	5,334,374	100

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

TOWN SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2004	\$ 4,230,821	100	98.7%
2005	4,421,412	100	98.7%
2006	4,769,061	100	98.5%
2007	4,983,669	100	98.5%
2008	5,460,965	100	98.5%
2009	5,255,414	100	98.5%

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, 2009, 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.....	\$ 95,896,758	\$ 101,266,137
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	402,753	-
Net change in recording tax refunds payable.....	915,395	-
To record MWPAT debt service subsidy.....	20,396	20,396
Net change in recording receivables.....	(242,301)	-
Net change in court judgments.....	-	950,751
To record activity for MTRS on-behalf payments.....	8,687,081	8,687,081
To record encumbrances and continuing appropriations.....	-	(2,052,527)
	<u> </u>	<u> </u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>105,680,082</u>	\$ <u>108,871,838</u>