

**TOWN OF LITTLETON, MASSACHUSETTS**

**Financial Statements**

**June 30, 2009**

**and Electric Light Enterprise Fund as of December 31, 2008**

**(With Accountants' Report Thereon)**

Town of Littleton, Massachusetts  
 FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2009  
 and Electric Light Enterprise Fund as of December 31, 2008

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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, 2009 (the Electric Light Enterprise as of December 31, 2008 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, which is both a major fund and 78%, 82% and 94% respectively of the assets, net assets and revenues of the business type activities. 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 fund, 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 and the report of other auditors provide a reasonable basis for our opinions.

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 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, in so far as it relates 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, 2009 (the Electric Light Enterprise Fund as of December 31, 2008) 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.

The Management's Discussion and Analysis, the budgetary comparison information, the Retirement System information and the GASB 45 information listed in the table of contents 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 November 6, 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 opinions on the financial statements that collectively comprise the Town of Littleton, Massachusetts' basic financial statements. 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  
November 6, 2009

**Town of Littleton, Massachusetts  
Management's Discussion and Analysis  
Required Supplementary Information  
June 30, 2009**

As management of the Town of Littleton, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Littleton, Massachusetts for the fiscal year ended June 30, 2009.

**Financial Highlights**

- The assets of the Town of Littleton, Massachusetts exceeded its liabilities at the close of the most recent fiscal year by \$91,446,317 (*net assets*).
- The government's total net assets increased by \$134,812. The net assets of the Town's governmental activities decreased by \$17,966. The net assets of the Town's enterprise funds increased by \$152,778.
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$2,053,147, or 6.3 percent of total general fund expenditures.
- The Town of Littleton, Massachusetts' total long-term debt decreased by \$2,848,703 or 7% during the current year. The decrease in the Governmental Activities was \$2,433,236 or 7% and the decrease in the Business-type Activities was \$415,467 or 10.8%.

**Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction of the Town of Littleton, Massachusetts' basic financial statements. The Town of Littleton, Massachusetts' basic financial statements consist of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the Town of Littleton, Massachusetts' assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Littleton, Massachusetts is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise of the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, state and other local revenues finance these activities.

- **Business-type Activities** - Activities reported here are for water supply distribution, electric light operations and ambulance services. User fees charged to the customers receiving services finance these activities.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Littleton, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Littleton, Massachusetts can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Proprietary funds.** The Town of Littleton, Massachusetts maintains three proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Littleton, Massachusetts uses enterprise funds to account for its water operations, electric light distribution and ambulance services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water operation, which is considered a major fund of the Town of Littleton, Massachusetts.

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

## **Reconciliation of Government-wide Financial Statements to Fund Financial Statements**

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net assets. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net assets.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

A reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

## Financial Analysis of the Government-wide Financial Statements

### Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. However, the net assets of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are generally not used to finance costs related to business-type activities. Revenues of the business-type activities are used to finance the operations of the Water Enterprise Fund.

The following table reflects the condensed net assets.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current and Other Assets	\$ 32,795,817	\$ 35,276,876	\$ 28,330,869	\$ 24,952,773	\$ 61,126,686	\$ 60,229,649
Capital Assets	59,860,157	64,379,877	25,786,695	26,153,335	85,646,852	90,533,212
Total Assets	<u>92,655,974</u>	<u>99,656,753</u>	<u>54,117,564</u>	<u>51,106,108</u>	<u>146,773,538</u>	<u>150,762,861</u>
Other Liabilities	6,467,045	13,938,060	4,630,855	5,167,690	11,097,900	19,105,750
Long Term Liabilities	34,585,198	34,132,928	9,778,935	6,077,866	44,364,133	40,210,794
Total Liabilities	<u>41,052,243</u>	<u>48,070,988</u>	<u>14,409,790</u>	<u>11,245,556</u>	<u>55,462,033</u>	<u>59,316,544</u>
Net Assets:						
Net of Related Debt	40,190,456	41,765,165	21,544,470	21,351,948	61,734,926	63,117,113
Restricted	7,687,290	7,635,753	3,347,826	3,387,837	11,035,116	11,023,590
Unrestricted	3,725,985	2,184,847	14,815,478	15,120,767	18,541,463	17,305,614
Total Net Assets	<u>\$ 51,603,731</u>	<u>\$ 51,585,765</u>	<u>\$ 39,707,774</u>	<u>\$ 39,860,552</u>	<u>\$ 91,311,505</u>	<u>\$ 91,446,317</u>

The net assets of the Town increased \$134,812. The net assets of the governmental activities decreased by (\$17,966) and the net assets of the business-type activities increased by \$152,778.

### Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net assets have changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 3,481,543	\$ 3,188,174	\$ 32,018,724	\$ 32,130,807	\$ 35,500,267	\$ 35,318,981
Operating Grants and Contributions	6,566,621	7,658,886	334,461	124,488	6,901,082	7,783,374
Capital Grants and Contributions	-	2,195,527	-	-	-	2,195,527
General Revenues:						
Property Taxes	20,895,901	22,249,930	-	-	20,895,901	22,249,930
Motor Vehicle and Other Excises	1,181,818	1,101,552	-	-	1,181,818	1,101,552
Intergovernmental Not Restricted to a Specific Program	916,110	828,493	-	-	916,110	828,493
Other	1,360,551	903,841	-	-	1,360,551	903,841
<b>Total Revenues</b>	<u>34,402,544</u>	<u>38,126,403</u>	<u>32,353,185</u>	<u>32,255,295</u>	<u>66,755,729</u>	<u>70,381,698</u>

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
<b>Expenses</b>						
General Government	6,453,652	6,662,004	-	-	6,453,652	6,662,004
Public Safety	2,432,015	2,515,214	-	-	2,432,015	2,515,214
Education	20,493,878	21,374,891	-	-	20,493,878	21,374,891
Highways and Public Works	2,889,173	2,957,327	-	-	2,889,173	2,957,327
Human Services	151,173	164,103	-	-	151,173	164,103
Culture and Recreation	948,516	1,019,440	-	-	948,516	1,019,440
Debt Service	2,090,216	1,477,492	-	-	2,090,216	1,477,492
Other Post Employment Benefits	-	2,027,799	-	-	-	2,027,799
Electric	-	-	27,916,378	29,886,517	27,916,378	29,886,517
Water	-	-	1,773,875	1,906,442	1,773,875	1,906,442
Ambulance	-	-	174,541	275,644	174,541	275,644
Total Expenses	<u>35,458,623</u>	<u>38,198,270</u>	<u>29,864,794</u>	<u>32,068,603</u>	<u>65,323,417</u>	<u>70,266,873</u>
Increase (Decrease) in Net Assets						
Before Special items and transfers:	(1,056,079)	(71,867)	2,488,391	186,692	1,432,312	114,825
Transfer In (Out)	28,472	33,914	(28,472)	(33,914)	-	-
Premium on Sale of Debt	382,937	28,660	-	-	382,937	28,660
Gain (Loss) on Disposition of Asset	<u>69</u>	<u>(8,673)</u>	<u>8,893</u>	<u>-</u>	<u>8,962</u>	<u>(8,673)</u>
Increase (Decrease) in Net Assets	<u>\$ (644,601)</u>	<u>\$ (17,966)</u>	<u>\$ 2,468,812</u>	<u>\$ 152,778</u>	<u>\$ 1,824,211</u>	<u>\$ 134,812</u>

#### **Governmental Activities**

In fiscal year 2009, property taxes accounted for approximately 58 % of the revenues.

#### **Business-type Activities**

Electric Light and water rates are structured to cover all costs related to each activity.

## **Financial Analysis of the Town's Funds**

### **Governmental Funds**

**General Fund** – The year-end fund balances of the general fund were \$358,636 more than the prior year's fund balances.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of general fund – fund balance available for appropriation. In general, this amount (commonly known as “free cash”) is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance and details the certified free cash for the previous six fiscal years.

<u>Fiscal Year</u>	<u>Reserved for Encumbrances</u>	<u>Reserved for Petty Cash</u>	<u>Reserved for Debt Service</u>	<u>Designated for Deficits</u>	<u>Designated for Subsequent Year's Expenditure</u>	<u>Designated to be Bonded</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
2004	\$ 387,173	\$ 2,550	\$ -	\$ (634,215)	\$ -	\$ -	\$ 833,152	\$ 588,660
2005	152,201	2,550	-	(188,948)	1,856	-	737,598	705,257
2006	81,980	2,550	23,844	(113,315)	176,995	-	1,500,811	1,672,865
2007	694,091	2,550	23,844	(80,176)	761,693	-	1,616,394	3,018,396
2008	467,191	2,550	23,844	(323,056)	713,976	-	1,827,752	2,712,257
2009	824,691	2,550	23,844	(254,373)	421,034	-	2,053,147	3,070,893

<u>Fiscal Year</u>	<u>Free Cash</u>
2004	\$ 418,394
2005	473,860
2006	1,007,450
2007	1,061,237
2008	1,128,432
2009	1,519,705 Estimated

### Proprietary Funds

**Enterprise Funds.** The Town of Littleton, Massachusetts' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### General Fund Budgetary Highlights

The differences between the original budget and the final amended budget were due primarily to a special town meeting votes and reserve fund transfers made during the year.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Littleton, Massachusetts' investments in capital assets for its governmental and business type activities as of June 30, 2009 (December 31, 2008 for the Electric Light Department), amount to \$90,533,212 (Net Accumulated Depreciation). This investment in capital assets includes land, building, improvements, infrastructure, equipment and vehicles.

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

- ▶ Police Station Design and Construction (\$3,039,191)
- ▶ Land Purchase (\$930,000)
- ▶ Contributed Roads in New Developments (\$1,759,632)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Land	\$ 9,526,964	\$ 10,456,964	\$ 2,035,423	\$ 2,044,132	\$ 11,562,387	\$ 12,501,096
Work In Process	86,601	2,825,792	-	-	86,601	2,825,792
Buildings	44,340,290	43,844,054	3,930,760	3,858,141	48,271,050	47,702,195
Infrastructure	4,038,899	5,412,367	-	-	4,038,899	5,412,367
Equipment	801,464	721,173	19,766,316	20,251,062	20,567,780	20,972,235
Vehicles	1,120,135	1,119,527	-	-	1,120,135	1,119,527
Total	<u>\$ 59,914,353</u>	<u>\$ 64,379,877</u>	<u>\$ 25,732,499</u>	<u>\$ 26,153,335</u>	<u>\$ 85,646,852</u>	<u>\$ 90,533,212</u>

## Debt

The Town had \$37,277,962 in bonds, outstanding on June 30, 2009. This represents a (\$2,848,703) decrease.

The Town's bond rating by Standard and Poor is AA.

<b>Governmental Activities</b>	<b><u>2008</u></b>	<b><u>2009</u></b>
General Obligation Bonds Payable	\$ 35,884,440	\$ 33,451,204
<b>Business-type Activities</b>		
Electric Light	1,638,000	1,499,333
Water	<u>2,604,225</u>	<u>2,327,425</u>
Total Debt	<u>\$ 40,126,665</u>	<u>\$ 37,277,962</u>

## Fiscal Year 2010 Budget

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that Towns can assess in any one year. In general, the Town’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other changes made to existing property. If the community wishes to levy taxes above the limitations imposed by “Proposition 2 ½“, it is necessary to obtain the approval of a majority of the voters at an election.

The Town utilized \$421,034 of its general fund unreserved fund balance to help fund the fiscal year 2010 operating budget.

Town of Littleton, Massachusetts  
Statement of Net Assets  
June 30, 2009  
(Except for the Electric Activity, Which is for Year Ended December 31, 2008)  
(Continued on Page 10)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
<b>Assets</b>			
Current:			
Cash and Investments	\$ 18,766,262	\$ 6,250,751	\$ 25,017,013
Petty Cash	2,550	-	2,550
Accounts Receivable:			
Property Taxes	501,071	-	501,071
Tax Liens	301,815	-	301,815
Excises	95,987	-	95,987
User Charges	-	3,630,835	3,630,835
Accrued Unbilled Revenues	-	159,567	159,567
Special Assessments	60	-	60
Unamortized Bond Discount	-	8,284	8,284
Intergovernmental	1,404,824	-	1,404,824
Other	-	15,509	15,509
Inventory	-	889,571	889,571
Power Contract Buyouts	-	319,473	319,473
Prepaid Expenses	-	656,819	656,819
Noncurrent:			
Restricted Cash	-	8,918,033	8,918,033
Restricted Investments	-	2,974,651	2,974,651
Accounts Receivable:			
Intergovernmental	14,029,611	-	14,029,611
Deferred Property Taxes	12,264	-	12,264
Deferred Special Assessments	162,432	-	162,432
Other Assets:			
Power Contract Buyouts	-	952,706	952,706
Unamortized Bond Discount	-	176,574	176,574
Capital Assets:			
Assets Not Being Depreciated	13,282,756	2,044,132	15,326,888
Assets Being Depreciated, Net	51,097,121	24,109,203	75,206,324
	<hr/>	<hr/>	<hr/>
Total Assets	99,656,753	51,106,108	150,762,861
<b>Liabilities</b>			
Current:			
Warrants Payable	952,633	-	952,633
Capital Lease Payable	99,062	-	99,062
Accounts Payable	-	1,871,362	1,871,362

Town of Littleton, Massachusetts  
Statement of Net Assets  
June 30, 2009  
(Except for the Electric Activity, Which is for Year Ended December 31, 2008)  
(Continued from Page 9)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
Accrued Salaries Payable	1,382,572	-	1,382,572
Employees' Withholding Payable	179,994	-	179,994
Guarantee Deposits	411,663	-	411,663
Unclaimed Checks	7,054	-	7,054
Other Liabilities	128,960	355,615	484,575
Accrued Interest Payable	539,772	33,295	573,067
Bonds Payable	2,501,350	405,467	2,906,817
Bond Anticipation Notes Payable	7,735,000	1,320,000	9,055,000
Accrued Employee Compensated Absences	-	6,405	6,405
Selected Power Buyout	-	1,175,546	1,175,546
Noncurrent:			
Compensated absences	309,408	257,933	567,341
Other Post Employment Benefits Payable	2,027,799	47,551	2,075,350
Bonds Payable	30,949,854	3,421,291	34,371,145
Capital Lease Payable	98,493	2,351,091	2,449,584
Unamortized Bond Premium	704,706	-	704,706
Accrued Unfunded Pension Payable	42,668	-	42,668
	<u>48,070,988</u>	<u>11,245,556</u>	<u>59,316,544</u>
<b>Total Liabilities</b>			
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	41,765,165	21,351,948	63,117,113
Restricted for:			
Depreciation Fund	-	3,387,837	3,387,837
Capital Projects	876,553	-	876,553
Special Revenue	3,461,094	-	3,461,094
Perpetual Funds:			
Expendable	851,822	-	851,822
Nonexpendable	1,203,979	-	1,203,979
Health Benefits	1,242,305	-	1,242,305
Unrestricted	<u>2,184,847</u>	<u>15,120,767</u>	<u>17,305,614</u>
<b>Total Net Assets</b>	<u>\$ 51,585,765</u>	<u>\$ 39,860,552</u>	<u>\$ 91,446,317</u>

Town of Littleton, Massachusetts  
Statement of Activities  
Fiscal Year Ended June 30, 2009  
(Except for the Electric Activity, Which is for Year Ended December 31, 2008)

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
<b>Primary Government:</b>							
<i>Governmental Activities:</i>							
General Government	\$ 6,662,004	\$ 700,862	\$ 151,231	\$ -	\$ (5,809,911)	\$ -	\$ (5,809,911)
Public Safety	2,515,214	526,000	195,091	-	(1,794,123)	-	(1,794,123)
Education	21,374,891	1,297,655	6,825,337	435,895	(12,816,004)	-	(12,816,004)
Highways and Public Works	2,957,327	111,323	587,440	1,759,632	(498,932)	-	(498,932)
Human Services	164,103	5,688	17,718	-	(140,697)	-	(140,697)
Culture and Recreation	1,019,440	546,646	(117,931)	-	(590,725)	-	(590,725)
Other Post Employment Benefits	2,027,799	-	-	-	(2,027,799)	-	(2,027,799)
Debt Service	1,477,492	-	-	-	(1,477,492)	-	(1,477,492)
Total Governmental Activities	<u>38,198,270</u>	<u>3,188,174</u>	<u>7,658,886</u>	<u>2,195,527</u>	<u>(25,155,683)</u>	<u>-</u>	<u>(25,155,683)</u>
<i>Business-Type Activities:</i>							
Electric	29,886,517	30,040,495	120,631	-	-	274,609	274,609
Water	1,906,442	1,758,885	3,857	-	-	(143,700)	(143,700)
Ambulance	275,644	331,427	-	-	-	55,783	55,783
Total Business-Type Activities	<u>32,068,603</u>	<u>32,130,807</u>	<u>124,488</u>	<u>-</u>	<u>-</u>	<u>186,692</u>	<u>186,692</u>
Total Primary Government	<u>\$ 70,266,873</u>	<u>\$ 35,318,981</u>	<u>\$ 7,783,374</u>	<u>\$ 2,195,527</u>	<u>(25,155,683)</u>	<u>186,692</u>	<u>(24,968,991)</u>
<i>General Revenues:</i>							
Property Taxes					22,249,930	-	22,249,930
Special Assessments					(16,641)	-	(16,641)
Motor Vehicle and Other Excise Taxes					1,101,552	-	1,101,552
Penalties and Interest on Taxes					59,323	-	59,323
Other Taxes, Assessments and in Lieu Payments					385,864	-	385,864
Intergovernmental					828,493	-	828,493
Interest and Investment Income					459,565	-	459,565
Other Revenue					15,730	-	15,730
<i>Special Items:</i>							
Premium on Sale of Debt					28,660	-	28,660
Gain (Loss) on Disposition of Asset					(8,673)	-	(8,673)
Transfer In (Out)					33,914	(33,914)	-
Total General Revenues, Special Items and Transfers					<u>25,137,717</u>	<u>(33,914)</u>	<u>25,103,803</u>
Change in Net Assets					(17,966)	152,778	134,812
<i>Net Assets:</i>							
Beginning of the Year					51,509,013	39,488,048	90,997,061
Prior Period Adjustments					94,718	219,726	314,444
Adjusted Beginning of the Year					<u>51,603,731</u>	<u>39,707,774</u>	<u>91,311,505</u>
End of the Year					<u>\$ 51,585,765</u>	<u>\$ 39,860,552</u>	<u>\$ 91,446,317</u>

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2009

(Continued on Page 13)

	<u>General</u>	<u>Police Station Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Investments	\$ 4,862,846	\$ 3,545,809	\$ 9,115,302	\$ 17,523,957
Petty Cash	2,550	-	-	2,550
Accounts Receivable:				
Property Taxes	498,886	-	2,185	501,071
Tax Liens	301,815	-	-	301,815
Excises	95,987	-	-	95,987
Special Assessments	60	-	-	60
Deferred Property Taxes	12,264	-	-	12,264
Deferred Special Assessments	69,414	-	93,018	162,432
Intergovernmental	15,159,234	-	275,201	15,434,435
Tax Foreclosures	106,941	-	-	106,941
Total Assets	<u>\$ 21,109,997</u>	<u>\$ 3,545,809</u>	<u>\$ 9,485,706</u>	<u>\$ 34,141,512</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants Payable	\$ 216,538	\$ -	\$ 736,095	\$ 952,633
Accrued Unfunded Pension Payable	42,668	-	-	42,668
Accrued Salaries Payable	1,316,915	-	65,657	1,382,572
Employees' Withholding Payable	-	-	179,994	179,994
Guarantee Deposits	411,663	-	-	411,663
Unclaimed Checks	7,054	-	-	7,054
Other Liabilities	-	-	128,960	128,960
Bonds Anticipation Notes Payable	-	6,585,000	1,150,000	7,735,000
Deferred Revenue:				
Property Taxes	346,222	-	2,186	348,408
Deferred Property Taxes	12,264	-	-	12,264
Tax Liens	301,815	-	-	301,815
Excises	48,316	-	-	48,316
Special Assessments	69,474	-	93,018	162,492
Tax Foreclosures	106,941	-	-	106,941
Intergovernmental	15,159,234	-	275,201	15,434,435
Total Liabilities	<u>18,039,104</u>	<u>6,585,000</u>	<u>2,631,111</u>	<u>27,255,215</u>
Fund Equity:				
Fund Balances:				
Reserved for Encumbrances	824,691	-	-	824,691
Reserved for Petty Cash	2,550	-	-	2,550
Reserved for Perpetual Permanent Funds	-	-	1,203,979	1,203,979
Reserved for Debt Service	23,844	-	285,881	309,725

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2009

(Continued from Page 12)

	<u>General</u>	<u>Police Station Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Unreserved:				
Designated for:				
Subsequent Year's Expenditures	421,034	-	324,926	745,960
Appropriation Deficit	(254,373)	-	-	(254,373)
Undesignated, Reported in:				
General Fund	2,053,147	-	-	2,053,147
Special Revenue Fund	-	-	4,397,430	4,397,430
Capital Projects Fund	-	(3,039,191)	(209,443)	(3,248,634)
Permanent Fund	-	-	851,822	851,822
Total Fund Balances	<u>3,070,893</u>	<u>(3,039,191)</u>	<u>6,854,595</u>	<u>6,886,297</u>
 Total Liabilities and Fund Balances	 <u>\$ 21,109,997</u>	 <u>\$ 3,545,809</u>	 <u>\$ 9,485,706</u>	 <u>\$ 34,141,512</u>

Town of Littleton, Massachusetts  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiscal Year Ended June 30, 2009

	<u>General</u>	<u>Police Station Construction</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 22,064,003	\$ -	\$ -	\$ 22,064,003
Tax Liens	84,435	-	-	84,435
Excises	1,075,185	-	-	1,075,185
Penalties and Interest	59,323	-	-	59,323
Licenses, Permits and Fees	462,171	-	110,743	572,914
Departmental	155,674	-	2,493,229	2,648,903
Intergovernmental	7,196,682	-	2,492,873	9,689,555
Charges for Services	397,018	-	279,409	676,427
Fines and Forfeits	80,388	-	-	80,388
Earnings on Investments	413,431	-	(400,855)	12,576
In Lieu of Taxes	385,864	-	-	385,864
Contributions	-	-	42,280	42,280
Miscellaneous	77,862	-	47,505	125,367
Total Revenues	<u>32,452,036</u>	<u>-</u>	<u>5,065,184</u>	<u>37,517,220</u>
<u>Expenditures:</u>				
Current				
General Government	5,450,194	-	1,230,818	6,681,012
Public Safety	2,271,251	3,039,191	147,984	5,458,426
Education	17,072,371	-	3,474,715	20,547,086
Intergovernmental	982,774	-	-	982,774
Highways and Public Works	2,039,978	-	444,630	2,484,608
Human Services	146,058	-	15,855	161,913
Culture and Recreation	527,975	-	488,074	1,016,049
Debt Service	3,979,723	-	-	3,979,723
Total Expenditures	<u>32,470,324</u>	<u>3,039,191</u>	<u>5,802,076</u>	<u>41,311,591</u>
Excess of Revenues Over (Under) Expenditures	<u>(18,288)</u>	<u>(3,039,191)</u>	<u>(736,892)</u>	<u>(3,794,371)</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	376,924	-	-	376,924
Operating Transfers (Out)	-	-	(343,010)	(343,010)
Total Other Financing Sources (Uses)	<u>376,924</u>	<u>-</u>	<u>(343,010)</u>	<u>33,914</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>358,636</u>	<u>(3,039,191)</u>	<u>(1,079,902)</u>	<u>(3,760,457)</u>
Fund Balance, Beginning	<u>2,563,343</u>	<u>-</u>	<u>7,934,497</u>	<u>10,497,840</u>
Prior Period Adjustments	<u>148,914</u>	<u>-</u>	<u>-</u>	<u>148,914</u>
Fund Balance, Beginning as Restated	<u>2,712,257</u>	<u>-</u>	<u>7,934,497</u>	<u>10,646,754</u>
Fund Balance, Ending	<u>\$ 3,070,893</u>	<u>\$ (3,039,191)</u>	<u>\$ 6,854,595</u>	<u>\$ 6,886,297</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, 2009

Total governmental fund balances	\$ 6,886,297
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,379,877
Other assets are offset in deferred accounts and are not available to pay for current period expenditures and, therefore, are deferred in the funds.	16,414,671
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.	(106,941)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(33,451,204)
Accrued Interest on Bonds	(539,772)
Compensated Absences	(309,408)
Other Post Employment Benefits Payable	(2,027,799)
Capital Lease Payable	(197,555)
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.	(704,706)
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	1,242,305
Net assets of governmental activities	\$ 51,585,765

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, 2009

Net change in fund balances - total governmental funds	\$ (3,760,457)
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.	4,404,956
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.	(1,121,788)
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.	(8,673)
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.	2,483,572
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.	37,256
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.	18,659
Some expenses reported in the Statement of Activities, such as compensated absences and other post employment benefits payable 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>(2,071,491)</u>
Change in net assets of governmental activities	<u><u>\$ (17,966)</u></u>

Town of Littleton, Massachusetts  
Proprietary Funds  
Statement of Net Assets  
June 30 2009  
(Except for the Electric Activity, Which is December 31, 2008)

	Business Type Activities				Internal Service Fund
	Electric Light	Water	Ambulance	Total	
<b>Assets</b>					
Current:					
Cash and Investments	\$ 5,039,321	\$ 790,079	\$ 421,351	\$ 6,250,751	\$ 1,242,305
Accounts Receivable, Net of Allowance:					
User Charges	3,350,150	115,154	165,531	3,630,835	-
Accrued Unbilled Revenues	-	159,567	-	159,567	-
Other	-	15,509	-	15,509	-
Unamortized Bond Discount	8,284	-	-	8,284	-
Inventory	792,318	97,253	-	889,571	-
Prepaid Expenses	656,819	-	-	656,819	-
Power Contract Buyouts	319,473	-	-	319,473	-
Noncurrent:					
Restricted Cash	8,918,033	-	-	8,918,033	-
Restricted Investments	2,974,651	-	-	2,974,651	-
Power Contract Buyouts	952,706	-	-	952,706	-
Unamortized Bond Discount	74,554	102,020	-	176,574	-
Assets Not Being Depreciated	1,321,385	722,747	-	2,044,132	-
Assets Being Depreciated, Net	15,387,204	8,544,952	177,047	24,109,203	-
<b>Total Assets</b>	<b>\$ 39,794,898</b>	<b>\$ 10,547,281</b>	<b>\$ 763,929</b>	<b>\$ 51,106,108</b>	<b>\$ 1,242,305</b>
<b>Liabilities</b>					
Current:					
Accounts Payable	\$ 1,586,854	\$ 271,597	\$ 12,911	\$ 1,871,362	\$ -
Accrued Liabilities	355,607	-	-	355,607	-
Accrued Interest Payable	-	33,295	-	33,295	-
Other Liabilities	-	8	-	8	-
Bonds Payable	138,667	266,800	-	405,467	-
Accrued Employee Compensated Absences	6,405	-	-	6,405	-
Purchase Power Buyout	1,175,546	-	-	1,175,546	-
Bonds Anticipation Notes Payable	-	1,320,000	-	1,320,000	-
Noncurrent:					
Compensated Absences	208,780	49,153	-	257,933	-
Other Post Employment Benefits Payable	-	47,551	-	47,551	-
Bonds Payable	1,360,666	2,060,625	-	3,421,291	-
Purchase Power Buyout	2,351,091	-	-	2,351,091	-
<b>Total Liabilities</b>	<b>7,183,616</b>	<b>4,049,029</b>	<b>12,911</b>	<b>11,245,556</b>	<b>-</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	15,159,291	6,015,610	177,047	21,351,948	-
Restricted for Depreciation Fund	3,387,837	-	-	3,387,837	-
Restricted for Health Benefits	-	-	-	-	1,242,305
Unrestricted	14,064,154	482,642	573,971	15,120,767	-
<b>Total Net Assets</b>	<b>\$ 32,611,282</b>	<b>\$ 6,498,252</b>	<b>\$ 751,018</b>	<b>\$ 39,860,552</b>	<b>\$ 1,242,305</b>

Town of Littleton, Massachusetts  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Fiscal Year Ended June 30, 2009  
(Except for the Electric Activity, Which is December 31, 2008)

	Business Type Activities				Insurance Internal Service Fund
	Electric Light Enterprise	Water Enterprise	Ambulance Enterprise	Total	
Operating Revenues:					
Charges for Services	\$ 29,426,600	\$ 1,314,239	\$ 331,427	\$ 31,072,266	\$ -
Contributions	-	-	-	-	48,132
Total Operating Revenues	<u>29,426,600</u>	<u>1,314,239</u>	<u>331,427</u>	<u>31,072,266</u>	<u>48,132</u>
Operating Expenditures:					
Operating Expense	24,579,781	200,846	138,796	24,919,423	49,680
Maintenance	1,109,517	612,145	104,163	1,825,825	-
General and Administrative	3,026,963	615,322	-	3,642,285	-
Depreciation	775,871	354,359	32,685	1,162,915	-
Total Operating Expenditures	<u>29,492,132</u>	<u>1,782,672</u>	<u>275,644</u>	<u>31,550,448</u>	<u>49,680</u>
Operating Income	<u>(65,532)</u>	<u>(468,433)</u>	<u>55,783</u>	<u>(478,182)</u>	<u>(1,548)</u>
Nonoperating Revenues (Expenses):					
Earnings on Investments	120,631	3,857	-	124,488	38,804
Merchandising and Jobbing Revenues	514,423	394,480	-	908,903	-
Miscellaneous Nonoperating Revenues	99,472	50,166	-	149,638	-
Interest Expense	(74,385)	(123,770)	-	(198,155)	-
Payment in Lieu of Taxes	(320,000)	-	-	(320,000)	-
Total Nonoperating Revenues (Expenses)	<u>340,141</u>	<u>324,733</u>	<u>-</u>	<u>664,874</u>	<u>38,804</u>
Change in Net Assets Before Transfers	<u>274,609</u>	<u>(143,700)</u>	<u>55,783</u>	<u>186,692</u>	<u>37,256</u>
Transfers In (Out)					
Transfers to Other Funds	-	-	(33,914)	(33,914)	-
Total Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(33,914)</u>	<u>(33,914)</u>	<u>-</u>
Changes in Net Assets	<u>274,609</u>	<u>(143,700)</u>	<u>21,869</u>	<u>152,778</u>	<u>37,256</u>
Total Net Assets at Beginning 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>
Prior Period Adjustments	-	-	219,726	219,726	-
Total Net Assets at Beginning of Year, as Restated	<u>32,336,673</u>	<u>6,641,952</u>	<u>729,149</u>	<u>39,707,774</u>	<u>1,205,049</u>
Total Net Assets at End of Year	<u>\$ 32,611,282</u>	<u>\$ 6,498,252</u>	<u>\$ 751,018</u>	<u>\$ 39,860,552</u>	<u>\$ 1,242,305</u>

Town of Littleton, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2009  
(Except for the Electric Activity, Which is for Year Ended December 31, 2008)

	<u>Electric Light</u>	<u>Water</u>	<u>Ambulance</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 29,754,499	\$ 1,280,529	\$ 331,427	\$ 31,366,455
Payments to Employees and Vendors	(25,701,156)	(1,164,451)	(230,048)	(27,095,655)
Net Cash Flows Provided (Used) by Operating Activities	<u>4,053,343</u>	<u>116,078</u>	<u>101,379</u>	<u>4,270,800</u>
<b>Cash Flows from Non Capital Related Financing Activities:</b>				
Payment to Town In Lieu of Taxes	(320,000)	-	-	(320,000)
Merchandising and Jobbing Revenue	-	394,893	-	394,893
Miscellaneous Income	-	50,166	-	50,166
Transfers In (Out)	-	-	(33,914)	(33,914)
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(320,000)</u>	<u>445,059</u>	<u>(33,914)</u>	<u>91,145</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(429,650)	(977,178)	-	(1,406,828)
Loss on Disposal of Capital Assets	(122,728)	-	-	(122,728)
Proceeds from Bond Anticipation Notes	-	1,320,000	-	1,320,000
Principal Payments on Bonds	(138,667)	(276,800)	-	(415,467)
Interest Expense	(74,385)	(108,709)	-	(183,094)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(765,430)</u>	<u>(42,687)</u>	<u>-</u>	<u>(808,117)</u>
<b>Cash Flows from Investing Activities:</b>				
Earnings on Investments	120,631	3,857	-	124,488
Purchase Power Contract Buyout	(4,135,272)	-	-	(4,135,272)
Sale of Investment	1,110,305	-	-	1,110,305
Net Cash Flows Provided (Used) by Investing Activities	<u>(2,904,336)</u>	<u>3,857</u>	<u>-</u>	<u>(2,900,479)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	63,577	522,307	67,465	653,349
Cash and Cash Equivalents at Beginning of Year	4,975,744	267,772	353,886	5,597,402
Cash and Cash Equivalents at End of Year	<u>\$ 5,039,321</u>	<u>\$ 790,079</u>	<u>\$ 421,351</u>	<u>\$ 6,250,751</u>
<b>Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (65,532)	\$ (468,433)	\$ 55,783	\$ (478,182)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	1,103,628	354,359	32,685	1,490,672
(Increase) Decrease in Accounts Receivable	(285,996)	(33,710)	-	(319,706)
(Increase) Decrease in Prepayments	2,896,694	-	-	2,896,694
(Increase) Decrease in Inventory	(877)	-	-	(877)
Increase (Decrease) in Accounts Payable	(387,776)	-	12,911	(374,865)
Increase (Decrease) in Accrued Liabilities	217,954	219,440	-	437,394
Increase (Decrease) in Other Post Employment Benefits Payable	-	47,551	-	47,551
Increase (Decrease) in Compensated Absences Payable	-	(3,129)	-	(3,129)
Increase (Decrease) in Other Liabilities	(38,647)	-	-	(38,647)
Merchandise and Jobbing Revenue	514,423	-	-	514,423
Other Income	99,472	-	-	99,472
Net Cash Provided by Operating Activities	<u>\$ 4,053,343</u>	<u>\$ 116,078</u>	<u>\$ 101,379</u>	<u>\$ 4,270,800</u>

Town of Littleton, Massachusetts  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2009

	Private-Purpose <u>Trust</u>
<b>Assets</b>	
Cash and Cash Investments	\$ 596,110
	<hr/>
Total Assets	596,110
	<hr/>
<b>Liabilities</b>	-
	<hr/>
<b>Net Assets</b>	
Held in Trust	596,110
	<hr/>
Total Net Assets	\$ 596,110
	<hr/> <hr/>

Town of Littleton, Massachusetts  
Fiduciary Funds  
Statement of Changes in Net Assets  
Fiscal Year Ended June 30, 2009

Additions:

Gift	\$ 50,000
Interest, Dividends, and Other	<u>(62,196)</u>
Total Additions	<u>(12,196)</u>

Deductions:

Scholarships	<u>43,213</u>
Change in Net Assets	<u>(55,409)</u>

Net Assets:

Beginning of the Year	<u>651,519</u>
Ending of the Year	<u><u>\$ 596,110</u></u>

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, 2009, 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.

(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 and the enterprise fund 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. 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.

**Police Station Construction Fund** – The Police Station Construction fund is used to account for the activity related to the Police Station building 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 1<sup>st</sup> 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. The enterprise funds capitalize acquisitions that have a useful life in excess of one year. 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 on the fiscal year 2010 tax recap sheet.

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 2009 adjusted for any special Town meeting votes applicable to fiscal 2009 (on the 2010 recap sheet) 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, 2009.

	<u>Revenues</u>
As Reported Budget Basis	\$ 30,038,625
Adjustments:	
Sixty Day Property Tax Accrual - Net	61,435
On Behalf Payments Included in Intergovernmental	<u>2,351,976</u>
As Reported GAAP Statement	<u>\$ 32,452,036</u>
	<u><u>Expenditures</u></u>
As Reported Budget Basis	\$ 30,497,182
Adjustments:	
July 1, 2008 Encumbrances	467,190
June 30, 2009 Encumbrances	(824,691)
July 1, 2008 Accrued Unfunded Pension Liability	(64,001)
June 30, 2009 Accrued Unfunded Pension Liability	42,668
On Behalf Payments Included in Employee Benefits	<u>2,351,976</u>
As Reported GAAP Statement	<u>\$ 32,470,324</u>

III Detailed Notes on All Funds

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, 2009, \$11,506,104 of the Town's bank balance of \$19,539,315 was exposed to credit risk as follows:

Uninsured and Uncollateralized    \$ 11,506,104

ii.) Investments

a.) As of June 30, 2009, 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	\$ 3,593,539	\$ -	\$ 3,185,787	\$ 407,752
Certificate Deposits	2,428,410	1,095,158	1,333,252	-
Corporate Bonds	<u>1,456,447</u>	<u>172,970</u>	<u>1,283,477</u>	<u>-</u>
Total	<u>\$ 7,478,396</u>	<u>\$ 1,268,128</u>	<u>\$ 5,802,516</u>	<u>\$ 407,752</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 20% of the Town's investments are in the State Treasurer's Investment Pool (24%). The State Treasurer's Investment Pool is not considered a single issuer. Although the Town's total equities exceed 12% of the investments, there is not a single corporate equity that exceeds 10%.

## B. Capital Assets

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

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Government Activities:</b>				
Land	\$ 9,526,964	\$ 930,000	\$ -	\$ 10,456,964
Work in Progress	86,601	2,739,191	-	2,825,792
Total Capital Assets not Being Depreciated	<u>9,613,565</u>	<u>3,669,191</u>	<u>-</u>	<u>13,282,756</u>
<b>Assets Being Depreciated:</b>				
Buildings	58,945,657	905,883	-	59,851,540
Infrastructure	15,193,789	1,759,632	-	16,953,421
Equipment	2,471,467	96,063	-	2,567,530
Vehicles	3,252,658	292,372	(188,298)	3,356,732
Total Capital Assets Being Depreciated	<u>79,863,571</u>	<u>3,053,950</u>	<u>(188,298)</u>	<u>82,729,223</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(14,605,367)	(1,402,119)	-	(16,007,486)
Infrastructure	(11,154,890)	(386,164)	-	(11,541,054)
Equipment	(1,670,003)	(176,354)	-	(1,846,357)
Vehicles	(2,186,719)	(230,111)	179,625	(2,237,205)
Total Accumulated Depreciation	<u>(29,616,979)</u>	<u>(2,194,748)</u>	<u>179,625</u>	<u>(31,632,102)</u>
Capital Assets Being Depreciated, Net	<u>50,246,592</u>	<u>859,202</u>	<u>(8,673)</u>	<u>51,097,121</u>
Governmental Activities Capital Assets, Net	<u>\$ 59,860,157</u>	<u>\$ 4,528,393</u>	<u>\$ (8,673)</u>	<u>\$ 64,379,877</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 67,289
Public Safety	208,069
Education	1,359,413
Highways and Public Works	556,938
Culture and Recreation	3,039
Total Governmental Activities Depreciation Expense	<u>\$ 2,194,748</u>

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Business-Type Activities:</b>				
Land	\$ 2,035,423	\$ -	\$ -	\$ 2,035,423
Construction in Progress	-	8,709	-	8,709
Total Capital Assets not Being Depreciated	<u>2,035,423</u>	<u>8,709</u>	<u>-</u>	<u>2,044,132</u>
<b>Assets Being Depreciated:</b>				
Buildings	6,093,539	228,324	-	6,321,863
Other Depreciable Assets	33,375,035	1,292,522	(95,010)	34,572,547
Total Capital Assets Being Depreciated	<u>39,468,574</u>	<u>1,520,846</u>	<u>(95,010)</u>	<u>40,894,410</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(2,162,779)	(300,943)	-	(2,463,722)
Other Depreciable Assets	(13,554,523)	(861,972)	95,010	(14,321,485)
Total Accumulated Depreciation	<u>(15,717,302)</u>	<u>(1,162,915)</u>	<u>95,010</u>	<u>(16,785,207)</u>
Capital Assets Being Depreciated, Net	<u>23,751,272</u>	<u>357,931</u>	<u>-</u>	<u>24,109,203</u>
Business-Type Activities Capital Assets, Net	<u>\$ 25,786,695</u>	<u>\$ 366,640</u>	<u>\$ -</u>	<u>\$ 26,153,335</u>

B. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Electric Light	\$ 775,871
Water	354,359
Ambulance	<u>32,685</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 1,162,915</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

2009 \$ 498,076

Total Real Estate Taxes \$ 498,076

Personal Property Taxes

2009 810

Total Personal Property Taxes 810

Community Preservation Act Taxes

2009 2,185

Total Community Preservation Act Taxes 2,185

Total Property Taxes \$ 501,071

Tax Liens \$ 301,815

C. Accounts Receivable (Continued)

Excise Taxes Receivable:

Motor Vehicle Excise Tax

2009	\$	60,607	
2008		14,242	
2007		11,685	
2006		9,453	
			<hr/>

Total Excise Tax \$ 95,987

Special Assessments:

Street Assessments Principal	\$	38	
Street Assessments Committed Interest		22	
			<hr/>

\$ 60

Intergovernmental:

Due from Commonwealth of Massachusetts

School Building Projects	\$	1,129,623	
Chapter 90 - Highway Grant		275,201	
			<hr/>

Total Current Intergovernmental \$ 1,404,824

Noncurrent

Intergovernmental:

Due from Commonwealth of Massachusetts

School Building Projects			<u><u>\$ 14,029,611</u></u>
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Deferred Property Taxes \$ 12,264

Deferred Special Assessments:

Street Assessments	\$	6,383	
Septic Betterments		93,017	
Water Betterments		63,032	
			<hr/>

Total Deferred Special Assessments \$ 162,432

D. Debt

i Bond Anticipation Notes Payable

The Town has various notes payable outstanding as of June 30, 2009 as follows:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<u>Governmental Activities:</u>						
<u>Bond Anticipation Notes</u>						
Russell Street School Feasibility Study	\$0	\$500,000	\$0	\$500,000	2.75%	9/15/2009
Police Station Design/Engineering	0	300,000	0	300,000	2.75%	9/15/2009
Lucy's Land Purchase	0	500,000	0	500,000	1.75%	9/15/2009
Police Station Construction	0	6,285,000	0	6,285,000	1.50%	2/2/2010
Lucy's Land Purchase	<u>0</u>	<u>150,000</u>	<u>0</u>	<u>150,000</u>	1.80%	2/2/2010
Total Notes Payable Governmental Activities	<u>\$0</u>	<u>\$7,735,000</u>	<u>\$0</u>	<u>\$7,735,000</u>		

Business Type Activities:

<u>Bond Anticipation Notes</u>						
Ozone Generator	\$0	\$75,000	\$0	\$75,000	2.75%	9/15/2009
Water Capital Improvements	0	220,000	0	220,000	1.80%	2/2/2010
Ozone Generator	0	25,000	0	25,000	1.80%	2/2/2010
Water Main	<u>0</u>	<u>1,000,000</u>	<u>0</u>	<u>1,000,000</u>	1.80%	2/2/2010
Total Notes Payable Business Type Activities	<u>\$0</u>	<u>\$1,320,000</u>	<u>\$0</u>	<u>\$1,320,000</u>		

ii Long Term Debt

General obligation bonds outstanding at June 30, 2009, 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, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance 7/01/08	\$35,884,440	\$4,242,225	\$40,126,665
Plus: Issues	-	-	-
Less: Maturities	<u>(2,433,236)</u>	<u>(415,467)</u>	<u>(2,848,703)</u>
Balance 6/30/09	<u>\$33,451,204</u>	<u>\$3,826,758</u>	<u>\$37,277,962</u>

D. Debt (Continued)

(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>
2009	\$0	\$0	\$138,667	\$60,489
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	2,354,901	1,027,218	391,933	82,189
2015-2019	11,458,306	3,545,847	1,215,400	205,449
2020-2024	8,158,351	1,213,870	330,000	38,765
2025-2029	<u>1,715,572</u>	<u>116,662</u>	<u>0</u>	<u>0</u>
	<u>\$33,451,204</u>	<u>\$11,044,558</u>	<u>\$3,826,758</u>	<u>\$884,586</u>

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2009, 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	Water Main	1,000,000
05/05/08	Police Station	300,000
05/05/08	Russell Street School	500,000
05/04/09	Russell Street School Construction	13,400,000
05/04/09	Subsurface Disposal	250,000
05/04/09	Lucy's Land Purchase	650,000
05/04/09	Roof Replacement	<u>215,000</u>
	Total	<u>\$17,150,895</u>

D. Debt (Continued)

(d) 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. The refunded debt will be paid at the end of fiscal year 2019.

<u>Fiscal Year</u>	<u>Existing Debt Principal &amp; Interest</u>	<u>Refunding Bonds Principal &amp; Interest</u>
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	637,560	617,341
2015 and After	<u>2,520,564</u>	<u>2,308,633</u>
Total	<u>\$5,957,024</u>	<u>\$5,771,185</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	\$ 376,924	\$ -	\$ 376,924
Non-Major Governmental	-	(343,010)	(343,010)
Enterprise - Business Type	-	(33,914)	(33,914)
Total	<u>\$ 376,924</u>	<u>\$ (376,924)</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 \$42,668 remains outstanding.

The Town's contributions for the years ending June 30, 2009, 2008 and 2007 were \$1,404,964, \$1,276,500 and \$1,171,886 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 is reported as part of the Electric Light Department in the financial statements.

B. Other Postemployment Benefits (OPEB) Disclosures – GASB 43 and 45

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" that are effective June 30, 2009. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 43 and 45, is presented following the notes to the financial statements.

- a. **Plan Description.** In addition to providing pension benefits described above, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Town retirees receiving a pension from the Middlesex Regional Retirement System or the Massachusetts Teachers Retirement System are eligible for post retirement medical benefits. Currently there are approximately 317 active employees and 175 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** The Town pays 70% of the total premiums for health insurance and 70% of the premiums for a \$5,000 life insurance policy. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.
- c. **Annual OPEB Cost and OPEB Obligation.** The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB 43 and 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year ended June 30, 2009, the amount actually contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$3,543,190
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	<u>3,543,190</u>
Contributions Made	<u>1,106,636</u>
Increase in Net OPEB Obligation	2,436,554
Net OPEB Obligation (NOO)- Beginning of Year	-
Net OPEB Obligation (NOO)- End of Year	<u><u>\$2,436,554</u></u>

- d. **Funded Status and Funding Progress.** As of December 31, 2006, the most recent actuarial valuation date, no funding to the plan has been made. The Actuarial Accrued Liability (AAL) for benefits was \$33,080,325, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$33,080,325.

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

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

In the July 1, 2008, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after five years. The actuarial value of assets is determined using market value. The UAAL is being amortized over a thirty year amortization period.

C. 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, 2009, the Commonwealth paid \$2,351,976 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, 2009, or fund balances at June 30, 2009.

D. 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.

E. Subsequent Year Authorizations

On May 4, 2009 (including the Water Enterprise Fund) adopted a fiscal year 2010 operating and capital budget of \$33,529,858. Fiscal year 2009 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:

2010 Property Taxes, State Aid and Other	
Estimated Revenues	\$ 30,092,930
Enterprise Fund Revenues	2,156,600
Enterprise Fund Retained Earnings	178,375
Light Department Transfer	202,991
Other Available Funds	153,002
Fund Balance Designated for Subsequent	
Year's Expenditures (Reflected on Balance Sheet):	
General Fund	421,034
Non Major Funds	324,926
	\$ 33,529,858

The Light Department is not subject to the appropriation process.

## VI. Commitment and Contingencies

### Power Sales Agreement

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. The operating license for the Millstone Unit 3 nuclear unit extends 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. The operating license for Seabrook Station extends to March, 2030. 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 & Water 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, 2008, total capital expenditures for MMWEC's Projects amounted to \$1,551,793,000, of which \$16,547,000 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 \$570,245,000, of which \$4,734,000 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, 2008, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$663,144,000, of which \$5,401,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Littleton Electric Light & Water's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2008 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 \$2,237,000 and \$2,305,000 for the years ended December 31, 2008 and 2007, respectively.

LITTLETON ELECTRIC LIGHT & WATER  
AS OF DECEMBER 31, 2008  
(\$000)

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>TOTAL PROJECT EXPENDITURES TO DATE</u>	<u>PARTICIPANT'S SHARE</u>	<u>DEBT ISSUED &amp; OUTSTANDING 12/31/2008</u>	<u>PARTICIPANT'S SHARE</u>	<u>TOTAL DEBT SERVICE ON BONDS OUTSTANDING</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ 58,501	\$ 1,791	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	165,671	2,759	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	13,143	231	4,917	86	5,181	91
Nuclear Mix No. 1 -MLS	1.7544	122,355	2,147	45,773	803	48,234	846
Nuclear Project No.3 - MLS	0.7972	144,034	1,148	111,725	891	129,701	1,034
Nuclear Project No. 4-SBK	2.2220	327,194	7,270	118,535	2,634	137,663	3,059
Nuclear Project No. 5-SBK	0.9262	89,130	826	34,560	320	40,073	371
Wyman Project	4.5428	8,265	375	-	-	-	-
Project No. 6-SBK	-	623,500	-	254,735	-	302,292	-
<b>TOTAL</b>		<b>\$ 1,551,793</b>	<b>\$ 16,547</b>	<b>\$ 570,245</b>	<b>\$ 4,734</b>	<b>\$ 663,144</b>	<b>\$ 5,401</b>

<u>PROJECTS</u>	<u>PERCENTAGE SHARE</u>	<u>OPERATION &amp; MAINTENANCE 12/31/2007</u>	<u>PARTICIPANT'S SHARE</u>	<u>OPERATION &amp; MAINTENANCE 12/31/2008</u>	<u>PARTICIPANT'S SHARE</u>
Stony Brook Peaking Project	3.0607	\$ 5,623	\$ 172	\$ 4,723	\$ 145
Stony Brook Intermediate Project	1.6654	38,829	647	34,912	581
Nuclear Mix No. 1 -SBK	1.7544	1,959	34	1,708	30
Nuclear Mix No. 1 -MLS	1.7544	15,052	264	15,903	279
Nuclear Project No.3 - MLS	0.7972	25,538	204	27,117	216
Nuclear Project No.4 - SBK	2.2220	34,869	775	35,932	798
Nuclear Project No.5 - SBK	0.9262	10,069	93	10,385	96
Wyman Project	4.5428	2,559	116	2,023	92
Project No. 6 - SBK	-	63,725	-	64,883	-
<b>TOTAL</b>		<b>\$ 198,223</b>	<b>\$ 2,305</b>	<b>\$ 197,586</b>	<b>\$ 2,237</b>

LITTLETON ELECTRIC LIGHT & WATER  
AS OF DECEMBER 31, 2008  
(\$000)

PROJECTS	PERCENTAGE SHARE	2009	PARTICIPANT'S	2010	PARTICIPANT'S	2011	PARTICIPANT'S
		ANNUAL COST	SHARE	ANNUAL COST	SHARE	ANNUAL COST	SHARE
Stony Brook Peaking Project	3.0607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	-	-	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	1,068	19	1,005	18	962	17
Nuclear Mix No. 1 -MLS	1.7544	10,055	176	9,463	166	9,060	159
Nuclear Project No.3 - MLS	0.7972	16,474	131	16,009	128	15,941	127
Nuclear Project No. 4-SBK	2.2220	18,471	410	16,658	370	16,418	365
Nuclear Project No. 5-SBK	0.9262	5,534	51	4,825	45	4,742	44
Wyman Project	4.5428	-	-	-	-	-	-
Project No. 6-SBK	-	37,961	-	34,078	-	34,081	-
<b>TOTAL</b>		<b>\$ 89,563</b>	<b>\$ 787</b>	<b>\$ 82,038</b>	<b>\$ 727</b>	<b>\$ 81,204</b>	<b>\$ 712</b>

PROJECTS	PERCENTAGE SHARE	2012	PARTICIPANT'S	2013	PARTICIPANT'S	2014 to 2018	PARTICIPANT'S
		ANNUAL COST	SHARE	ANNUAL COST	SHARE	ANNUAL COST	SHARE
Stony Brook Peaking Project	3.0607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	-	-	-	-	-	-
Nuclear Mix No. 1 -SBK	1.7544	964	17	808	14	321	6
Nuclear Mix No. 1 -MLS	1.7544	9,075	159	7,611	134	3,023	53
Nuclear Project No.3 - MLS	0.7972	15,864	126	15,814	126	49,599	395
Nuclear Project No.4 - SBK	2.2220	16,533	367	16,517	367	53,066	1,180
Nuclear Project No.5 - SBK	0.9262	4,765	44	4,638	43	15,569	144
Wyman Project	4.5428	-	-	-	-	-	-
Project No. 6 - SBK	-	33,886	-	33,581	-	124,290	-
<b>TOTAL</b>		<b>\$ 81,087</b>	<b>\$ 713</b>	<b>\$ 78,969</b>	<b>\$ 684</b>	<b>\$ 245,868</b>	<b>\$ 1,778</b>

PROJECTS	PERCENTAGE SHARE	2019	PARTICIPANT'S
		ANNUAL COST	SHARE
Stony Brook Peaking Project	3.0607	\$ -	\$ -
Stony Brook Intermediate Project	1.6654	-	-
Nuclear Mix No. 1 -SBK	1.7544	-	-
Nuclear Mix No. 1 -MLS	1.7544	-	-
Nuclear Project No.3 - MLS	0.7972	-	-
Nuclear Project No.4 - SBK	2.2220	-	-
Nuclear Project No.5 - SBK	0.9262	-	-
Wyman Project	4.5428	-	-
Project No. 6 - SBK	-	4,415	-
<b>TOTAL</b>		<b>\$ 4,415</b>	<b>\$ -</b>

VII. Prior Period Adjustment

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

Governmental Funds

Correct general fund revenues made to water fund	\$ 84,113
Correct water fund revenues made to general fund	(12,618)
Close old unsubstantiated liability accounts to general fund	77,419
	<hr/>
Total Governmental Funds	148,914

Correct ambulance asset previously recorded in Governmental Activities	(54,196)
Total Governmental Activities	<u>\$ 94,718</u>

Business Type Activities

Reflect ambulance accounts receivable not previously recorded	\$ 165,530
Correct ambulance asset previously recorded in Governmental Activities	54,196
Total Business Type Activities	<u>\$ 219,726</u>

Town of Littleton, Massachusetts  
Required Supplementary Information  
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Basis)  
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual <u>Amount</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive <u>(Negative)</u>
<u>Revenues</u>				
Property Taxes	\$ 21,748,823	\$ 21,768,823	\$ 21,952,641	\$ 183,818
Tax Liens	-	-	84,435	84,435
Excises	1,051,272	1,051,272	1,125,112	73,840
Penalties and Interest	49,000	49,000	59,323	10,323
Licenses, Permits and Fees	197,000	197,000	462,171	265,171
Departmental	167,500	167,500	155,674	(11,826)
Intergovernmental	5,217,730	5,217,730	4,844,706	(373,024) *
Charges for Services	380,000	380,000	397,018	17,018
Fines and Forfeits	80,000	80,000	80,388	388
Earnings on Investments	400,000	400,000	413,431	13,431
In Lieu of Taxes	460,000	460,000	385,864	(74,136)
Miscellaneous	40,000	40,000	77,862	37,862
	<u>29,791,325</u>	<u>29,811,325</u>	<u>30,038,625</u>	<u>227,300</u>
<u>Expenditures</u>				
Current:				
General Government	5,456,516	5,550,962	5,422,628	128,334
Public Safety	2,291,130	2,291,130	2,281,470	9,660
Education	15,145,875	15,187,875	14,804,814	383,061 *
Highway and Public Works	2,183,136	2,227,203	2,392,462	(165,259)
Health and Human Services	149,353	150,779	146,800	3,979
Culture and Recreation	525,559	529,500	527,975	1,525
Intergovernmental	952,610	952,610	982,774	(30,164)
Debt Service	4,175,496	4,053,796	3,938,259	115,537
	<u>30,879,675</u>	<u>30,943,855</u>	<u>30,497,182</u>	<u>446,673</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(1,088,350)</u>	<u>(1,132,530)</u>	<u>(458,557)</u>	<u>673,973</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	347,414	369,414	376,924	7,510
Budgetary Fund Balance	740,936	763,116	763,116	-
	<u>1,088,350</u>	<u>1,132,530</u>	<u>1,140,040</u>	<u>7,510</u>
Excess (Deficiency) Of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 681,483</u>	<u>\$ 681,483</u>

\* A majority of the postive variance in the Education function was caused by moving expenditures to a federal grant. The federal grant was received to offset local aid cuts reported as Intergovernmental revenues.

Required Supplementary Information  
Middlesex Retirement System  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded 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%

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

<b>System Wide</b>				<b>Town of Littleton</b>	
Plan Year Ended December 31	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Town's Percentage of System Wide Actual Contributions (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  
Required Supplementary Information - GASB 45  
Schedule of Employer Contributions  
Fiscal Year Ended June 30, 2009

Projected Unit Credit, Pay-As-You-Go Assumptions (4.00%)  
Level Dollar Amortization

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2009	\$3,453,190	\$1,106,636	32%

Town of Littleton, Massachusetts  
 Required Supplementary Information - GASB 45  
 Schedule of Funding Progress  
 Fiscal Year Ended June 30, 2009

Projected Unit Credit, Pay-As-You-Go Assumptions (4.00%)

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b) - (a)</u>	Funded Ratio <u>(a) / (b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>[(b) - (a) / (c)]</u>
07/01/2008	\$0	\$33,080,325	\$33,080,325	0%	15,854,705	209%

Town of Littleton, Massachusetts  
 Required Supplementary Information - GASB 45  
 Net OPEB Obligation (NOO)  
 Fiscal Year Ended June 30, 2009

Projected Unit Credit, Pay-As-You-Go Assumptions (4.00%)  
 Level Dollar Amortization

Fiscal Year Ended June 30	Annual Required Contribution (ARC) <u>(a)</u>	Interest on Existing NOO <u>(b)</u>	ARC Adjustment <u>(c)</u>	Annual OPEB Cost (a) + (b) + (c) <u>(d)</u>	Actual Contribution Amount <u>(e)</u>	Net Increase in NOO (d) - (e) <u>(f)</u>
2009	\$3,453,190	\$0	\$0	\$3,453,190	\$1,106,636	\$2,346,554

Town of Littleton, Massachusetts  
 Required Supplementary Information - GASB 45  
 Valuation Details  
 Fiscal Year Ended June 30, 2009

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Valuation Date	July 1, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 years as of July 1, 2008
Asset Valuation Method	Market Value

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**Actuarial Assumptions:**

Investment Rate of Return	5.0%, pay-as-you-go scenario
Medical/Drug Cost Trend Rate	9.0% graded to 5.0% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents	175
Current active members	<u>317</u>
Total	492

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Town of Littleton, Massachusetts  
Notes to the Required Supplementary Information  
June 30, 2009

(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

<b>Valuation Date</b>	January 1, 2008
<b>Actuarial Cost Method</b>	Entry age normal cost method.
<b>Amortization Method</b>	Level dollar for the 1992, 2002, and 2003 Early Retirement Incentives (ERI) and 4.50% increasing for the remaining unfunded liability.
<b>Remaining Amortization Period</b>	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.
<b>Asset Valuation Method</b>	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 200-40.

**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>

(C) Other Postemployment Benefits (OPEB) Disclosures – GASB 43 and 45

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” that are effective June 30, 2009. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis.

- a. **Plan Description.** In addition to providing pension benefits described above, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Town retirees receiving a pension from the Middlesex Regional Retirement System or the Massachusetts Teachers Retirement System are eligible for post retirement medical benefits. Currently there are approximately 317 active employees and 175 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** The Town pays 70% of the total premiums for health insurance and 70% of the premiums for a \$5,000 life insurance policy. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.

Town of Littleton, Massachusetts  
Schedule of Expenditures of Federal Awards  
Fiscal Year Ended June 30, 2009

<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	\$ 48,448
<u>Department of Justice</u>		
Community Policing	16.710	2,646
Total Department of Justice		<u>2,646</u>
<u>Department of Education:</u>		
Title I Distribution	84.010	<u>30,292</u>
PL 94-142	84.027	294,846
Special Education Program Improvement	84.027	500
Total 84.027		<u>295,346</u>
Title V Innovative Program	84.151	168
Early Childhood Special Education	84.173	<u>10,048</u>
Drug Free Schools	84.186	<u>3,508</u>
Teacher Quality	84.367	<u>27,877</u>
State Fiscal Stabilization	84.394	<u>317,323</u>
Total Department of Education		<u>684,562</u>
<u>Federal Emergency Management Agency</u>		
2008 Ice Storm	97.039	53,957
Safer Grant	97.083	<u>54,676</u>
Total Federal Emergency Management Agency		<u>108,633</u>
Total Federal Financial Assistance		<u><u>\$ 844,289</u></u>

Town of Littleton, Massachusetts  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2009

(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, 2009, and have issued our report thereon dated November 6, 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' 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' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Littleton, Massachusetts' 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' 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' financial statements that is more than inconsequential will not be prevented or detected by the Town of Littleton, Massachusetts' 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' 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Littleton, Massachusetts' 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 November 6, 2009.

The report is intended solely for the information and use of management, the Board of Selectmen and others within the entity, 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  
November 6, 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, 2009. 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.

In our opinion 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, 2009.

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 did not identify deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

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  
November 6, 2009

Town of Littleton, Massachusetts  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2009

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 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. No significant deficiencies in internal control were reported.
3. No instances of noncompliance which are material to the financial statements were reported.
4. No significant deficiencies relating to a major program were reported.
5. The opinion on compliance with requirements applicable to major programs is unqualified.
6. No findings related to a major federal award program were reported.
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
U.S. Department of Education	State Fiscal Stabilization Fund	84.394

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

There were no findings reported relating to the financial statement audit.

III. Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs reported relating to federal awards.

Town of Littleton, Massachusetts  
 Summary of Prior Years Findings  
 For the Year Ended June 30, 2009

<u>Finding #</u>	<u>Program</u>	<u>Finding</u>	<u>Status</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.	Reports were filed in a timely manner.
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.	Internal controls established to have the Department of Education withhold funding for the Massachusetts Teachers’ Retirement System. The retirement system has not been paid the amount (approximately \$14,000) that should have been withheld.