

**TOWN OF LITTLETON, MASSACHUSETTS**

**Financial Statements**

**June 30, 2007**

**and Electric Light Enterprise Fund as of December 31, 2006**

**(With Accountants' Report Thereon)**

Town of Littleton, Massachusetts  
 FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2007  
 and Electric Light Enterprise Fund as of December 31, 2006

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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, 2007 (the Electric Light Enterprise and the Electric Light Department Employees' Retirement Trust are as of December 31, 2006 and for the year then ended), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Littleton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Littleton Electric Light Enterprise fund or the Water Department Enterprise fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Littleton Electric Light and the Water Department Enterprise funds, is based solely on the report of the other auditors.

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

The 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.

Management has not recorded certain general infrastructure assets in governmental activities (streets and sidewalks) and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Littleton, Massachusetts as of June 30, 2007, and the

changes in financial position thereof for the year then ended.

In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Town of Littleton, Massachusetts as of June 30, 2007 (the Electric Light Enterprise Fund and the Electric Light Department Employees' Retirement Trust as of December 31, 2006) 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 Town of Littleton, Massachusetts has elected not to present Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. The election was made because general infrastructure assets have not been reported and any analysis of the governmental activities of the entity wide financial statements would be incomplete.

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated May 30, 2008 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.

*Giusti, Hingston and Company*  
Giusti, Hingston and Company  
Certified Public Accountants  
May 30, 2008

Town of Littleton, Massachusetts  
Statement of Net Assets  
June 30, 2007  
(Except for the Electric Activity, Which is for Year Ended December 31, 2006)  
(Continued on Page 4)

	<u>Governmental</u> <u>Activities</u>	<u>Business - Type</u> <u>Activities</u>	<u>Government-</u> <u>Wide</u> <u>Total</u>
<b>Assets</b>			
<b>Current:</b>			
Cash and Investments	\$ 16,441,109	\$ 4,979,289	\$ 21,420,398
Petty Cash	2,550	-	2,550
<b>Receivables:</b>			
Property Taxes	345,996	-	345,996
Tax Liens	92,993	-	92,993
Excises	102,494	-	102,494
User Charges	-	3,409,292	3,409,292
Accrued Unbilled Revenues	-	191,869	191,869
Special Assessments	98	-	98
Unamortized Bond Discount	-	1,192	1,192
Intergovernmental	1,738,710	-	1,738,710
Inventory	-	698,290	698,290
Power Contract Buyouts	-	319,473	319,473
Prepaid Expenses	-	3,576,387	3,576,387
<b>Noncurrent:</b>			
Restricted Cash	-	7,710,933	7,710,933
Intergovernmental	16,288,857	-	16,288,857
Deferred Property Taxes	23,557	-	23,557
Restricted Investments	-	2,376,797	2,376,797
Deferred Special Assessments	228,362	-	228,362
<b>Other Assets:</b>			
Power Contract Buyouts	-	1,591,652	1,591,652
Unamortized Bond Discount	-	145,516	145,516
<b>Capital Assets:</b>			
Assets Not Being Depreciated	9,738,870	2,035,423	11,774,293
Assets Being Depreciated, Net	45,638,311	24,030,016	69,668,327
	<u>90,641,907</u>	<u>51,066,129</u>	<u>141,708,036</u>
<b>Total Assets</b>			
<b>Liabilities</b>			
<b>Current:</b>			
Warrants Payable	1,058,174	-	1,058,174
Capital Lease Payable	29,562	-	29,562
Accounts Payable	-	2,107,930	2,107,930

Town of Littleton, Massachusetts

Statement of Net Assets

June 30, 2007

(Except for the Electric Activity, Which is for Year Ended December 31, 2006)

(Continued from Page 3)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
Accrued Salaries Payable	785,171	-	785,171
Employees' Withholding Payable	112,095	-	112,095
Guarantee Deposits	1,538,007	-	1,538,007
Unclaimed Checks	16,049	-	16,049
Other Liabilities	91,584	288,394	379,978
Accrued Interest Payable	425,301	-	425,301
Incurred Health Insurance Claims Payable	101,741	-	101,741
Bonds Payable	2,099,702	410,000	2,509,702
Notes Payable	9,300,000	-	9,300,000
Accrued Employee Compensated Absences	-	1,538	1,538
Selected Power Buyout	-	1,404,133	1,404,133
Noncurrent:			
Compensated absences	330,079	238,318	568,397
Bonds Payable	26,025,561	4,155,000	30,180,561
Capital Lease Payable	19,084	5,387,580	5,406,664
Unamortized Bond Premium	805,378	-	805,378
Accrued Unfunded Pension Payable	85,334	-	85,334
Total Liabilities	<u>42,822,822</u>	<u>13,992,893</u>	<u>56,815,715</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	37,700,918	21,500,439	59,201,357
Restricted for:			
Depreciation Fund	-	3,141,267	3,141,267
Special Revenue	2,989,224	-	2,989,224
Perpetual Funds:			
Expendable	233,115	-	233,115
Nonexpendable	2,845,589	-	2,845,589
Health Benefits	1,197,224	-	1,197,224
Unrestricted	<u>2,853,015</u>	<u>12,431,530</u>	<u>15,284,545</u>
Total Net Assets	<u>\$ 47,819,085</u>	<u>\$ 37,073,236</u>	<u>\$ 84,892,321</u>

Town of Littleton, Massachusetts  
Statement of Activities  
Fiscal Year Ended June 30, 2007  
(Except for the Electric Activity, Which is for Year Ended December 31, 2006)

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	\$ 5,492,109	\$ 593,740	\$ 40,441	\$ -	\$ (4,857,928)	\$ -	\$ (4,857,928)
Public Safety	2,286,619	246,889	145,591	-	(1,894,139)	-	(1,894,139)
Education	18,514,627	1,178,529	5,324,153	4,213,081	(7,798,864)	-	(7,798,864)
Highways and Public Works	2,081,076	440,929	85,394	-	(1,554,753)	-	(1,554,753)
Human Services	140,941	7,347	8,985	-	(124,609)	-	(124,609)
Culture and Recreation	959,338	480,719	167,977	-	(310,642)	-	(310,642)
Debt Service	1,416,049	-	-	-	(1,416,049)	-	(1,416,049)
Total Governmental Activities	<u>30,890,759</u>	<u>2,948,153</u>	<u>5,772,541</u>	<u>4,213,081</u>	<u>(17,956,984)</u>	<u>-</u>	<u>(17,956,984)</u>
<i>Business-Type Activities:</i>							
Electric	28,670,692	30,186,455	111,867	-	-	1,627,630	1,627,630
Water	1,786,924	1,703,397	191,382	-	-	107,855	107,855
Ambulance	240,530	318,103	-	-	-	77,573	77,573
Total Business-Type Activities	<u>30,698,146</u>	<u>32,207,955</u>	<u>303,249</u>	<u>-</u>	<u>-</u>	<u>1,813,058</u>	<u>1,813,058</u>
Total Primary Government	<u>\$ 61,588,905</u>	<u>\$ 35,156,108</u>	<u>\$ 6,075,790</u>	<u>\$ 4,213,081</u>	<u>(17,956,984)</u>	<u>1,813,058</u>	<u>(16,143,926)</u>
<i>General Revenues:</i>							
Property Taxes					20,251,076	-	20,251,076
Special Assessments					43,946	-	43,946
Motor Vehicle and Other Excise Taxes					1,109,402	-	1,109,402
Penalties and Interest on Taxes					83,489	-	83,489
Other Taxes, Assessments and in Lieu Payments					515,558	-	515,558
Intergovernmental					900,779	-	900,779
Interest and Investment Income					885,922	-	885,922
Other Revenue					9,455	-	9,455
Special Items:							
Gain (Loss) on Disposition of Asset					-	(6,803)	(6,803)
Transfer In (Out)					(304,571)	284,571	(20,000)
Total General Revenues, Special Items and Transfers					<u>23,495,056</u>	<u>277,768</u>	<u>23,772,824</u>
Change in Net Assets					5,538,072	2,090,826	7,628,898
<i>Net Assets:</i>							
Beginning of the Year					46,193,469	34,889,781	81,083,250
Prior Period Adjustments					(3,912,456)	92,629	(3,819,827)
Adjusted Beginning of the Year					<u>42,281,013</u>	<u>34,982,410</u>	<u>77,263,423</u>
End of the Year					<u>\$ 47,819,085</u>	<u>\$ 37,073,236</u>	<u>\$ 84,892,321</u>

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2007

(Continued on Page 7)

	<u>General</u>	<u>School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Investments	\$ 6,006,104	\$ 1,131,451	\$ 7,950,295	\$ 15,087,850
Petty Cash	2,550	-	-	2,550
Receivables:				
Property Taxes	345,996	-	-	345,996
Tax Liens	92,993	-	-	92,993
Excises	102,494	-	-	102,494
Special Assessments	98	-	-	98
Deferred Property Taxes	23,557	-	-	23,557
Deferred Special Assessments	99,525	-	128,837	228,362
Intergovernmental	17,418,480	-	609,087	18,027,567
Tax Foreclosures	84,940	-	-	84,940
Total Assets	<u>\$ 24,176,737</u>	<u>\$ 1,131,451</u>	<u>\$ 8,688,219</u>	<u>\$ 33,996,407</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants Payable	\$ 501,798	\$ -	\$ 556,376	\$ 1,058,174
Accrued Unfunded Pension Payable	85,334	-	-	85,334
Accrued Salaries Payable	785,171	-	-	785,171
Employees' Withholding Payable	112,095	-	-	112,095
Guarantee Deposits	1,538,007	-	-	1,538,007
Unclaimed Checks	16,049	-	-	16,049
Other Liabilities	-	-	37,290	37,290
Bonds Anticipation Notes Payable	-	8,200,000	1,100,000	9,300,000
Deferred Revenue:				
Property Taxes	330,967	-	-	330,967
Deferred Property Taxes	23,557	-	-	23,557
Tax Liens	92,993	-	-	92,993
Excises	69,636	-	-	69,636
Special Assessments	99,314	-	128,837	228,151
Tax Foreclosures	84,940	-	-	84,940
Intergovernmental	17,418,480	-	590,134	18,008,614
Total Liabilities	<u>21,158,341</u>	<u>8,200,000</u>	<u>2,412,637</u>	<u>31,770,978</u>
Fund Equity:				
Fund Balances:				
Reserved for Encumbrances	694,091	-	-	694,091
Reserved for Petty Cash	2,550	-	-	2,550
Reserved for Perpetual Permanent Funds	-	-	2,845,589	2,845,589
Reserved for Debt Service	23,844	-	-	23,844

Town of Littleton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2007

(Continued from Page 6)

	<u>General</u>	<u>School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Unreserved:				
Designated for:				
Subsequent Year's Expenditures	761,693	-	-	761,693
Appropriation Deficit	(80,176)	-	-	(80,176)
Undesignated, Reported in:				
General Fund	1,616,394	-	-	1,616,394
Special Revenue Fund	-	-	4,109,233	4,109,233
Capital Projects Fund	-	(7,068,549)	(912,355)	(7,980,904)
Permanent Fund	-	-	233,115	233,115
Total Fund Balances	<u>3,018,396</u>	<u>(7,068,549)</u>	<u>6,275,582</u>	<u>2,225,429</u>
 Total Liabilities and Fund Balances	 <u>\$ 24,176,737</u>	 <u>\$ 1,131,451</u>	 <u>\$ 8,688,219</u>	 <u>\$ 33,996,407</u>

Town of Littleton, Massachusetts  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiscal Year Ended June 30, 2007

	<u>General</u>	<u>School Construction</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 20,047,985	\$ -	\$ -	\$ 20,047,985
Tax Liens	359	-	-	359
Excises	1,047,278	-	-	1,047,278
Penalties and Interest	83,489	-	-	83,489
Licenses, Permits and Fees	160,544	-	57,705	218,249
Departmental	91,209	-	1,993,006	2,084,215
Intergovernmental	6,396,152	3,943,655	1,570,493	11,910,300
Charges for Services	406,296	-	292,399	698,695
Fines and Forfeits	93,694	-	-	93,694
Earnings on Investments	796,869	-	542,309	1,339,178
In Lieu of Taxes	515,558	-	-	515,558
Contributions	-	-	20,743	20,743
Special Assessments	41,416	-	-	41,416
Miscellaneous	53,648	-	46,077	99,725
Total Revenues	<u>29,734,497</u>	<u>3,943,655</u>	<u>4,522,732</u>	<u>38,200,884</u>
<u>Expenditures:</u>				
Current				
General Government	4,761,114	-	178,181	4,939,295
Public Safety	2,180,438	-	139,388	2,319,826
Education	15,329,194	7,743,923	2,158,408	25,231,525
Intergovernmental	841,507	-	-	841,507
Highways and Public Works	1,828,853	-	238,451	2,067,304
Human Services	135,160	-	6,454	141,614
Culture and Recreation	488,016	-	460,851	948,867
Debt Service	3,763,005	-	-	3,763,005
Total Expenditures	<u>29,327,287</u>	<u>7,743,923</u>	<u>3,181,733</u>	<u>40,252,943</u>
Excess of Revenues Over (Under) Expenditures	<u>407,210</u>	<u>(3,800,268)</u>	<u>1,340,999</u>	<u>(2,052,059)</u>
Other Financing Sources (Uses):				
Operating Transfers In	1,038,321	-	100,000	1,138,321
Operating Transfers (Out)	(100,000)	-	(1,342,892)	(1,442,892)
Total Other Financing Sources (Uses)	<u>938,321</u>	<u>-</u>	<u>(1,242,892)</u>	<u>(304,571)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,345,531</u>	<u>(3,800,268)</u>	<u>98,107</u>	<u>(2,356,630)</u>
Fund Balance, Beginning	<u>1,672,865</u>	<u>(3,268,281)</u>	<u>6,177,475</u>	<u>4,582,059</u>
Fund Balance, Ending	<u>\$ 3,018,396</u>	<u>\$ (7,068,549)</u>	<u>\$ 6,275,582</u>	<u>\$ 2,225,429</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, 2007

Total governmental fund balances	\$ 2,225,429
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	55,377,181
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	18,838,858
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.	(84,940)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(28,125,263)
Accrued Interest on Bonds	(425,301)
Compensated Absences	(330,079)
Capital Lease Payable	(48,646)
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.	(805,378)
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	1,197,224
Net assets of governmental activities	\$ 47,819,085

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, 2007

Net change in fund balances - total governmental funds	\$ (2,356,630)
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.	6,797,143
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.	(1,467,482)
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.	2,210,664
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.	242,483
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.	136,292
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount reflects the net change from the prior year.	<u>(24,398)</u>
Change in net assets of governmental activities	<u><u>\$ 5,538,072</u></u>

Town of Littleton, Massachusetts  
Proprietary Funds  
Statement of Net Assets  
Fiscal Year Ended June 30, 2007  
(Except for the Electric Activity, Which is for Year Ended December 31, 2006)

	Business Type Activities					Insurance Internal Service Fund
	Electric Light Retirement Reserve	Electric Light	Water	Ambulance	Total	
<b>Assets</b>						
Current:						
Cash and Investments	\$ 843,666	\$ 3,490,686	\$ 252,272	\$ 392,665	\$ 4,979,289	\$ 1,353,259
Receivables, Net of Allowance for Uncollectible:						
User Charges	-	3,296,952	112,340	-	3,409,292	-
Accrued Unbilled Revenues	-	-	191,869	-	191,869	-
Unamortized Bond Discount	-	1,192	-	-	1,192	-
Inventory	-	639,651	58,639	-	698,290	-
Prepaid Expenses	-	3,576,387	-	-	3,576,387	-
Power Contract Buyouts	-	319,473	-	-	319,473	-
Noncurrent:						
Restricted Cash	-	7,710,933	-	-	7,710,933	-
Restricted Investments	-	2,376,797	-	-	2,376,797	-
Power Contract Buyouts	-	1,591,652	-	-	1,591,652	-
Unamortized Bond Discount	-	13,122	132,394	-	145,516	-
Assets Not Being Depreciated	-	1,312,676	722,747	-	2,035,423	-
Assets Being Depreciated, Net	-	15,669,930	8,157,290	202,796	24,030,016	-
<b>Total Assets</b>	<b>\$ 843,666</b>	<b>\$ 39,999,451</b>	<b>\$ 9,627,551</b>	<b>\$ 595,461</b>	<b>\$ 51,066,129</b>	<b>\$ 1,353,259</b>
<b>Liabilities</b>						
Current:						
Accounts Payable	\$ -	\$ 1,957,048	\$ 3,391	\$ 147,491	\$ 2,107,930	\$ -
Accrued Liabilities	-	188,560	99,834	-	288,394	-
Other Liabilities	-	-	-	-	-	54,294
Incurred Health Insurance Claims Payable	-	-	-	-	-	101,741
Bonds Payable	-	130,000	280,000	-	410,000	-
Accrued Employee Compensated Absences	-	1,538	-	-	1,538	-
Purchase Power Buyout	-	1,404,133	-	-	1,404,133	-
Noncurrent:						
Compensated Absences	-	238,318	-	-	238,318	-
Bonds Payable	-	1,560,000	2,595,000	-	4,155,000	-
Purchase Power Buyout	-	5,387,580	-	-	5,387,580	-
<b>Total Liabilities</b>	<b>-</b>	<b>10,867,177</b>	<b>2,978,225</b>	<b>147,491</b>	<b>13,992,893</b>	<b>156,035</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	-	15,292,606	6,005,037	202,796	21,500,439	-
Restricted for Depreciation Fund	-	3,141,267	-	-	3,141,267	-
Restricted for Health Benefits	-	-	-	-	-	1,197,224
Unrestricted	843,666	10,698,401	644,289	245,174	12,431,530	-
<b>Total Net Assets</b>	<b>\$ 843,666</b>	<b>\$ 29,132,274</b>	<b>\$ 6,649,326</b>	<b>\$ 447,970</b>	<b>\$ 37,073,236</b>	<b>\$ 1,197,224</b>

Town of Littleton, Massachusetts  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Fiscal Year Ended June 30, 2007  
(Except for the Electric Activity, Which is for Year Ended December 31, 2006)

	Business Type Activities					Insurance Internal Service Fund
	Electric Light Retirement Reserve	Electric Light Enterprise	Water Enterprise	Ambulance Enterprise	Total	
Operating Revenues:						
Charges for Services	\$ -	\$ 29,523,354	\$ 1,434,934	\$ 318,103	\$ 31,276,391	\$ -
Contributions	-	-	-	-	-	3,287,572
Total Operating Revenues	<u>-</u>	<u>29,523,354</u>	<u>1,434,934</u>	<u>318,103</u>	<u>31,276,391</u>	<u>3,287,572</u>
Operating Expenditures:						
Operating Expense	-	26,281,826	889,616	144,737	27,316,179	3,083,863
Maintenance	-	978,023	559,345	70,636	1,608,004	-
Depreciation	-	779,971	337,963	25,157	1,143,091	-
Total Operating Expenditures	<u>-</u>	<u>28,039,820</u>	<u>1,786,924</u>	<u>240,530</u>	<u>30,067,274</u>	<u>3,083,863</u>
Operating Income	<u>-</u>	<u>1,483,534</u>	<u>(351,990)</u>	<u>77,573</u>	<u>1,209,117</u>	<u>203,709</u>
Nonoperating Revenues (Expenses):						
Earnings on Investments	40,969	70,898	8,172	-	120,039	38,774
Merchandising and Jobbing Revenues	-	515,835	251,721	-	767,556	-
Miscellaneous Nonoperating Revenues	-	147,266	4,125	-	151,391	-
Betterments	-	-	12,617	-	12,617	-
Grant Income	-	-	183,210	-	183,210	-
Gain (Loss) on Disposition of Asset	-	-	-	(6,803)	(6,803)	-
Interest Expense	-	(92,063)	-	-	(92,063)	-
Payment in Lieu of Taxes	-	(538,809)	-	-	(538,809)	-
Total Nonoperating Revenues (Expenses)	<u>40,969</u>	<u>103,127</u>	<u>459,845</u>	<u>(6,803)</u>	<u>597,138</u>	<u>38,774</u>
Change in Net Assets Before Transfers	<u>40,969</u>	<u>1,586,661</u>	<u>107,855</u>	<u>70,770</u>	<u>1,806,255</u>	<u>242,483</u>
Transfers In (Out)						
Transfers from Other Funds	-	-	-	306,317	306,317	-
Transfers to Other Funds	-	-	-	(21,746)	(21,746)	-
Total Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,571</u>	<u>284,571</u>	<u>-</u>
Changes in Net Assets	<u>40,969</u>	<u>1,586,661</u>	<u>107,855</u>	<u>355,341</u>	<u>2,090,826</u>	<u>242,483</u>
Total Net Assets at Beginning of Year	<u>802,697</u>	<u>27,545,613</u>	<u>6,541,471</u>	<u>-</u>	<u>34,889,781</u>	<u>954,741</u>
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,629</u>	<u>92,629</u>	<u>-</u>
Total Net Assets at Beginning of Year, as Restated	<u>802,697</u>	<u>27,545,613</u>	<u>6,541,471</u>	<u>92,629</u>	<u>34,982,410</u>	<u>954,741</u>
Total Net Assets at End of Year	<u>\$ 843,666</u>	<u>\$ 29,132,274</u>	<u>\$ 6,649,326</u>	<u>\$ 447,970</u>	<u>\$ 37,073,236</u>	<u>\$ 1,197,224</u>

Town of Littleton, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2007  
(Except for the Electric Activity, Which is for Year Ended December 31, 2006)

	Electric Light Retirement Reserve	Electric Light	Water	Ambulance	Total
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers	\$ -	\$ 30,108,174	\$ 1,396,944	\$ 318,103	\$ 31,823,221
Payments to Employees and Vendors	-	(28,062,994)	(1,414,619)	(67,882)	(29,545,495)
Net Cash Flows Provided (Used) by Operating Activities	-	2,045,180	(17,675)	250,221	2,277,726
<b>Cash Flows from Non Capital Related Financing Activities:</b>					
Payment to Town In Lieu of Taxes	-	(538,809)	-	-	(538,809)
Merchandising and Jobbing Revenue	-	-	251,721	-	251,721
Grant Income	-	-	183,210	-	183,210
Betterment Revenue	-	-	12,617	-	12,617
Miscellaneous Income	-	-	4,120	-	4,120
Transfers In (Out)	-	-	-	284,571	284,571
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	-	(538,809)	451,668	284,571	197,430
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and Construction of Capital Assets	-	(390,879)	(70,234)	(142,127)	(603,240)
Loss on Disposal of Capital Assets	-	(177,080)	-	-	(177,080)
Principal Payments on Bonds	-	(135,000)	(285,000)	-	(420,000)
Interest Expense	-	(92,063)	-	-	(92,063)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	-	(795,022)	(355,234)	(142,127)	(1,292,383)
<b>Cash Flows from Investing Activities:</b>					
Earnings on Investments	40,969	70,898	8,172	-	120,039
Investment Income Restricted to Escrow Deposit	-	(839,399)	-	-	(839,399)
Purchase Power Contract Buyout	-	(342,014)	-	-	(342,014)
Transfer to Depreciation Fund	-	(616,253)	-	-	(616,253)
Sale of Investment	-	1,388,432	-	-	1,388,432
Net Cash Flows Provided (Used) by Investing Activities	40,969	(338,336)	8,172	-	(289,195)
Net Increase (Decrease) in Cash and Cash Equivalents	40,969	373,013	86,931	392,665	893,578
Cash and Cash Equivalents at Beginning of Year	802,697	3,117,673	165,341	-	4,085,711
Cash and Cash Equivalents at End of Year	\$ 843,666	\$ 3,490,686	\$ 252,272	\$ 392,665	\$ 4,979,289
<b>Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ -	\$ 1,483,534	\$ (351,990)	\$ 77,573	\$ 1,209,117
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization Expense	-	1,201,534	337,963	25,157	1,564,654
(Increase) Decrease in Accounts Receivable	-	(78,281)	(37,990)	-	(116,271)
(Increase) Decrease in Prepayments	-	(805,047)	-	-	(805,047)
(Increase) Decrease in Inventory	-	(32,621)	34,103	-	1,482
Increase (Decrease) in Accounts Payable	-	(465,280)	(26,028)	147,491	(343,817)
Increase (Decrease) in Accrued Liabilities	-	3,491	9,981	-	13,472
Increase (Decrease) in Other Liabilities	-	74,749	-	-	74,749
Merchandise and Jobbing Revenue	-	515,835	-	-	515,835
Other Income	-	147,266	16,286	-	163,552
Net Cash Provided by Operating Activities	\$ -	\$ 2,045,180	\$ (17,675)	\$ 250,221	\$ 2,277,726

Town of Littleton, Massachusetts  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2007

	Private-Purpose <u>Trust</u>
<b>Assets</b>	
Cash and Cash Investments	\$ 726,456
	<hr/>
Total Assets	726,456
	<hr/>
<b>Liabilities</b>	-
	<hr/>
<b>Net Assets</b>	
Held in Trust	726,456
	<hr/>
Total Net Assets	\$ 726,456
	<hr/> <hr/>

Town of Littleton, Massachusetts  
Fiduciary Funds  
Statement of Changes in Net Assets  
Fiscal Year Ended June 30, 2007

Additions:

Interest, Dividends, and Other	<u>\$ 101,418</u>
Total Additions	<u>101,418</u>

Deductions:

Scholarships	<u>4,502</u>
Change in Net Assets	<u>96,916</u>

Net Assets:

Beginning of the Year	<u>629,540</u>
Ending of the Year	<u><u>\$ 726,456</u></u>

Town of Littleton, Massachusetts  
Notes to the Financial Statements  
June 30, 2007 (December 31, 2006 Electric Light Enterprise Fund)

I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Littleton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2007, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter. In accounting and reporting on its water enterprise fund, the Town has elected to apply all Governmental Accounting Standards Board (“GASB”) pronouncements as well as Financial Accounting Standards Board pronouncements issued prior to November 30, 1989, unless those pronouncements contradict GASB pronouncements, in which case, GASB prevails.

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

(A) **Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

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

(D) Assets, Liabilities and Net Assets or Equity

i Deposits and Investments

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

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

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

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

ii Property Taxes

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

The infrastructure assets related to the governmental activities have not been recorded or reported in the accompanying financial statements. Governmental Standards Board Statement #34 provides a “phase in” period of up to four years for infrastructure assets related to governmental activities. The phase in period ended on June 30, 2007.

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

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

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

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

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

iv Compensated Absences

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

v Long-Term Obligations

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

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

vi Fund Equity

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

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

Fund Balances

(a) Reserved for Encumbrances

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

(b) Reserved for Perpetual Permanent Funds

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

(c) Reserved for Debt Service

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

(d) Designated for Subsequent Year's Expenditures

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

(e) Designated for Appropriation Deficit

The balance in this account reflects a legal appropriation deficit in the Town's snow and ice budget. The appropriation deficit was raised in fiscal year 2008.

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 2007 adjusted for any special Town meeting votes applicable to fiscal 2007 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, 2007.

	<u>Revenues</u>
As Reported Budget Basis	\$ 27,873,088
Adjustments:	
Light Department Payment for Information Technology	120,407
Sixty Day Property Tax Accrual - Net	(123,898)
On Behalf Payments Included in Intergovernmental	<u>1,864,900</u>
As Reported GAAP Statement	<u>\$ 29,734,497</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 27,975,423
Adjustments:	
Light Department Payment for Information Technology	120,407
July 1, 2006 Encumbrances	81,979
June 30, 2007 Encumbrances	(694,091)
July 1, 2006 Accrued Unfunded Pension Liability	(106,665)
June 30, 2007 Accrued Unfunded Pension Liability	85,334
On Behalf Payments Included in Employee Benefits	<u>1,864,900</u>
As Reported GAAP Statement	<u>\$ 29,327,287</u>

### III Detailed Notes on All Funds

#### A. Deposits and Investments

##### i.) Deposits

##### a.) Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2007, \$4,464,762 of the Town's bank balance of \$20,364,117 was exposed to credit risk as follows:

Uninsured and Uncollateralized    \$ 4,464,762

##### ii.) Investments

a.) As of June 30, 2007, the town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
U. S. Government Obligations	\$ 5,209,523	\$ 149,907	\$ 4,430,721	\$ 628,895
Corporate Bonds	<u>500,718</u>	<u>-</u>	<u>500,718</u>	<u>-</u>
Total	<u>\$ 5,710,241</u>	<u>\$ 149,907</u>	<u>\$ 4,931,439</u>	<u>\$ 628,895</u>

##### b.) Interest Rate Risk

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

##### c.) Credit Risk

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

##### d.) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy related to concentration risk. More than 30 percent of the Town's investments are in the State Treasurer's Investment Pool (32 %). The State Treasurer's Investment Pool is not considered a single issuer.

## B. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Government Activities:</b>				
Land	\$ 9,526,964	\$ -	\$ -	\$ 9,526,964
Work in Progress	10,889,950	167,986	(10,846,030)	211,906
Total Capital Assets not Being Depreciated	<u>20,416,914</u>	<u>167,986</u>	<u>(10,846,030)</u>	<u>9,738,870</u>
<b>Assets Being Depreciated:</b>				
Buildings	38,406,643	18,560,057	-	56,966,700
Equipment	2,136,877	354,390	-	2,491,267
Vehicles	3,042,383	61,079	-	3,103,462
Total Capital Assets Being Depreciated	<u>43,585,903</u>	<u>18,975,526</u>	<u>-</u>	<u>62,561,429</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(12,140,599)	(1,092,972)	-	(13,233,571)
Equipment	(1,305,976)	(193,714)	-	(1,499,690)
Vehicles	(1,957,270)	(232,587)	-	(2,189,857)
Total Accumulated Depreciation	<u>(15,403,845)</u>	<u>(1,519,273)</u>	<u>-</u>	<u>(16,923,118)</u>
Capital Assets Being Depreciated, Net	28,182,058	17,456,253	-	45,638,311
Governmental Activities Capital Assets, Net	<u>\$ 48,598,972</u>	<u>\$ 17,624,239</u>	<u>\$ (10,846,030)</u>	<u>\$ 55,377,181</u>

Depreciation expense was charged to functions as follows:

<b>Government Activities:</b>	
General Government	\$ 52,436
Public Safety	176,379
Education	1,094,850
Highways and Public works	193,889
Culture and Recreation	<u>1,719</u>
Total Governmental Activities Depreciation Expense	<u>\$ 1,519,273</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Land	\$ 2,035,423	\$ -	\$ -	\$ 2,035,423
Total Capital Assets not Being Depreciated	<u>2,035,423</u>	<u>-</u>	<u>-</u>	<u>2,035,423</u>
<b>Assets Being Depreciated:</b>				
Buildings	6,052,539	11,000	-	6,063,539
Other Depreciable Assets	32,073,578	877,825	(386,515)	32,564,888
Total Capital Assets Being Depreciated	<u>38,126,117</u>	<u>888,825</u>	<u>(386,515)</u>	<u>38,628,427</u>

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings	(1,575,779)	(288,000)	-	(1,863,779)
Other Depreciable Assets	(12,150,753)	(855,091)	271,212	(12,734,632)
Total Accumulated Depreciation	<u>(13,726,532)</u>	<u>(1,143,091)</u>	<u>271,212</u>	<u>(14,598,411)</u>
Capital Assets Being Depreciated, Net	<u>24,399,585</u>	<u>(254,266)</u>	<u>(115,303)</u>	<u>24,030,016</u>
Business-Type Activities Capital Assets, Net	<u>\$ 26,435,008</u>	<u>\$ (254,266)</u>	<u>\$ (115,303)</u>	<u>\$ 26,065,439</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Electric Light	\$ 779,971
Water	337,963
Ambulance	<u>25,157</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 1,143,091</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

2007 \$ 330,530

Total Real Estate Taxes \$ 330,530

Personal Property Taxes

2007 11,055

2006 3,448

2004 204

2003 327

2002 432

15,466

Total Property Taxes Receivable \$ 345,996

C. Accounts Receivable (Continued)

Tax Liens		<u><u>\$ 92,993</u></u>
Excise Taxes Receivable:		
Motor Vehicle Excise Tax		
2007	\$ 70,854	
2006	15,505	
2005	6,786	
2004	7,280	
2003	1,477	
2002	<u>592</u>	
Total Excise Tax		<u><u>\$ 102,494</u></u>
Special Assessments:		
Street Assessments Added to Tax	<u>98</u>	<u><u>\$ 98</u></u>
Intergovernmental:		
Due from Commonwealth of Massachusetts		
School Building Projects	\$ 1,129,623	
Chapter 90 - Highway Grant	590,134	
Other Grants	<u>18,953</u>	
Total Current Intergovernmental		<u><u>\$ 1,738,710</u></u>
<u>Noncurrent</u>		
Intergovernmental:		
Due from Commonwealth of Massachusetts		
School Building Projects		<u><u>\$ 16,288,857</u></u>
Deferred Property Taxes		<u><u>\$ 23,557</u></u>
Deferred Special Assessments:		
Street Assessments	\$ 8,354	
Septic Betterments	128,837	
Water Betterments	<u>91,171</u>	
Total Deferred Special Assessments		<u><u>\$ 228,362</u></u>

D. Debt

i Bond Anticipation Notes Payable

The Town has various notes payable outstanding as of June 30, 2007 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>						
Jr HS Design/Engineering	\$300,000	\$0	\$300,000	\$0		
Jr HS Architect	300,000	0	300,000	0		
Jr HS Design/Engineering	100,000	0	100,000	0		
Junior High School	600,000	1,000,000	600,000	1,000,000	3.90%	7/27/2007
Middle School Construction	5,000,000	8,200,000	5,000,000	8,200,000	4.50%	7/27/2007
Police Station Design/Engineering	<u>200,000</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>	3.90%	7/27/2007
Total Notes Payable Governmental Activities	<u>\$6,500,000</u>	<u>\$9,300,000</u>	<u>\$6,500,000</u>	<u>\$9,300,000</u>		

ii Long Term Debt

General obligation bonds outstanding at June 30, 2007, 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, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance 7/01/06	\$30,285,591	\$4,980,000	\$35,265,591
Adjustment	0	0	0
Less: Maturities	<u>(2,160,328)</u>	<u>(415,000)</u>	<u>(2,575,328)</u>
Balance 6/30/07	<u>\$28,125,263</u>	<u>\$4,565,000</u>	<u>\$32,690,263</u>

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$0	\$0	\$130,000	\$90,870
2008	2,099,702	1,260,120	410,000	208,037
2009	1,999,702	1,188,691	405,000	190,865
2010	1,964,702	1,117,273	395,000	173,441
2011	1,954,702	1,042,993	395,000	155,809
2012	1,851,702	950,813	390,000	137,063
2013-2017	9,086,272	3,526,588	1,680,000	416,527
2018-2022	7,648,481	1,418,675	680,000	100,915
2023-2027	<u>1,520,000</u>	<u>82,425</u>	<u>80,000</u>	<u>3,725</u>
	<u>\$28,125,263</u>	<u>\$10,587,578</u>	<u>\$4,565,000</u>	<u>\$1,477,252</u>

D. Debt (Continued)

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2007, are as follows:

05/03/99	Septic Betterment Loan Program	\$50,000
05/07/01	Junior High School Renovation	7,200,000
09/24/01	Clean Lakes	50,000
03/07/05	Junior High School	4,000,000
06/11/07	Middle School	<u>615,000</u>
	Total	<u>\$11,915,000</u>

Refunding of Long Term Debt

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

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

(b) Economic Gain from Refunding Issue

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

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	\$ 1,038,321	\$ (100,000)	\$ 938,321
Non-Major Governmental	100,000	(1,342,892)	(1,242,892)
Enterprise - Business Type	306,317	(21,746)	284,571
Transfer to Electric Light after 12/31/06	20,000	-	20,000
Total	<u>\$ 1,464,638</u>	<u>\$ (1,464,638)</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 Commonwealth of Massachusetts. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits. The system is a member of the Massachusetts Contributory 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 that includes financial statements and the required supplementary information. The report may be obtained by writing to the Middlesex Retirement System, 40 Thorndike Street, New Superior Court House – 3<sup>rd</sup> level, Cambridge, Massachusetts, 02141.

###### 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 requirement 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 \$85,334 remains outstanding.

The Town's contributions for the years ending June 30, 2007, 2006 and 2005 were \$1,171,886, \$1,037,884 and \$923,751 respectively, equal to the required (after the deferral legislation) contributions each year.

###### c) Light Department Employees' Retirement Trust Fund

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

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

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

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

B. On Behalf Payments

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

For the fiscal year ended June 30, 2007, the Commonwealth paid \$1,864,900 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, 2007, or fund balances at June 30, 2007.

C. Deferred Compensation Plan

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

D. Post Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the Town provides certain health care and life insurance benefits for retired employees. Substantially all the Town's employees may become eligible for those benefits if they reach normal retirement age while working for the Town. For fiscal year 2007, those costs totaled approximately \$551,695 and covered 130 retirees.

E. Risk Management

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

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

F. Subsequent Year Authorizations

On May 7, 2007 and November 5, 2007 the Town (including the Water Enterprise Fund) adopted a fiscal year 2007 operating and capital budget of \$30,934,811. Fiscal year 2007 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:

2008 Property Taxes, State Aid and Other	
Estimated Revenues	\$ 27,349,783
Enterprise Fund Revenues	2,063,076
Water Department Retained Earnings	100,000
Other Available Funds	660,259
Fund Balance Designated for Subsequent	
Year's Expenditures (Reflected on Balance Sheet):	
General Fund	761,693
	<u>\$ 30,934,811</u>

The Light Department is not subject to the appropriation process.

Subsequent to the balance sheet date the Town approved \$300,000 in loan authorizations (\$200,000 for the development of the Cobb's well site and \$100,000 for the Spectacle Pond Treatment Plant).

VI. Commitment and Contingencies

Power Sales Agreement

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

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

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

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated an owned by its majority owner, FPL Energy Wyman IV, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by

Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and a subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. In November 2005, the Nuclear Regulatory Commission (NRC) renewed the operating licenses for the Millstone Unit 2 and Unit 3 nuclear units for an additional twenty years. The license for Unit 2 was extended to July 31, 2035 and the license for Unit 3 was extended to November 25, 2045.

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

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005 as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

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

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

As of December 31, 2006, total capital expenditures for MMWEC's Projects amounted to \$1,529,950,000, of which \$16,219,000 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 \$714,635,000, of which \$6,191,000 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, 2006, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$869,179,000, of which \$7,321,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Littleton Electric Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2006, and estimated for future years is shown below.

	<u>ANNUAL COSTS</u>
For years ended December 31, 2007	\$ 1,016,000
2008	904,000
2009	787,000
2010	727,000
2011	712,000
2012 to 2016	2,964,000
2017 to 2019	211,000
	<u>\$ 7,321,000</u>

In addition, the Department is required to pay 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 \$2,299,000 and \$2,291,000 for the years ended December 31, 2006 and 2005, respectively.

VII. Prior Period Adjustment

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

Governmental Funds

As a result of the final audit by the Massachusetts School Building Authority the allowable costs of the school building project (and related receivable) were reduced. \$ 3,912,456

Business Type Activities

Capital assets not reflected in the Town's records in fiscal year 2006. \$ 92,629

VIII. Related Party Transactions

The Town and the Light Department entered into an agreement whereby the Light Department provided Information Technology Services for the Town. During fiscal year 2006, the Light Department provided the Town with approximately \$120,407 in services. The accompanying financial statements reflect those expenses as "In Lieu of Tax" expenses in the Light Department and "In Lieu of Tax" revenues and general government expenditures in the Town's general fund.

Town of Littleton, Massachusetts  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Fiscal Year Ended June 30, 2007

	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	\$ 20,342,596	\$ 20,168,172	\$ 20,155,546	\$ (12,626)
Tax Liens	-	-	359	359
Excises	1,023,272	1,023,272	1,063,615	40,343
Penalties and Interest	53,000	53,000	83,488	30,488
Licenses, Permits and Fees	150,000	150,000	160,544	10,544
Departmental	79,221	79,221	91,209	11,988
Intergovernmental	4,353,917	4,353,917	4,531,252	177,335
Charges for Services	421,000	421,000	406,296	(14,704)
Fines and Forfeits	82,600	82,600	93,694	11,094
Earnings on Investments	450,000	450,000	796,869	346,869
In Lieu of Taxes	364,138	364,138	395,151	31,013
Special Assessments	15,000	15,000	41,416	26,416
Miscellaneous	45,000	45,000	53,649	8,649
	<u>27,379,744</u>	<u>27,205,320</u>	<u>27,873,088</u>	<u>667,768</u>
<u>Expenditures</u>				
Current:				
General Government	5,797,790	5,401,753	4,919,767	481,986
Public Safety	2,495,690	2,428,729	2,428,937	(208)
Education	13,508,792	13,486,171	13,486,171	-
Highway and Public Works	1,783,469	1,867,981	1,911,724	(43,743)
Health and Human Services	121,402	146,921	136,296	10,625
Culture and Recreation	467,279	488,947	488,016	931
Intergovernmental	910,584	910,584	841,507	69,077
Debt Service	3,636,693	3,790,926	3,763,005	27,921
	<u>28,721,699</u>	<u>28,522,012</u>	<u>27,975,423</u>	<u>546,589</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(1,341,955)</u>	<u>(1,316,692)</u>	<u>(102,335)</u>	<u>1,214,357</u>
Other Financing Sources (Uses)				
Transfers In	1,151,645	1,038,321	1,038,321	-
Transfers Out	(100,000)	(100,000)	(100,000)	-
Budgetary Fund Balance	176,995	265,056	265,056	-
Deficits Raised	113,315	113,315	113,315	-
	<u>1,341,955</u>	<u>1,316,692</u>	<u>1,316,692</u>	<u>-</u>
Excess (Deficiency) Of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,214,357</u>	<u>\$ 1,214,357</u>

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, 2007, and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Item 2007-1 to be a material weakness.

Compliance an Other Matters

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

We noted certain other matters that we reported to management of the Town of Littleton, Massachusetts in a separate letter dated June 20, 2008.

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

*Giusti, Hingston and Company*

Giusti, Hingston and Company  
Certified Public Accountants  
May 30, 2008

Town of Littleton, Massachusetts  
Schedule of Findings  
For the Year Ended June 30, 2007

Finding #

2007-1      The internal control procedures (in the Treasurer's Office) for recording, reporting and reconciling cash were weak during fiscal year 2007. As a result, errors were made in the Treasurer's cashbook when posting both deposits, transfers, and payments. Also, several bank accounts were not properly reconciled and the Treasurer's cash was not reconciled to the Town's general ledger during the year. At June 30, a small variance exists between the Treasurer's cashbook and the general ledger. Also, some variances exist between the cashbook and the banks.

We recommend that the Town make efforts to improve its procedures relating to recording, reporting and reconciling cash. Once the Town has become current in its reconciling procedures (cashbook to bank statements and to the general ledger), each month should be reconciled prior to the end of the next month.

Town of Littleton, Massachusetts  
 Summary of Prior Year Findings and Questioned Costs  
 For the Year Ended June 30, 2007  
 (Continued on Page 37)

<u>Program</u>	<u>Reference</u>	<u>Finding</u>	<u>Current Status</u>
U.S Department of Education - SPED Program CFDA #84.027 and #84.173	2006-1	<p>The Town had full time teachers prepare the required payroll certifications. However, Teachers' Aides completed time sheets that did not specify the grant on which they were working. As a result, internal controls did not exist to ensure that the required payroll certifications for certain employees charged to the grant were on file.</p> <p>In absence of signed timesheets to support a payroll charge to federal grant programs, the United States Office of Management and Budget (OMB) Circular A-87 specifies that certain certifications must be made as noted below:</p> <ol style="list-style-type: none"> <li>1. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.</li> <li>2. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.</li> </ol>	Procedures are in place to obtain the required payroll certifications.

Town of Littleton, Massachusetts  
 Summary of Prior Year Findings and Questioned Costs  
 For the Year Ended June 30, 2007  
 (Continued from Page 36)

<u>Program</u>	<u>Reference</u>	<u>Finding</u>	<u>Current Status</u>
U.S Department of Education - SPED Program CFDA #84.027 and #84.173 (Continued)	2006-1	<p>Personnel activity reports or equivalent documentation must meet the following standards:</p> <ul style="list-style-type: none"> <li>(a) They must reflect and after-the-fact distribution of the actual activity of each employee,</li> <li>(b) They must account for the total activity for which each employee is compensated.</li> <li>(c) They must be prepared at least monthly and must coincide with one or more pay periods, and</li> <li>(d) They must be signed by the employee,</li> <li>(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes when certain other requirements are met.</li> </ul>	