

TOWN OF LITTLETON, MASSACHUSETTS

Financial Statements

June 30, 2008

and Electric Light Enterprise Fund as of December 31, 2007

(With Accountants' Report Thereon)

Town of Littleton, Massachusetts
FINANCIAL STATEMENTS
 For the Year Ended June 30, 2008
 and Electric Light Enterprise Fund as of December 31, 2007

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Town of Littleton, Massachusetts
FINANCIAL STATEMENTS
For the Year Ended June 30, 2008
and Electric Light Enterprise Fund as of December 31, 2007

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS - TOWN OF
LITTLETON, MASSACHUSETTS

Board of Selectmen
Town of Littleton
37 Shattuck Street
P.O. Box 1305
Littleton, MA 01460

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Littleton, Massachusetts as of and for the year ended June 30, 2008 (the Electric Light Enterprise as of December 31, 2007 and for the year then ended), 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 Littleton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Littleton Electric Light Enterprise fund or the Water Department Enterprise fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Littleton Electric Light and the Water Department Enterprise funds, is based solely on the report of the other auditors.

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

The Electric Light Department's cash and investments are held by the Treasurer of the Town of Littleton, Massachusetts. Of the Department's cash and investments, \$4,529,494 is co-mingled with the Town's cash. The Town of Littleton has not reconciled its cash for December 31, 2007, which prevents the Electric Light Department from determining whether its portion of cash and investments are fairly stated.

The Electric Light Department follows accounting principles prescribed by the Massachusetts Department of Telecommunications and Energy, which differ in certain respects from generally accepted accounting principles. The primary difference relates to the charging of depreciation expense at a fixed percentage of Department assets. The effects of this difference on the accompanying financial statements has not been quantified.

In addition, in our opinion, based on our audit and the reports of other auditors, except for the effects, if any, of the items described in the third paragraph and except for the item described in the fourth paragraph, in so far as they relate to the Electric Light Department (major fund and business type activity) 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 Littleton, Massachusetts as of June 30, 2008 (the Electric Light Enterprise Fund

as of December 31, 2007) and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note VII, the Town has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of June 30, 2008.

The Town of Littleton, Massachusetts has elected not to present Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. The election was made because general infrastructure assets had not been reported in prior years and any analysis of the governmental activities of the entity wide financial statements would be incomplete.

The budgetary comparison and the Retirement System information are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 4, 2009 on our consideration of the Town of Littleton, Massachusetts’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town of Littleton taken as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Giusti, Hingston and Company
Giusti, Hingston and Company
Certified Public Accountants
May 4, 2009

Town of Littleton, Massachusetts
Statement of Net Assets
June 30, 2008
(Except for the Electric Activity, Which is for Year Ended December 31, 2007)
(Continued on Page 4)

	<u>Governmental</u> <u>Activities</u>	<u>Business - Type</u> <u>Activities</u>	<u>Government-</u> <u>Wide</u> <u>Total</u>
Assets			
Current:			
Cash and Investments	\$ 15,003,094	\$ 5,597,402	\$ 20,600,496
Petty Cash	2,550	-	2,550
Receivables:			
Property Taxes	317,313	-	317,313
Tax Liens	205,790	-	205,790
Excises	158,242	-	158,242
User Charges	-	3,188,169	3,188,169
Accrued Unbilled Revenues	-	173,526	173,526
Special Assessments	438	-	438
Unamortized Bond Discount	-	127,164	127,164
Intergovernmental	1,565,442	-	1,565,442
Inventory	-	848,086	848,086
Power Contract Buyouts	-	319,473	319,473
Prepaid Expenses	-	3,553,513	3,553,513
Noncurrent:			
Restricted Cash	-	9,896,875	9,896,875
Intergovernmental	15,159,234	-	15,159,234
Deferred Property Taxes	29,268	-	29,268
Restricted Investments	-	3,106,114	3,106,114
Deferred Special Assessments	205,532	-	205,532
Other Assets:			
Power Contract Buyouts	-	1,272,179	1,272,179
Unamortized Bond Discount	-	82,838	82,838
Capital Assets:			
Assets Not Being Depreciated	9,613,565	2,035,423	11,648,988
Assets Being Depreciated, Net	50,300,788	23,697,076	73,997,864
	<hr/>	<hr/>	<hr/>
Total Assets	92,561,256	53,897,838	146,459,094
	<hr/>	<hr/>	<hr/>
Liabilities			
Current:			
Warrants Payable	1,628,800	-	1,628,800
Capital Lease Payable	24,884	-	24,884
Accounts Payable	-	2,030,061	2,030,061

Town of Littleton, Massachusetts
Statement of Net Assets
June 30, 2008
(Except for the Electric Activity, Which is for Year Ended December 31, 2007)
(Continued from Page 3)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
Accrued Salaries Payable	772,252	-	772,252
Employees' Withholding Payable	393,089	-	393,089
Guarantee Deposits	550,249	-	550,249
Unclaimed Checks	7,062	-	7,062
Other Liabilities	88,852	221,763	310,615
Accrued Interest Payable	558,431	-	558,431
Incurred Health Insurance Claims Payable	10,190	-	10,190
Bonds Payable	2,433,236	415,467	2,848,703
Accrued Employee Compensated Absences	-	48,086	48,086
Selected Power Buyout	-	1,915,478	1,915,478
Noncurrent:			
Compensated absences	265,717	205,746	471,463
Bonds Payable	33,451,204	3,826,758	37,277,962
Capital Lease Payable	49,234	5,746,431	5,795,665
Unamortized Bond Premium	755,042	-	755,042
Accrued Unfunded Pension Payable	64,001	-	64,001
	<u>41,052,243</u>	<u>14,409,790</u>	<u>55,462,033</u>
Total Liabilities			
Net Assets			
Invested in Capital Assets, Net of Related Debt	40,244,652	21,490,274	61,734,926
Restricted for:			
Depreciation Fund	-	3,347,826	3,347,826
Special Revenue	3,754,935	-	3,754,935
Perpetual Funds:			
Expendable	249,793	-	249,793
Nonexpendable	2,477,513	-	2,477,513
Health Benefits	1,205,049	-	1,205,049
Unrestricted	<u>3,577,071</u>	<u>14,649,948</u>	<u>18,227,019</u>
Total Net Assets	<u>\$ 51,509,013</u>	<u>\$ 39,488,048</u>	<u>\$ 90,997,061</u>

Town of Littleton, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2008
(Except for the Electric Activity, Which is for Year Ended December 31, 2007)

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
<i>Governmental Activities:</i>							
General Government	\$ 6,453,652	\$ 807,384	\$ 344,108	\$ -	\$ (5,302,160)	\$ -	\$ (5,302,160)
Public Safety	2,432,015	449,796	176,276	-	(1,805,943)	-	(1,805,943)
Education	20,493,878	1,272,012	6,012,044	-	(13,209,822)	-	(13,209,822)
Highways and Public Works	2,889,173	442,632	49,590	-	(2,396,951)	-	(2,396,951)
Human Services	151,173	4,356	21,163	-	(125,654)	-	(125,654)
Culture and Recreation	948,516	505,363	(36,560)	-	(479,713)	-	(479,713)
Debt Service	2,090,216	-	-	-	(2,090,216)	-	(2,090,216)
Total Governmental Activities	<u>35,458,623</u>	<u>3,481,543</u>	<u>6,566,621</u>	<u>-</u>	<u>(25,410,459)</u>	<u>-</u>	<u>(25,410,459)</u>
<i>Business-Type Activities:</i>							
Electric	27,916,378	29,942,676	334,435	-	-	2,360,733	2,360,733
Water	1,773,875	1,766,475	26	-	-	(7,374)	(7,374)
Ambulance	174,541	309,573	-	-	-	135,032	135,032
Total Business-Type Activities	<u>29,864,794</u>	<u>32,018,724</u>	<u>334,461</u>	<u>-</u>	<u>-</u>	<u>2,488,391</u>	<u>2,488,391</u>
Total Primary Government	<u>\$ 65,323,417</u>	<u>\$ 35,500,267</u>	<u>\$ 6,901,082</u>	<u>\$ -</u>	<u>(25,410,459)</u>	<u>2,488,391</u>	<u>(22,922,068)</u>
<i>General Revenues:</i>							
Property Taxes					20,895,901	-	20,895,901
Special Assessments					12,671	-	12,671
Motor Vehicle and Other Excise Taxes					1,181,818	-	1,181,818
Penalties and Interest on Taxes					44,929	-	44,929
Other Taxes, Assessments and in Lieu Payments					499,671	-	499,671
Intergovernmental					916,110	-	916,110
Interest and Investment Income					797,685	-	797,685
Other Revenue					5,595	-	5,595
<i>Special Items:</i>							
Premium on Sale of Debt					382,937	-	382,937
Gain (Loss) on Disposition of Asset					69	8,893	8,962
Transfer In (Out)					28,472	(28,472)	-
Total General Revenues, Special Items and Transfers					<u>24,765,858</u>	<u>(19,579)</u>	<u>24,746,279</u>
Change in Net Assets					(644,601)	2,468,812	1,824,211
<i>Net Assets:</i>							
Beginning of the Year					47,819,085	37,073,236	84,892,321
Prior Period Adjustments					4,334,529	(54,000)	4,280,529
Adjusted Beginning of the Year					<u>52,153,614</u>	<u>37,019,236</u>	<u>89,172,850</u>
End of the Year					<u>\$ 51,509,013</u>	<u>\$ 39,488,048</u>	<u>\$ 90,997,061</u>

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2008

(Continued on Page 7)

	<u>General</u>	<u>School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Investments	\$ 5,444,256	\$ (173,898)	\$ 8,517,497	\$ 13,787,855
Petty Cash	2,550	-	-	2,550
Receivables:				
Property Taxes	315,146	-	2,167	317,313
Tax Liens	205,790	-	-	205,790
Excises	158,242	-	-	158,242
Special Assessments	438	-	-	438
Deferred Property Taxes	29,268	-	-	29,268
Deferred Special Assessments	86,858	-	118,674	205,532
Intergovernmental	16,288,857	-	435,819	16,724,676
Tax Foreclosures	86,032	-	-	86,032
Total Assets	<u>\$ 22,617,437</u>	<u>\$ (173,898)</u>	<u>\$ 9,074,157</u>	<u>\$ 31,517,696</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants Payable	\$ 1,628,800	\$ -	\$ -	\$ 1,628,800
Accrued Unfunded Pension Payable	64,001	-	-	64,001
Accrued Salaries Payable	772,252	-	-	772,252
Employees' Withholding Payable	-	-	393,089	393,089
Guarantee Deposits	550,249	-	-	550,249
Unclaimed Checks	7,062	-	-	7,062
Other Liabilities	-	-	88,852	88,852
Deferred Revenue:				
Property Taxes	273,843	-	2,167	276,010
Deferred Property Taxes	29,268	-	-	29,268
Tax Liens	205,790	-	-	205,790
Excises	60,644	-	-	60,644
Special Assessments	87,296	-	118,674	205,970
Tax Foreclosures	86,032	-	-	86,032
Intergovernmental	16,288,857	-	362,980	16,651,837
Total Liabilities	<u>20,054,094</u>	<u>-</u>	<u>965,762</u>	<u>21,019,856</u>
Fund Equity:				
Fund Balances:				
Reserved for Encumbrances	467,191	-	-	467,191
Reserved for Petty Cash	2,550	-	-	2,550
Reserved for Perpetual Permanent Funds	-	-	2,477,513	2,477,513
Reserved for Debt Service	23,844	-	258,809	282,653

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2008

(Continued from Page 6)

	<u>General</u>	<u>School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Unreserved:				
Designated for:				
Subsequent Year's Expenditures	713,976	-	-	713,976
Appropriation Deficit	(323,056)	-	-	(323,056)
Undesignated, Reported in:				
General Fund	1,678,838	-	-	1,678,838
Special Revenue Fund	-	-	5,045,136	5,045,136
Capital Projects Fund	-	(173,898)	77,144	(96,754)
Permanent Fund	-	-	249,793	249,793
Total Fund Balances	<u>2,563,343</u>	<u>(173,898)</u>	<u>8,108,395</u>	<u>10,497,840</u>
 Total Liabilities and Fund Balances	 <u>\$ 22,617,437</u>	 <u>\$ (173,898)</u>	 <u>\$ 9,074,157</u>	 <u>\$ 31,517,696</u>

Town of Littleton, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2008
(Continued on Page 9)

	<u>General</u>	<u>School Construction</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Taxes	\$ 20,750,799	\$ -	\$ -	\$ 20,750,799
Tax Liens	81,552	-	-	81,552
Excises	1,190,810	-	-	1,190,810
Penalties and Interest	56,218	-	-	56,218
Licenses, Permits and Fees	327,979	-	106,772	434,751
Departmental	233,155	-	2,368,126	2,601,281
Intergovernmental	6,682,866	-	1,987,437	8,670,303
Charges for Services	382,759	-	295,226	677,985
Fines and Forfeits	83,328	-	-	83,328
Earnings on Investments	647,408	-	(46,407)	601,001
In Lieu of Taxes	499,671	-	-	499,671
Contributions	-	-	46,325	46,325
Miscellaneous	33,524	-	279,598	313,122
Total Revenues	<u>30,970,069</u>	<u>-</u>	<u>5,037,077</u>	<u>36,007,146</u>
Expenditures:				
Current				
General Government	5,262,693	-	216,044	5,478,737
Public Safety	2,367,846	-	156,605	2,524,451
Education	16,465,286	1,827,296	2,755,800	21,048,382
Intergovernmental	960,610	-	-	960,610
Highways and Public Works	2,036,229	-	318,482	2,354,711
Human Services	136,008	-	13,831	149,839
Culture and Recreation	527,817	-	485,929	1,013,746
Debt Service	3,841,203	-	-	3,841,203
Total Expenditures	<u>31,597,692</u>	<u>1,827,296</u>	<u>3,946,691</u>	<u>37,371,679</u>
Excess of Revenues Over (Under) Expenditures	<u>(627,623)</u>	<u>(1,827,296)</u>	<u>1,090,386</u>	<u>(1,364,533)</u>
Other Financing Sources (Uses):				
Operating Transfers In	353,438	-	220,592	574,030
Operating Transfers (Out)	(93,043)	-	(452,515)	(545,558)
Proceeds from Bonds	-	9,696,297	-	9,696,297
Proceeds from Refunding Bonds	3,007,775	-	-	3,007,775
Payments to Refunding Agent	(266,114)	-	-	(266,114)
Payments of Refunded Bonds	(2,845,000)	-	-	(2,845,000)
Premium and Accrued Interest on Refunding	103,339	-	-	103,339
Total Other Financing Sources (Uses)	<u>260,395</u>	<u>9,696,297</u>	<u>(231,923)</u>	<u>9,724,769</u>

Town of Littleton, Massachusetts
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Fiscal Year Ended June 30, 2008
 (Continued from Page 8)

	<u>General</u>	<u>School Construction</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(367,228)</u>	<u>7,869,001</u>	<u>858,463</u>	<u>8,360,236</u>
Fund Balance, Beginning	<u>3,018,396</u>	<u>(8,042,899)</u>	<u>7,249,932</u>	<u>2,225,429</u>
Prior Period Adjustment	<u>(87,825)</u>	<u>-</u>	<u>-</u>	<u>(87,825)</u>
Fund Balance, Beginning as Restated	<u>2,930,571</u>	<u>(8,042,899)</u>	<u>7,249,932</u>	<u>2,137,604</u>
Fund Balance, Ending	<u>\$ 2,563,343</u>	<u>\$ (173,898)</u>	<u>\$ 8,108,395</u>	<u>\$ 10,497,840</u>

Town of Littleton, Massachusetts
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Assets
 Fiscal Year Ended June 30, 2008

Total governmental fund balances	\$ 10,497,840
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	59,914,353
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	17,515,551
Amount included in deferred revenue for tax foreclosures. The tax foreclosures are included as fixed assets (not accounts receivable) on the statement of net assets.	(86,032)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(35,884,440)
Accrued Interest on Bonds	(558,431)
Compensated Absences	(265,717)
Capital Lease Payable	(74,118)
Bond premiums are reported as revenue in the fund financial statements. In the entity wide statements, the premiums are deferred and amortized over the life of the bond against debt and interest expense.	(755,042)
An internal service fund is used by management to charge the costs related to health insurance. The balances of the internal service fund is reported with governmental activities in the entity wide statements	<u>1,205,049</u>
Net assets of governmental activities	<u><u>\$ 51,509,013</u></u>

Town of Littleton, Massachusetts
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 8,360,236
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. This represents the difference between capital outlay and depreciation.	144,175
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	(1,324,398)
In the statement of activities, the gain on the trade in of capital assets is reported, whereas in the governmental funds, the gain is not reported.	(536)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,708,841)
An internal service fund is used by management to charge the costs related to health insurance. The net gain or loss of the internal service fund is reported in the governmental activities in the entity wide statements.	(46,468)
Some expenses (i.e. accrued interest payable) reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This amount reflects the net change from the prior year.	(133,131)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount reflects the net change from the prior year.	<u>64,362</u>
Change in net assets of governmental activities	<u><u>\$ (644,601)</u></u>

Town of Littleton, Massachusetts
Proprietary Funds
Statement of Net Assets
Fiscal Year Ended June 30, 2008
(Except for the Electric Activity, Which is for Year Ended December 31, 2007)

	Business Type Activities				Insurance Internal Service Fund
	Electric				
	<u>Light</u>	<u>Water</u>	Ambulance	<u>Total</u>	
Assets					
Current:					
Cash and Investments	\$ 4,975,744	\$ 267,772	\$ 353,886	\$ 5,597,402	\$ 1,215,239
Receivables, Net of Allowance for Uncollectible:					
User Charges	3,064,154	124,015	-	3,188,169	-
Accrued Unbilled Revenues	-	173,526	-	173,526	-
Unamortized Bond Discount	8,284	118,880	-	127,164	-
Inventory	791,441	56,645	-	848,086	-
Prepaid Expenses	3,553,513	-	-	3,553,513	-
Power Contract Buyouts	319,473	-	-	319,473	-
Noncurrent:					
Restricted Cash	9,896,875	-	-	9,896,875	-
Restricted Investments	3,106,114	-	-	3,106,114	-
Power Contract Buyouts	1,272,179	-	-	1,272,179	-
Unamortized Bond Discount	82,838	-	-	82,838	-
Assets Not Being Depreciated	1,312,676	722,747	-	2,035,423	-
Assets Being Depreciated, Net	15,619,406	7,922,133	155,537	23,697,076	-
Total Assets	\$ 44,002,697	\$ 9,385,718	\$ 509,423	\$ 53,897,838	\$ 1,215,239
Liabilities					
Current:					
Accounts Payable	\$ 1,974,630	\$ 55,431	\$ -	\$ 2,030,061	\$ -
Accrued Liabilities	137,653	84,110	-	221,763	-
Incurred Health Insurance Claims Payable	-	-	-	-	10,190
Bonds Payable	138,667	276,800	-	415,467	-
Accrued Employee Compensated Absences	48,086	-	-	48,086	-
Purchase Power Buyout	1,915,478	-	-	1,915,478	-
Noncurrent:					
Compensated Absences	205,746	-	-	205,746	-
Bonds Payable	1,499,333	2,327,425	-	3,826,758	-
Purchase Power Buyout	5,746,431	-	-	5,746,431	-
Total Liabilities	11,666,024	2,743,766	-	14,409,790	10,190
Net Assets					
Invested in Capital Assets, Net of Related Debt	15,294,082	6,040,655	155,537	21,490,274	-
Restricted for Depreciation Fund	3,347,826	-	-	3,347,826	-
Restricted for Health Benefits	-	-	-	-	1,205,049
Unrestricted	13,694,765	601,297	353,886	14,649,948	-
Total Net Assets	\$ 32,336,673	\$ 6,641,952	\$ 509,423	\$ 39,488,048	\$ 1,205,049

Town of Littleton, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2008

(Except for the Electric Activity, Which is for Year Ended December 31, 2007)

	Business Type Activities				Insurance Internal Service Fund
	Electric Light Enterprise	Water Enterprise	Ambulance Enterprise	Total	
Operating Revenues:					
Charges for Services	\$ 29,360,249	\$ 1,370,040	\$ 309,573	\$ 31,039,862	\$ -
Contributions	-	-	-	-	3,360,231
Total Operating Revenues	<u>29,360,249</u>	<u>1,370,040</u>	<u>309,573</u>	<u>31,039,862</u>	<u>3,360,231</u>
Operating Expenditures:					
Operating Expense	25,741,857	788,128	105,586	26,635,571	3,474,151
Maintenance	1,006,228	507,005	50,803	1,564,036	-
Depreciation	794,905	337,596	18,152	1,150,653	-
Total Operating Expenditures	<u>27,542,990</u>	<u>1,632,729</u>	<u>174,541</u>	<u>29,350,260</u>	<u>3,474,151</u>
Operating Income	<u>1,817,259</u>	<u>(262,689)</u>	<u>135,032</u>	<u>1,689,602</u>	<u>(113,920)</u>
Nonoperating Revenues (Expenses):					
Earnings on Investments	334,435	26	-	334,461	67,452
Merchandising and Jobbing Revenues	454,173	394,421	-	848,594	-
Miscellaneous Nonoperating Revenues	128,254	2,014	-	130,268	-
Gain (Loss) on Disposition of Asset	-	-	8,893	8,893	-
Interest Expense	(53,388)	(141,146)	-	(194,534)	-
Payment in Lieu of Taxes	(320,000)	-	-	(320,000)	-
Total Nonoperating Revenues (Expenses)	<u>543,474</u>	<u>255,315</u>	<u>8,893</u>	<u>807,682</u>	<u>67,452</u>
Change in Net Assets Before Transfers	<u>2,360,733</u>	<u>(7,374)</u>	<u>143,925</u>	<u>2,497,284</u>	<u>(46,468)</u>
Transfers In (Out)					
Transfers to Other Funds	-	-	(28,472)	(28,472)	-
Total Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(28,472)</u>	<u>(28,472)</u>	<u>-</u>
Changes in Net Assets	<u>2,360,733</u>	<u>(7,374)</u>	<u>115,453</u>	<u>2,468,812</u>	<u>(46,468)</u>
Total Net Assets at Beginning of Year	<u>29,975,940</u>	<u>6,649,326</u>	<u>447,970</u>	<u>37,073,236</u>	<u>1,197,224</u>
Prior Period Adjustments	-	-	(54,000)	(54,000)	54,293
Total Net Assets at Beginning of Year, as Restated	<u>29,975,940</u>	<u>6,649,326</u>	<u>393,970</u>	<u>37,019,236</u>	<u>1,251,517</u>
Total Net Assets at End of Year	<u>\$ 32,336,673</u>	<u>\$ 6,641,952</u>	<u>\$ 509,423</u>	<u>\$ 39,488,048</u>	<u>\$ 1,205,049</u>

Town of Littleton, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2008
(Except for the Electric Activity, Which is for Year Ended December 31, 2007)

	<u>Electric Light</u>	<u>Water</u>	<u>Ambulance</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 30,175,474	\$ 1,376,708	\$ 309,573	\$ 31,861,755
Payments to Employees and Vendors	(26,575,685)	(1,243,304)	(303,880)	(28,122,869)
Net Cash Flows Provided (Used) by Operating Activities	<u>3,599,789</u>	<u>133,404</u>	<u>5,693</u>	<u>3,738,886</u>
Cash Flows from Non Capital Related Financing Activities:				
Payment to Town In Lieu of Taxes	(320,000)	-	-	(320,000)
Merchandising and Jobbing Revenue	-	394,421	-	394,421
Miscellaneous Income	-	2,014	-	2,014
Transfers In (Out)	-	-	(28,472)	(28,472)
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(320,000)</u>	<u>396,435</u>	<u>(28,472)</u>	<u>47,963</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(744,381)	(102,443)	(16,000)	(862,824)
Principal Payments on Bonds	(130,000)	(270,775)	-	(400,775)
Interest Expense	(53,388)	(141,146)	-	(194,534)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(927,769)</u>	<u>(514,364)</u>	<u>(16,000)</u>	<u>(1,458,133)</u>
Cash Flows from Investing Activities:				
Earnings on Investments	334,435	25	-	334,460
Purchase Power Contract Buyout	(2,337,500)	-	-	(2,337,500)
Sale of Investment	1,136,103	-	-	1,136,103
Net Cash Flows Provided (Used) by Investing Activities	<u>(866,962)</u>	<u>25</u>	<u>-</u>	<u>(866,937)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,485,058	15,500	(38,779)	1,461,779
Cash and Cash Equivalents at Beginning of Year	3,490,686	252,272	392,665	4,135,623
Cash and Cash Equivalents at End of Year	<u>\$ 4,975,744</u>	<u>\$ 267,772</u>	<u>\$ 353,886</u>	<u>\$ 5,597,402</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,817,259	\$ (262,689)	\$ 135,032	\$ 1,689,602
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	1,115,570	337,599	18,152	1,471,321
(Increase) Decrease in Accounts Receivable	232,798	6,669	-	239,467
(Increase) Decrease in Prepayments	22,874	-	-	22,874
(Increase) Decrease in Inventory	(151,790)	1,994	-	(149,796)
Increase (Decrease) in Accounts Payable	17,582	52,040	(147,491)	(77,869)
Increase (Decrease) in Accrued Liabilities	(50,907)	(15,724)	-	(66,631)
Increase (Decrease) in Other Liabilities	13,976	-	-	13,976
Merchandise and Jobbing Revenue	454,173	-	-	454,173
Other Income	128,254	13,515	-	141,769
Net Cash Provided by Operating Activities	<u>\$ 3,599,789</u>	<u>\$ 133,404</u>	<u>\$ 5,693</u>	<u>\$ 3,738,886</u>

Town of Littleton, Massachusetts
Fiduciary Funds
Statement of Net Assets
June 30, 2008

	Private-Purpose <u>Trust</u>
Assets	
Cash and Cash Investments	\$ 651,519
	<hr/>
Total Assets	651,519
	<hr/>
Liabilities	-
	<hr/>
Net Assets	
Held in Trust	651,519
	<hr/>
Total Net Assets	\$ 651,519
	<hr/> <hr/>

Town of Littleton, Massachusetts
Fiduciary Funds
Statement of Changes in Net Assets
Fiscal Year Ended June 30, 2008

Additions:

Interest, Dividends, and Other	<u>\$ (50,937)</u>
Total Additions	<u>(50,937)</u>

Deductions:

Scholarships	<u>24,000</u>
Change in Net Assets	<u>(74,937)</u>

Net Assets:

Beginning of the Year	<u>726,456</u>
Ending of the Year	<u><u>\$ 651,519</u></u>

Town of Littleton, Massachusetts
Notes to the Financial Statements
June 30, 2008 (December 31, 2007 Electric Light Enterprise Fund)

I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Littleton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2008, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter. In accounting and reporting on its water enterprise fund, the Town has elected to apply all Governmental Accounting Standards Board (“GASB”) pronouncements as well as Financial Accounting Standards Board pronouncements issued prior to November 30, 1989, unless those pronouncements contradict GASB pronouncements, in which case, GASB prevails.

The more significant accounting policies of the Town are summarized below.

(A) **Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the criteria discussed above there are not any component units required to be included as part of the reporting entity.

(B) **Government-wide and fund financial statements**

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(C) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a

liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

The Town reports the following major governmental funds:

General Fund – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounting for in another fund.

School Construction Fund – The School Construction fund is used to account for the activity related to the Middle School project.

The Town reports the following major proprietary funds:

Water Fund – This fund is used to account for the activities related to the water distribution system.

Electric Light Fund – This fund is used to account for the activities related to the Electric Light Department.

Ambulance Fund – This fund is used to account for the activities related to the Town’s ambulance service.

(D) Assets, Liabilities and Net Assets or Equity

i Deposits and Investments

The Town’s cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity

of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust “MMDT”.

Also, certain governmental funds (primarily trust funds) have broader investment powers which allow for investments in common stocks, corporate bonds and other types of investments.

ii Property Taxes

The Town’s fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. Estimated bills (based on the prior year) are due on August 1 and November 1. Actual bills are mailed after the tax rate has been set and are due on February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1st of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the Town’s property. In addition, the law limits the amount by which the property tax levy can be increased to 2.5% of the preceding year's levy plus any new growth.

iii Capital Assets

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

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives is not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Vehicles	5-15
Equipment	5-10

iv Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation and sick leave benefits.

v Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

vi Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the fund financial statements fund equity is comprised of the following:

Fund Balances

(a) Reserved for Encumbrances

Appropriations for certain projects and specific items not fully expended at year end are carried forward as reserved for encumbrances. At year end, reserved for encumbrances is reported as a component of fund balance.

(b) Reserved for Perpetual Permanent Funds

This account represents the cash invested in the Town's permanent trust funds. Expenditures from the permanent funds are guided by the related trust instrument.

(c) Reserved for Debt Service

The balance in this account represents a premium on a bond anticipation note that relates to a debt exclusion. State law requires that premiums related to debt exclusion must be reserved and used to reduce the next year's debt exclusion.

(d) Designated for Subsequent Year's Expenditures

This account represents amounts transferred (by Town meeting votes) from other fund balance accounts to fund the subsequent year's budget.

(e) Designated for Appropriation Deficit

The balance in this account reflects a legal appropriation deficit in the Town's snow and ice budget. The appropriation deficit was raised in fiscal year 2009.

vii Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II Stewardship, Compliance and Accountability

(A) Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until May, which is when the annual Town meeting is held, to make any changes to the departments' requests. After approval of

the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance or retained earnings. Encumbrances do not constitute expenditures or liabilities.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2008 adjusted for any special Town meeting votes applicable to fiscal 2008 and reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis for the year ended June 30, 2008.

	<u>Revenues</u>
As Reported Budget Basis	\$ 28,749,084
Adjustments:	
Sixty Day Property Tax Accrual - Net	91,013
On Behalf Payments Included in Intergovernmental	<u>2,129,972</u>
As Reported GAAP Statement	<u>\$ 30,970,069</u>
	<u><u>Expenditures</u></u>
As Reported Budget Basis	\$ 29,262,153
Adjustments:	
July 1, 2007 Encumbrances	694,090
June 30, 2008 Encumbrances	(467,191)
July 1, 2007 Accrued Unfunded Pension Liability	(85,333)
June 30, 2008 Accrued Unfunded Pension Liability	64,001
On Behalf Payments Included in Employee Benefits	<u>2,129,972</u>
As Reported GAAP Statement	<u>\$ 31,597,692</u>

III Detailed Notes on All Funds

A. Deposits and Investments

i.) Deposits

a.) Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2008, \$326,318 of the Town's bank balance of \$12,988,191 was exposed to credit risk as follows:

Uninsured and Uncollateralized \$ 326,318

ii.) Investments

a.) As of June 30, 2008, the town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
U. S. Government Obligations	\$ 5,421,173	\$ 1,095,106	\$ 3,264,304	\$ 1,061,763
Other Fixed Incomes	63,320	-	24,020	39,300
Certificate Deposits	955,144	475,090	480,054	-
Corporate Bonds	<u>1,050,013</u>	<u>-</u>	<u>873,307</u>	<u>176,706</u>
Total	<u>\$ 7,489,650</u>	<u>\$ 1,570,196</u>	<u>\$ 4,641,685</u>	<u>\$ 1,277,769</u>

b.) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair losses arising from increasing interest rates.

c.) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have a formal policy related to credit risk.

d.) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy related to concentration risk. More than 30% of the Town's investments are in the State Treasurer's Investment Pool (17%). The State Treasurer's Investment Pool is not considered a single issuer. Although the Town's total equities exceed 17% of the investments, there is not a single corporate equity that exceeds 5%.

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Government Activities:				
Land	\$ 9,526,964	\$ -	\$ -	\$ 9,526,964
Work in Progress	211,906	42,681	(167,986)	86,601
Total Capital Assets not Being Depreciated	<u>9,738,870</u>	<u>42,681</u>	<u>(167,986)</u>	<u>9,613,565</u>
Assets Being Depreciated:				
Buildings	56,966,700	1,978,957	-	58,945,657
Infrastructure	15,193,789	-	-	15,193,789
Equipment	2,491,267	13,200	(33,000)	2,471,467
Vehicles	3,050,449	476,778	(154,135)	3,373,092
Total Capital Assets Being Depreciated	<u>77,702,205</u>	<u>2,468,935</u>	<u>(187,135)</u>	<u>79,984,005</u>
Less Accumulated Depreciation for:				
Buildings	(13,233,571)	(1,371,796)	-	(14,605,367)
Infrastructure	(10,785,723)	(369,167)	-	(11,154,890)
Equipment	(1,499,690)	(193,884)	23,571	(1,670,003)
Vehicles	(2,176,849)	(230,243)	154,135	(2,252,957)
Total Accumulated Depreciation	<u>(27,695,833)</u>	<u>(2,165,090)</u>	<u>177,706</u>	<u>(29,683,217)</u>
Capital Assets Being Depreciated, Net	<u>50,006,372</u>	<u>303,845</u>	<u>(9,429)</u>	<u>50,300,788</u>
Governmental Activities Capital Assets, Net	<u>\$ 59,745,242</u>	<u>\$ 346,526</u>	<u>\$ (177,415)</u>	<u>\$ 59,914,353</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 63,107
Public Safety	187,797
Education	1,358,145
Highways and Public works	553,663
Culture and Recreation	2,378
Total Governmental Activities Depreciation Expense	<u>\$ 2,165,090</u>

	Beginning Balance	Additions	Reductions	Ending Balance
Business-Type Activities:				
Land	\$ 2,035,423	\$ -	\$ -	\$ 2,035,423
Total Capital Assets not Being Depreciated	<u>2,035,423</u>	<u>-</u>	<u>-</u>	<u>2,035,423</u>
Assets Being Depreciated:				
Buildings	6,063,539	30,000	-	6,093,539
Other Depreciable Assets	32,444,888	841,713	(32,000)	33,254,601
Total Capital Assets Being Depreciated	<u>38,508,427</u>	<u>871,713</u>	<u>(32,000)</u>	<u>39,348,140</u>
Less Accumulated Depreciation for:				
Buildings	(1,863,779)	(299,000)	-	(2,162,779)
Other Depreciable Assets	(12,668,632)	(851,653)	32,000	(13,488,285)
Total Accumulated Depreciation	<u>(14,532,411)</u>	<u>(1,150,653)</u>	<u>32,000</u>	<u>(15,651,064)</u>
Capital Assets Being Depreciated, Net	<u>23,976,016</u>	<u>(278,940)</u>	<u>-</u>	<u>23,697,076</u>
Business-Type Activities Capital Assets, Net	<u>\$ 26,011,439</u>	<u>\$ (278,940)</u>	<u>\$ -</u>	<u>\$ 25,732,499</u>

B. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Electric Light	\$ 794,905
Water	337,596
Ambulance	<u>18,152</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 1,150,653</u></u>

C. Accounts Receivable

The accounts receivable on the balance sheets are listed below by levy.

Governmental Activities

Current:

Property Taxes Receivable:

Real Estate Taxes

2008	\$ 311,199
CPA Added to Tax	<u>2,167</u>

Total Real Estate Taxes \$ 313,366

Personal Property Taxes

2008	2,641
2007	343
2004	204
2003	327
2002	<u>432</u>
	<u>3,947</u>

Total Property Taxes Receivable \$ 317,313

Tax Liens \$ 205,790

C. Accounts Receivable (Continued)

Excise Taxes Receivable:

Motor Vehicle Excise Tax

2008	\$ 101,330
2007	25,211
2006	18,661
2005	5,036
2004	6,131
2003	1,328
2002	<u>545</u>

Total Excise Tax \$ 158,242

Special Assessments:

Water Betterments Added to Tax	345
Street Assessments Added to Tax	<u>93</u>

\$ 438

Intergovernmental:

Due from Commonwealth of Massachusetts

School Building Projects	\$ 1,129,623
Chapter 90 - Highway Grant	362,980
Other Grants	<u>72,839</u>

Total Current Intergovernmental \$ 1,565,442

Noncurrent

Intergovernmental:

Due from Commonwealth of Massachusetts

School Building Projects	<u><u>\$ 15,159,234</u></u>
--------------------------	-----------------------------

Deferred Property Taxes \$ 29,268

Deferred Special Assessments:

Street Assessments	\$ 7,339
Septic Betterments	118,674
Water Betterments	<u>79,519</u>

Total Deferred Special Assessments \$ 205,532

D. Debt

i Bond Anticipation Notes Payable

The Town has various notes payable outstanding as of June 30, 2008 as follows:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>
<u>Governmental Activities:</u>				
<u>Bond Anticipation Notes</u>				
Junior High School	\$1,000,000	\$0	\$1,000,000	\$0
Middle School Construction	8,200,000	0	8,200,000	0
Police Station Design/Engineering	<u>100,000</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
Total Notes Payable Governmental Activities	<u>\$9,300,000</u>	<u>\$0</u>	<u>\$9,300,000</u>	<u>\$0</u>

ii Long Term Debt

General obligation bonds outstanding at June 30, 2008, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance 7/01/07	\$28,125,263	\$4,565,000	\$32,690,263
Plus: Issues	9,696,297	-	9,696,297
Refunding Issues	3,007,775	1,662,225	4,670,000
Less: Maturities	(2,099,895)	(410,000)	(2,509,895)
Refunded Debt	<u>(2,845,000)</u>	<u>(1,575,000)</u>	<u>(4,420,000)</u>
Balance 6/30/08	<u>\$35,884,440</u>	<u>\$4,242,225</u>	<u>\$40,126,665</u>

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$0	\$0	\$138,667	\$54,974
2009	2,433,236	1,531,260	415,467	170,119
2010	2,501,350	1,467,821	538,933	152,594
2011	2,497,809	1,332,707	409,008	133,010
2012	2,394,809	1,218,927	402,275	114,123
2013	2,370,106	1,121,506	400,542	97,967
2014-2018	11,575,740	4,067,342	1,522,333	267,808
2019-2023	9,778,703	1,640,947	415,000	58,595
2024-2028	2,225,575	193,166	0	0
2029	<u>107,112</u>	<u>2,142</u>	<u>0</u>	<u>0</u>
	<u>\$35,884,440</u>	<u>\$12,575,818</u>	<u>\$4,242,225</u>	<u>\$1,049,190</u>

D. Debt (Continued)

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2008, are as follows:

05/03/99	Septic Betterment Loan Program	\$50,000
09/24/01	Clean Lakes	50,000
09/24/01	Ozone Generator	100,000
06/11/07	Middle School	435,895
11/05/07	Cobbs Well	200,000
05/05/08	Road Resurfacing	1,000,000
05/05/08	Police Station	300,000
05/05/08	Russell Street School	<u>500,000</u>
	Total	<u>\$2,635,895</u>

Refunding of Long Term Debt

On February 25, 1999, the Town issued \$1,485,000 of General Obligation Refunding Bonds with an average interest rate of 4.27% to advance refund \$1,250,000 of outstanding debt (related to Water Enterprise Fund) with interest rates form 5.65% to 6.90%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments or the refunded bonds. As a result, the refunded bonds are considered to be defeased.

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>
2008 and After	<u>\$1,731,220</u>	<u>\$1,672,929</u>
Total	<u>\$1,731,220</u>	<u>\$1,672,929</u>

(b) Economic Gain from Refunding Issue

The net present value benefit as a result of the refunding issue is \$52,726.

Refunding of Long Term Debt

On December 15, 2007, the Town issued \$4,670,000 of General Obligation Refunding Bonds with an average interest rate of 3.63% to 5.00% to advance refund \$4,420,000 of outstanding debts with interest rates form 4.80% to 7.00%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments or the refunded bonds. As a result, the refunded bonds are considered to be defeased.

D. Debt (Continued)

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>
2008	\$168,495	\$98,557
2009	371,175	352,577
2010	358,418	473,148
2011	715,562	699,832
2012	689,843	673,313
2013	663,902	646,341
2014 and After	<u>3,158,124</u>	<u>2,925,974</u>
Total	<u>\$6,125,519</u>	<u>\$5,869,742</u>

The net present value benefit as a result of the refunding issue is \$178,123.

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

	<u>Transfer In</u>	<u>Transfer (Out)</u>	<u>Total</u>
General Fund	\$ 353,438	\$ (93,043)	\$ 260,395
Non-Major Governmental	220,592	(452,515)	(231,923)
Enterprise - Business Type	-	(28,472)	(28,472)
Total	<u>\$ 574,030</u>	<u>\$ (574,030)</u>	<u>\$ -</u>

IV Other Information

A. Pension Plans

a) Plan Description

The Town provides pension benefits to employees by contributing to the Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160 Billerica, Massachusetts 01865.

b) Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

During fiscal year 2004 the Commonwealth of Massachusetts (along with the Middlesex Retirement System) passed legislation allowing municipalities to defer a portion of their fiscal year 2004 retirement assessment. The amount must be paid over the next ten fiscal years. The Town voted to defer \$128,000 of their fiscal year 2004 assessment, of which \$64,001 remains outstanding.

The Town's contributions for the years ending June 30, 2008, 2007 and 2006 were \$1,276,500, \$1,171,886 and \$1,037,884 respectively, equal to the required (after the deferral legislation) contributions each year.

c) Light Department Employees' Retirement Trust Fund

The trust was established on December 1, 1986 by the Electric Light Department pursuant to Chapter 164 of the General Laws of the Commonwealth of Massachusetts.

The trust constitutes the principal and interest of the plan established by the Light Department. The purpose of the trust was to fund currently and on a level basis (from the Department's operating and maintenance account) the annual contributions required to fund the Light Department's normal pension costs as a part of the Middlesex Retirement System.

Since the Middlesex Retirement System adopted a funding plan, the Light Department no longer contributes to the Trust Fund. Earnings on investments continue to accumulate in the fund. In some years, the Department's annual share of the Middlesex Retirement assessment is charged to the fund.

The trust fund was reported as a separate column in the fund financial statements.

B. On Behalf Payments

In accordance with Governmental Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the Town is required to recognize, as income, certain payments made on behalf of the Town by the Commonwealth of Massachusetts. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2008, the Commonwealth paid \$2,129,972 to the State Plan on behalf of employees of the Town. Accordingly, the accompanying fund financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2008, or fund balances at June 30, 2008.

C. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

D. Post Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the Town provides certain health care and life insurance benefits for retired employees. Substantially all the Town's employees may become eligible for those benefits if they reach normal retirement age while working for the Town. For fiscal year 2008, those costs totaled approximately \$658,000 and covered 128 retirees.

E. Risk Management

The Town has established a limited risk management program for health care benefits. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. The Town retains a health care provider to administer the claims process. An excess coverage insurance policy covers individual claims in excess of \$35,000.

Funding is provided by Town Meeting authorized employer contributions and payroll withholdings from employees.

F. Subsequent Year Authorizations

On May 5, 2008 and October 20, 2008 the Town (including the Water Enterprise Fund) adopted a fiscal year 2009 operating and capital budget of \$32,304,778. Fiscal year 2008 budgetary amounts which are not reflected (except for Reserved for Subsequent Year's Expenditures) in the accompanying financial statements will be financed by the following sources:

2009 Property Taxes, State Aid and Other	
Estimated Revenues	\$ 28,796,714
Enterprise Fund Revenues	2,044,637
Water Department Retained Earnings	100,000
Other Available Funds	649,451
Fund Balance Designated for Subsequent	
Year's Expenditures (Reflected on Balance Sheet):	
General Fund	713,976
	<u>\$ 32,304,778</u>

The Light Department is not subject to the appropriation process.

VI. Commitment and Contingencies

Power Sales Agreement

The Town of Littleton, acting through its Light Department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of FPL Energy, LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. In November 2005, the Nuclear Regulatory Commission (NRC) renewed the operating licenses for the Millstone Unit 2 and Unit 3 nuclear units for an additional twenty years. The license for Unit 2 was extended to July 31, 2035 and the license for Unit 3 was extended to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. In December 2005, the NRC issued an amendment to the operating license that extends its expiration date from October 2026 to March 2030, to recapture the period from 1986 to 1990 during which time Seabrook Station had an operating license, but did not operate. FPLE Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the Project Participants are liable for their

proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Littleton Electric Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse affect on the financial position of the company.

As of December 31, 2007, total capital expenditures for MMWEC’s Projects amounted to \$1,538,931,000, of which \$16,331,000 represents the amount associated with the Department’s share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC’s debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$641,630,000, of which \$5,438,000 is associated with the Department’s share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2007, MMWEC’s total future debt service requirement on outstanding bonds issued for the Projects is \$763,040,000, of which \$6,305,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Littleton Electric Light Department’s required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2007, and estimated for future years is shown below.

	<u>Annual Costs</u>
For years ended December 31, 2008	\$ 904,000
2009	787,000
2010	727,000
2011	712,000
2012	713,000
2013 to 2017	2,440,000
2018 to 2019	22,000
	<u>\$ 6,305,000</u>

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department’s total O&M costs including debt service under the PSAs were \$2,305,000 and \$2,292,000 for the years ended December 31, 2007 and 2006, respectively.

VII. Retroactive Reporting of General Infrastructure Assets

In order to comply with Governmental Accounting Standards Board Statement Number 34, the Town has reported its general infrastructure assets. A prior period adjustment was made (see Note VIII) in order to reflect the net assets retroactively.

VIII. Prior Period Adjustment

Prior period adjustments were made on the Town's government wide financial statements as follows:

Governmental Funds

Move Cash to Light Fund	\$	(50,275)
Correct cash variance		(37,550)
Close old unsubstantiated liability accounts		54,293
Capital assets were duplicated in the Town's records in fiscal year 2007.		(40,005)
Retroactive reporting of general infrastructure assets		4,408,066
	Total	<u>\$ 4,334,529</u>

Business Type Activities

Capital assets were duplicated in the Town's records in fiscal year 2007.	\$	<u>(54,000)</u>
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Town of Littleton, Massachusetts
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	Positive <u>(Negative)</u>
<u>Revenues</u>				
Property Taxes	\$ 20,874,465	\$ 20,898,805	\$ 20,724,526	\$ (174,279)
Tax Liens	-	-	81,552	81,552
Excises	1,039,272	1,039,272	1,126,069	86,797
Penalties and Interest	60,000	60,000	56,218	(3,782)
Licenses, Permits and Fees	150,000	150,000	327,979	177,979
Departmental	125,500	125,500	233,155	107,655
Intergovernmental	4,536,361	4,536,361	4,552,895	16,534
Charges for Services	430,580	430,580	382,759	(47,821)
Fines and Forfeits	90,000	90,000	83,328	(6,672)
Earnings on Investments	500,000	500,000	647,408	147,408
In Lieu of Taxes	460,000	460,000	499,671	39,671
Miscellaneous	67,842	67,842	33,524	(34,318)
	<u>28,334,020</u>	<u>28,358,360</u>	<u>28,749,084</u>	<u>390,724</u>
<u>Expenditures</u>				
Current:				
General Government	5,414,281	5,473,226	5,086,150	387,076
Public Safety	2,076,495	2,145,071	2,121,427	23,644
Education	14,234,803	14,323,753	14,307,503	16,250
Highway and Public Works	1,810,658	1,964,535	2,240,958	(276,423)
Health and Human Services	143,177	147,235	135,021	12,214
Culture and Recreation	526,198	528,346	527,817	529
Intergovernmental	916,851	916,851	960,610	(43,759)
Debt Service	4,124,998	3,890,539	3,882,667	7,872
	<u>29,247,461</u>	<u>29,389,556</u>	<u>29,262,153</u>	<u>127,403</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(913,441)</u>	<u>(1,031,196)</u>	<u>(513,069)</u>	<u>518,127</u>
Other Financing Sources (Uses)				
Transfers In	324,966	353,438	353,438	-
Transfers Out	(93,042)	(93,042)	(93,042)	-
Budgetary Fund Balance	761,693	850,976	850,976	-
Deficits Raised	(80,176)	(80,176)	(80,176)	-
	<u>913,441</u>	<u>1,031,196</u>	<u>1,031,196</u>	<u>-</u>
Excess (Deficiency) Of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518,127</u>	<u>\$ 518,127</u>

Middlesex Retirement System
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ration (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1996	\$ 373,750,361	\$ 634,920,488	\$ 261,170,127	58.87%	\$ 218,345,024	119.61%
1/1/1998	476,708,969	763,093,878	286,384,909	62.47%	215,380,186	132.97%
1/1/2000	570,263,467	905,280,472	335,017,005	62.99%	253,228,818	132.30%
1/1/2002	599,699,143	1,020,828,178	421,129,035	58.75%	280,740,439	150.01%
1/1/2004	618,163,380	1,223,828,127	605,664,747	50.51%	306,025,949	197.91%
1/1/2006	653,156,866	1,364,582,969	711,426,103	47.86%	330,999,861	214.93%
1/1/2008	774,863,669	1,529,806,307	754,942,638	50.65%	360,206,302	209.59%

Middlesex Retirement System
 Required Supplementary Information
 Schedule of Employer's Contributions

System Wide				Town of Littleton	
Plan Year Ended December 31	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Town's Percentage of System Wide Actual Contributions	
				Actual Contributions (B)	(B/A)
2001	\$27,900,209	\$ 27,900,209	100.00%	\$ 629,105	2.25%
2002	30,248,147	30,248,147	100.00%	661,330	2.19%
2003	35,411,500	35,411,500	100.00%	748,446	2.11%
2004	52,902,366	52,902,366	100.00%	780,178	1.47%
2005	52,298,150	52,298,150	100.00%	923,751	1.77%
2006	60,169,717	60,169,717	100.00%	1,037,884	1.72%
2007	64,664,829	64,664,829	100.00%	1,171,886	1.81%

Town of Littleton, Massachusetts
Notes to the Required Supplementary Information
June 30, 2008

I **Stewardship, Compliance and Accountability**

(A) **Budgetary Information**

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

(B) **Pension Plans**

1. **Plan Description**

The Town provides pension benefits to employees by contributing to Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

2. **Funding Plan**

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information. The schedules presented relate to the Middlesex Retirement System as a whole (of which the Town is one participating employer). The Town's data included should be helpful for understanding the scale of the information presented relative to the Town.

3. Actuarial Assumptions

Valuation Date	January 1, 2008
Actuarial Cost Method	Entry age normal cost method.
Amortization Method	Level dollar for the 1992, 2002, and 2003 ERIs and 4.50% increasing for the remaining unfunded liability.
Remaining Amortization Period	As of July 1, 2008, 2 years remaining for the 1992 ERI liability; 11 years remaining for the 2002 ERI liability; 12 years remaining for the 2003 ERI liability and 20 years for remaining unfunded liability.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40.

Actuarial Assumptions:

Investment Rate of Return	8.25%
Projected Salary Increases	4.00% for the next 2 years; then 4.75% for Group 1 and 5.25% for Group 4
Cost of Living Adjustments	3.00% of the first \$12,000 of retirement income

Plan Membership:

Retired Participants and Beneficiaries Receiving Benefits	4,764
Inactive Participants Entitled to a Return of their Employee Contributions	3,077
Invested Participants with a Vested Right to a Deferred or Immediate Benefit	190
Active Participants	<u>9,285</u>
Total	<u>17,316</u>

Town of Littleton, Massachusetts
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2008

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Agriculture:</u>		
National School Lunch Program	10.555	\$ 45,582
<u>Department of Justice</u>		
Police Vest	16.710	2,175
Community Policing	16.710	14,229
Total Department of Justice		<u>16,404</u>
<u>Federal Emergency Management Agency</u>		
Fire Prevention	97.046	216
Fire Act	97.001	5,536
Safer Grant	97.083	68,092
Total Federal Emergency Management Agency		<u>73,844</u>
<u>Department of Education:</u>		
Title I Distribution	84.010	42,039
PL 94-142	84.027	291,292
Special Education Program Improvement	84.027	15,350
Special Education Corrective Action	84.027	5,000
Special Assistance and Mentoring	84.027	1,482
Total 84.027		<u>313,124</u>
Title V Innovative Program	84.151	1,390
Early Childhood Special Education	84.173	10,312
Drug Free Schools	84.186	4,175
Enhanced Education Through Technology	84.318	1,206
Teacher Quality	84.367	33,159
Total Department of Education		<u>405,405</u>
<u>Homeland Security</u>		
Operation and Firefighter Safety	97.044	3,360
Total Federal Financial Assistance		<u>\$ 544,595</u>

Town of Littleton, Massachusetts
Notes to Schedule of Expenditures of Federal Awards
June 30, 2008

(1) Scope of Audit

The Town of Littleton, Massachusetts (the Town) is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All federal grant operations of the Town are included in the scope of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The single audit was performed in accordance with the provisions of OMB's Circular A-133, *Compliance Supplement*.

(2) Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes all of the federal grant transactions of the Town.

Federal grant revenues are recognized in the Town's governmental funds on the modified accrual basis of accounting whereby revenue is recognized when it becomes available and measurable.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Selectmen
Town of Littleton
37 Shattuck Street
P.O. Box 1305
Littleton, MA 01460

We have audited the basic financial statements of the Town of Littleton, Massachusetts as of and for the year ended June 30, 2008, and have issued our report thereon dated May 4, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Littleton, Massachusetts's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Littleton, Massachusetts's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Littleton, Massachusetts's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Littleton, Massachusetts's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Littleton, Massachusetts's financial statements that is more than inconsequential will not be prevented or detected by the Town of Littleton, Massachusetts's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Littleton, Massachusetts's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Item II-2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Littleton, Massachusetts's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Littleton, Massachusetts in a separate letter dated June 12, 2009.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
May 4, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

Board of Selectmen
Town of Littleton
Town Hall
Littleton, Massachusetts 01432

Compliance

We have audited the compliance of the Town of Littleton, Massachusetts with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town of Littleton, Massachusetts, major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Littleton's management. Our responsibility is to express an opinion on the Town of Littleton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Littleton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Littleton's compliance with those requirements.

As described in Item III-2008-1 in the accompanying schedule of findings and questioned costs, the Town of Littleton did not comply with certain reporting requirements relating to the U.S. Department of Education Grants, C.F.D.A. #84.027 and 84.173. Compliance with such requirements is necessary, in our opinion, for the Town of Littleton to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Littleton, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Town of Littleton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Littleton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Littleton's, internal control over compliance.

A control deficiency in the Town of Littleton's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Littleton's, ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Town of Littleton's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Town of Littleton's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted matters involving the internal control over compliance and its operations that we consider to be a material weakness listed as Item III-2008-2.

This report is intended solely for the information and use of the Audit Committee, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
May 4, 2009

Town of Littleton, Massachusetts
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2008
 (Continued on Page 46)

I. Summary of Auditors' Results

1. The opinion on the governmental activities on the entity wide financial statements was unqualified. The opinion on financial statements of the Electric Light Department and as it relates to business activities and major funds was qualified because cash was not reconciled and depreciation was not charged on a generally accepted accounting principles basis. The opinion on the remaining major funds and the aggregate remaining fund information was unqualified.
2. A significant deficiency in internal control is reported (Part II-2008-1).
3. No instances of noncompliance which were material to the financial statements are reported.
4. A significant deficiency relating to a major program is reported (III-2008-2).
5. The opinion on compliance with requirements applicable to major programs is qualified.
6. A finding related to a major federal award program is reported (III-2008-1).
7. The major programs identified were:

<u>Funding Source</u>	<u>Program</u>	<u>CFDA#</u>
U.S. Department of Education	SPED - IDEA Allocation	84.027
U.S. Department of Education	Early Childhood	84.173

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as low risk.

II Findings- Financial Statement Audit

Finding #

2008-1 Internal Controls Over Cash

The internal control structure relating to cash and reporting Treasurer's receipts were extremely weak during fiscal year 2008. The Treasurer's cash book should operate similar to a check register for the Town's bank accounts. During fiscal year 2008, much of the Town's banking activity (i.e. deposits, transfers, warrants) was not entered into the cash book. As a result, the Town could not reconcile many bank statements to the Town's records. In addition, the Town could not reconcile the Treasurer's cash to the general ledger and the Town's general ledger was not reconciled to the Electric Light Department or Water Department's records. We, also, noted that certain receipts were not reported (i.e. premium on bond) or were reported incorrectly (i.e. Health Insurance Trust receipts).

Town of Littleton, Massachusetts
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2008
 (Continued from Page 45)

A considerable amount of time and effort was spent by the Finance Department and our firm in order to reconcile cash as of June 30, 2008. Several journal entries were made to correct errors that were detected. Ultimately, an unlocated variance of \$37,550 remained. The variance is cumulative over a three year period. We recommended and the Town recorded a journal entry that reduced the general ledger cash by that amount.

During fiscal year 2009, the Treasurer’s Office implemented policies and procedures that re-established a sound internal control structure relating to cash and Treasurer’s receipts. The cashbook is maintained on a daily basis. As of May 31, 2009, the cashbook has been reconciled to the general ledger through April 30, 2009 and all bank statements have been reconciled to their respective cashbook accounts.

III. Findings and Questioned Costs for Federal Awards

<u>Finding #</u>	<u>Program</u>	<u>Finding</u>
2008-1	U.S. Department of Education-SPED Program – CFDA #84.027 and #84.173	The Final Financial Report was submitted to the Department of Education more than 60 days after the grant year end.
2008-2	U.S. Department of Education-SPED Program – CFDA #84.027 and #84.173	Internal controls were not in place to assure that the Department of Education withheld funding and directly paid the Massachusetts Teachers Retirement System for the teachers charged to the grant.