

TOWN OF KINGSTON, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Kingston, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kingston, Massachusetts, as of and for the year ended June 30, 2009, 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 Kingston's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kingston, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, 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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
February 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include water and sewer 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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 available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

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.

Notes to the financial statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary infor-

mation which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 63,783,262 (i.e., net assets), a change of \$ 1,365,190 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 10,231,631, a change of \$ 731,661 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,188,141, a change of \$ (694,049) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 57,579,253, a change of \$ (2,894,985) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 14,898	\$ 14,276	\$ 23,695	\$ 25,153	\$ 38,593	\$ 39,429
Capital assets	<u>49,136</u>	<u>49,575</u>	<u>56,331</u>	<u>57,272</u>	<u>105,467</u>	<u>106,847</u>
Total assets	64,034	63,851	80,026	82,425	144,060	146,276
Long-term liabilities outstanding	22,983	23,759	33,705	35,005	56,688	58,764
Other liabilities	<u>3,849</u>	<u>4,389</u>	<u>19,739</u>	<u>20,704</u>	<u>23,588</u>	<u>25,093</u>
Total liabilities	26,832	28,148	53,444	55,709	80,276	83,857
Net assets:						
Invested in capital assets, net	28,117	27,067	21,564	21,147	49,681	48,214
Restricted	8,233	4,725	-	-	8,233	4,725
Unrestricted	<u>852</u>	<u>3,911</u>	<u>5,018</u>	<u>5,569</u>	<u>5,870</u>	<u>9,480</u>
Total net assets	\$ <u>37,202</u>	\$ <u>35,703</u>	\$ <u>26,582</u>	\$ <u>26,716</u>	\$ <u>63,784</u>	\$ <u>62,419</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,616	\$ 2,403	\$ 3,938	\$ 3,989	\$ 6,554	\$ 6,392
Operating grants and contributions	6,501	6,418	-	-	6,501	6,418
Capital grants and contributions	1,451	3,543	-	-	1,451	3,543
General revenues:						
Property taxes	25,235	23,082	-	-	25,235	23,082
Excises	1,482	1,497	-	-	1,482	1,497
Penalties and interest on taxes	150	163	-	-	150	163
Grants and contributions not restricted to specific programs	1,244	1,342	2,623	1,329	3,867	2,671
Investment income	125	118	-	12	125	130
Other	706	478	-	(1,724)	706	(1,246)
Total revenues	<u>39,510</u>	<u>39,044</u>	<u>6,561</u>	<u>3,606</u>	<u>46,071</u>	<u>42,650</u>
Expenses:						
General government	2,299	1,867	-	-	2,299	1,867
Public safety	5,728	5,305	-	-	5,728	5,305
Education	20,890	20,188	-	-	20,890	20,188
Public works	2,384	2,056	-	-	2,384	2,056
Health and human services	715	634	-	-	715	634
Culture and recreation	835	1,314	-	-	835	1,314
Employee benefits	4,238	3,271	-	-	4,238	3,271
Interest on long-term debt	1,013	1,101	-	-	1,013	1,101
Intergovernmental	216	312	-	-	216	312
Water operations	-	-	1,927	1,564	1,927	1,564
Sewer operations	-	-	4,461	1,506	4,461	1,506
Total expenses	<u>38,318</u>	<u>36,048</u>	<u>6,388</u>	<u>3,070</u>	<u>44,706</u>	<u>39,118</u>
Change in net assets before transfers	(1,192)	2,996	173	536	1,365	3,532
Transfers in (out)	<u>307</u>	<u>83</u>	(307)	(83)	-	-
Change in net assets	1,499	3,079	(134)	453	1,365	3,532
Net assets - beginning of year	<u>35,703</u>	<u>32,624</u>	<u>26,716</u>	<u>26,263</u>	<u>62,419</u>	<u>58,887</u>
Net assets - end of year	<u>\$ 37,202</u>	<u>\$ 35,703</u>	<u>\$ 26,582</u>	<u>\$ 26,716</u>	<u>\$ 63,784</u>	<u>\$ 62,419</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 63,783,262, a change of \$ 1,365,190 from the prior year.

The largest portion of net assets \$ 49,681,033 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt

used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 8,232,478 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 5,869,751 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 1,499,197. Key elements of this change are as follows:

	<u>Government Wide Governmental Activities</u>
General fund operating results	\$ 225,885
Nonmajor funds surplus - accrual basis	1,079,580
Excess principal maturities, a budgeted expense, over depreciation	274,453
Other GAAP accruals	(80,721)
Total	\$ <u>1,499,197</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (134,007). Key elements of this change are as follows:

Water operations	\$ (722,334)
Wastewater (sewer) operations	<u>588,327</u>
Total	\$ <u>(134,007)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 10,231,631, a change of \$ 731,661 in comparison with the prior year. Most of this change was attributable to the following:

	<u>Fund Balance Governmental Funds</u>
General fund operating results	\$ 225,885
Nonmajor funds surplus	<u>505,776</u>
Total	<u>\$ 731,661</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 1,188,141, while total fund balance was \$ 1,683,743. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.3 percent of total general fund expenditures, while total fund balance represents 4.7 percent of that same amount.

The fund balance of the general fund changed by \$ 225,885 during the current fiscal year. Key factors in this change are as follows:

	<u>Fund Balance General Fund</u>
Excess revenues over budget	\$(203,316)
Budgetary appropriation turnbacks by departments	710,965
Excess tax collections over budget	491,779
Excess of current year encumbered appropriations to be spent in subsequent year over prior year encumbrances spent in current year	50,953
Use of free cash	(952,615)
Raising of prior year deficits	280,512
Other financing uses	<u>(152,393)</u>
Total	<u>\$ 225,885</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 5,017,604. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a change in general government appropriations of \$ 377,479.

This increase was funded by an increase in the use of free cash of \$ 493,888 offset by a decrease in intergovernmental revenue of \$ (116,409).

The budget and actual statement reflects an under collection of Intergovernmental revenue primarily resulting from State Aid (Chapter 70) reductions implemented by the Commonwealth in fiscal year 2009. The Chapter 70 reductions were offset by an American Recovery and Reinvestment Act (ARRA) grant which is reported in a separate major fund in accordance with the transparency requirements of the Act. The general fund revenue shortfall is offset by budgetary turn backs in education expenditures. The turn backs result from the Town transferring cost to the ARRA major fund.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 105,466,697 net of accumulated depreciation), a change of \$ (1,380,422) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- An increase in water construction in progress of \$ 435,881.
- An increase in governmental construction in progress of \$ 648,068.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 57,579,253, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

Change in Credit Rating. During the fiscal year, the Moody's credit rating changed from A1 to A2.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Kingston's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Town Accountant
Town of Kingston, Massachusetts
26 Evergreen Street
Kingston, Massachusetts 02364

TOWN OF KINGSTON, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 8,740,181	\$ 5,783,736	\$ 14,523,917
Investments	2,556,038	-	2,556,038
Receivables, net of allowance for uncollectibles:			
Property taxes	935,157	-	935,157
Excises	33,803	-	33,803
User fees	-	924,444	924,444
Departmental and other	278,991	-	278,991
Intergovernmental	529,746	-	529,746
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	767,848	-	767,848
Betterments not yet due	550,039	16,987,639	17,537,678
Other asset bond premium	505,576	-	505,576
Capital assets:			
Land and construction in progress	7,874,576	11,926,075	19,800,651
Other capital assets, net of accumulated depreciation	<u>41,261,637</u>	<u>44,404,409</u>	<u>85,666,046</u>
TOTAL ASSETS	64,033,592	80,026,303	144,059,895
LIABILITIES			
Current:			
Warrants payable	525,090	50,182	575,272
Accrued liabilities	488,406	299,519	787,925
Deferred revenue	-	16,987,639	16,987,639
Other current liabilities	237,073	7,724	244,797
Notes payable	613,648	1,000,000	1,613,648
Current portion of long-term liabilities:			
Bonds payable	1,913,462	1,389,656	3,303,118
Compensated absence	40,735	5,400	46,135
Landfill postclosure	30,000	-	30,000
Noncurrent:			
Bonds payable, net of current portion	20,751,056	33,525,079	54,276,135
Compensated absence, net of current portion	773,958	102,610	876,568
Landfill postclosure, net of current portion	606,396	-	606,396
Accrued other post employment benefits	<u>852,000</u>	<u>77,000</u>	<u>929,000</u>
TOTAL LIABILITIES	26,831,824	53,444,809	80,276,633
NET ASSETS			
Invested in capital assets, net of related debt	28,117,143	21,563,890	49,681,033
Restricted for:			
Grants and other statutory restrictions	6,861,897	-	6,861,897
Permanent funds:			
Nonexpendable	762,651	-	762,651
Expendable	607,930	-	607,930
Unrestricted	<u>852,147</u>	<u>5,017,604</u>	<u>5,869,751</u>
TOTAL NET ASSETS	\$ <u>37,201,768</u>	\$ <u>26,581,494</u>	\$ <u>63,783,262</u>

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 2,298,905	\$ 326,735	\$ 446,026	\$ -	\$ (1,526,144)	\$ -	\$ (1,526,144)
Public safety	5,727,981	1,493,812	134,907	-	(4,099,262)	-	(4,099,262)
Education	20,889,655	369,408	5,730,350	1,190,052	(13,599,845)	-	(13,599,845)
Public works	2,383,632	668	-	244,077	(2,138,887)	-	(2,138,887)
Health and human services	715,189	65,103	149,957	17,069	(483,060)	-	(483,060)
Culture and recreation	835,508	360,188	40,305	-	(435,015)	-	(435,015)
Employee benefits	4,237,512	-	-	-	(4,237,512)	-	(4,237,512)
Interest	1,012,986	-	-	-	(1,012,986)	-	(1,012,986)
Intergovernmental	215,870	-	-	-	(215,870)	-	(215,870)
Total Governmental Activities	38,317,238	2,615,914	6,501,545	1,451,198	(27,748,581)	-	(27,748,581)
Business-Type Activities:							
Water services	1,926,963	1,382,787	-	-	-	(544,176)	(544,176)
Sewer services	4,460,917	2,554,852	-	-	-	(1,906,065)	(1,906,065)
Total Business-Type Activities	6,387,880	3,937,639	-	-	-	(2,450,241)	(2,450,241)
Total	\$ 44,705,118	\$ 6,553,553	\$ 6,501,545	\$ 1,451,198	(27,748,581)	(2,450,241)	(30,198,822)
General Revenues and Transfers:							
Property taxes					25,234,394	-	25,234,394
Excises					1,481,619	-	1,481,619
Penalties, interest and other taxes					150,065	-	150,065
Grants and contributions not restricted to specific programs					1,243,942	2,623,276	3,867,218
Investment income					124,652	-	124,652
Miscellaneous					706,064	-	706,064
Transfers, net					307,042	(307,042)	-
Total general revenues and transfers					29,247,778	2,316,234	31,564,012
Change in Net Assets					1,499,197	(134,007)	1,365,190
Net Assets:							
Beginning of year					35,702,571	26,715,501	62,418,072
End of year					\$ 37,201,768	\$ 26,581,494	\$ 63,783,262

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

ASSETS	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 2,581,200	\$ 6,158,981	\$ 8,740,181
Investments	-	2,556,038	2,556,038
Receivables:			
Property taxes	1,843,305	-	1,843,305
Excises	141,531	-	141,531
Departmental and other	161,053	128,563	289,616
Intergovernmental	3,110	526,636	529,746
Other assets - non-current	<u>-</u>	<u>550,039</u>	<u>550,039</u>
TOTAL ASSETS	<u>\$ 4,730,199</u>	<u>\$ 9,920,257</u>	<u>\$ 14,650,456</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 444,971	\$ 80,119	\$ 525,090
Accrued liabilities	355,629	-	355,629
Deferred revenues	2,008,783	678,602	2,687,385
Notes payable	-	613,648	613,648
Other liabilities	<u>237,073</u>	<u>-</u>	<u>237,073</u>
TOTAL LIABILITIES	3,046,456	1,372,369	4,418,825
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	282,824	-	282,824
Expenditures	125,000	-	125,000
Perpetual (nonexpendable) permanent funds	-	762,651	762,651
Reserved - other	87,778	-	87,778
Unreserved:			
Undesignated, reported in:			
General fund	1,188,141	-	1,188,141
Special revenue funds	-	5,703,255	5,703,255
Capital project funds	-	1,474,052	1,474,052
Permanent funds	<u>-</u>	<u>607,930</u>	<u>607,930</u>
TOTAL FUND BALANCES	<u>1,683,743</u>	<u>8,547,888</u>	<u>10,231,631</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,730,199</u>	<u>\$ 9,920,257</u>	<u>\$ 14,650,456</u>

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2009

Total governmental fund balances	\$ 10,231,631
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,136,213
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,428,732
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(132,777)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(24,462,031)</u>
Net assets of governmental activities	<u>\$ 37,201,768</u>

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	ARRA <u>Grant</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Property taxes	\$ 24,064,173	\$ -	\$ 517,757	\$ 24,581,930
Excises	1,535,469	-	-	1,535,469
Penalties, interest and other taxes	116,842	-	-	116,842
Charges for services	599,345	-	1,347,246	1,946,591
Intergovernmental	7,035,743	409,104	1,587,832	9,032,679
Licenses and permits	391,078	-	-	391,078
Fines and forfeitures	61,351	-	-	61,351
Investment income	151,722	-	(12,070)	139,652
Miscellaneous	798,063	-	273,076	1,071,139
Total Revenues	<u>34,753,786</u>	<u>409,104</u>	<u>3,713,841</u>	<u>38,876,731</u>
Expenditures:				
Current:				
General government	1,751,343	-	420,604	2,171,947
Public safety	4,771,433	-	655,111	5,426,544
Education	18,656,427	409,104	1,206,329	20,271,860
Public works	1,878,259	-	420,114	2,298,373
Health and human services	558,214	-	156,238	714,452
Culture and recreation	792,256	-	404,012	1,196,268
Employee benefits	3,385,512	-	-	3,385,512
Debt service	2,833,472	-	-	2,833,472
Capital outlay	260,565	-	-	260,565
Intergovernmental	215,869	-	-	215,869
Total Expenditures	<u>35,103,350</u>	<u>409,104</u>	<u>3,262,408</u>	<u>38,774,862</u>
Excess (deficiency) of revenues over expenditures	(349,564)	-	451,433	101,869
Other Financing Sources (Uses):				
Bond proceeds	-	-	322,750	322,750
Transfers in	822,787	-	17,119	839,906
Transfers out	(247,338)	-	(285,526)	(532,864)
Total Other Financing Sources (Uses)	<u>575,449</u>	<u>-</u>	<u>54,343</u>	<u>629,792</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	225,885	-	505,776	731,661
Fund Equity, at Beginning of Year	<u>1,457,858</u>	<u>-</u>	<u>8,042,112</u>	<u>9,499,970</u>
Fund Equity, at End of Year	<u>\$ 1,683,743</u>	<u>\$ -</u>	<u>\$ 8,547,888</u>	<u>\$ 10,231,631</u>

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 731,661						
<ul style="list-style-type: none"> • 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: <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">Capital outlay purchases</td> <td style="text-align: right;">1,034,446</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(1,580,714)</td> </tr> <tr> <td style="padding-left: 20px;">Disposition of capital assets</td> <td style="text-align: right;">(15,000)</td> </tr> </table> 		Capital outlay purchases	1,034,446	Depreciation	(1,580,714)	Disposition of capital assets	(15,000)
Capital outlay purchases	1,034,446						
Depreciation	(1,580,714)						
Disposition of capital assets	(15,000)						
<ul style="list-style-type: none"> • 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. <div style="float: right; text-align: right;">647,662</div> 							
<ul style="list-style-type: none"> • 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: <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">Repayments of debt</td> <td style="text-align: right;">1,855,167</td> </tr> <tr> <td style="padding-left: 20px;">Amortization of bond refunding</td> <td style="text-align: right;">(45,962)</td> </tr> <tr> <td style="padding-left: 20px;">Additions to bonds payable</td> <td style="text-align: right;">(322,750)</td> </tr> </table> 		Repayments of debt	1,855,167	Amortization of bond refunding	(45,962)	Additions to bonds payable	(322,750)
Repayments of debt	1,855,167						
Amortization of bond refunding	(45,962)						
Additions to bonds payable	(322,750)						
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="float: right; text-align: right;">11,281</div> 							
<ul style="list-style-type: none"> • 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. <div style="float: right; text-align: right; border-top: 1px solid black;">(816,594)</div> 							
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>1,499,197</u></u>						

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 23,572,394	\$ 23,572,394	\$ 23,572,394	\$ -
Excise	1,196,850	1,196,850	1,535,469	338,619
Penalties, interest and other taxes	85,517	85,517	116,842	31,325
Charges for services	493,542	493,542	599,345	105,803
Intergovernmental	6,658,579	6,542,170	6,032,579	(509,591)
Licenses and permits	411,568	411,568	391,078	(20,490)
Fines and forfeits	45,000	45,000	61,351	16,351
Investment income	250,982	250,982	151,722	(99,260)
Miscellaneous	864,136	864,136	798,063	(66,073)
Transfers in	822,787	822,787	822,787	-
Other sources - use of free cash	<u>458,727</u>	<u>952,615</u>	<u>952,615</u>	<u>-</u>
Total Revenues and Other Sources	34,860,082	35,237,561	35,034,245	(203,316)
Expenditures and Other Uses:				
General government	1,778,103	1,859,275	1,757,698	101,577
Public safety	4,876,411	4,906,411	4,882,404	24,007
Education	18,083,121	18,083,121	17,659,168	423,953
Public works	1,492,725	1,774,253	1,849,150	(74,897)
Health and human services	494,453	594,453	558,139	36,314
Culture and recreation	817,935	817,935	800,893	17,042
Debt service	2,856,761	2,856,761	2,833,472	23,289
Intergovernmental	203,066	203,066	215,869	(12,803)
Employee benefits	3,572,919	3,512,919	3,340,436	172,483
Capital outlay	173,857	101,517	101,517	-
Transfers out	230,219	247,338	247,338	-
Other uses	<u>280,512</u>	<u>280,512</u>	<u>280,512</u>	<u>-</u>
Total Expenditures and Other Uses	<u>34,860,082</u>	<u>35,237,561</u>	<u>34,526,596</u>	<u>710,965</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>507,649</u>	\$ <u>507,649</u>

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 2,094,538	\$ 3,689,198	\$ 5,783,736
User fees, net of allowance for uncollectibles	396,673	527,771	924,444
Total current assets	2,491,211	4,216,969	6,708,180
Noncurrent:			
Betterments not yet due	-	16,987,639	16,987,639
Capital assets:			
Land and construction in progress	1,498,524	10,427,551	11,926,075
Other capital assets, net of accumulated depreciation	20,364,032	24,040,377	44,404,409
Total noncurrent assets	21,862,556	51,455,567	73,318,123
TOTAL ASSETS	24,353,767	55,672,536	80,026,303
<u>LIABILITIES</u>			
Current:			
Warrants payable	17,481	32,701	50,182
Accrued liabilities	40,381	259,138	299,519
Deferred revenue	-	16,987,639	16,987,639
Notes payable	1,000,000	-	1,000,000
Bonds payable	375,000	1,014,656	1,389,656
Compensated absence	3,932	1,468	5,400
Other liabilities	-	7,724	7,724
Total current liabilities	1,436,794	18,303,326	19,740,120
Noncurrent:			
Bonds payable, net of current portion	2,710,000	30,815,079	33,525,079
Compensated absence, net of current portion	74,717	27,893	102,610
Accrued other post employment benefits	31,000	46,000	77,000
Total noncurrent liabilities	2,815,717	30,888,972	33,704,689
TOTAL LIABILITIES	4,252,511	49,192,298	53,444,809
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	18,483,565	3,080,325	21,563,890
Unrestricted	1,617,691	3,399,913	5,017,604
TOTAL NET ASSETS	\$ 20,101,256	\$ 6,480,238	\$ 26,581,494

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 1,382,787	\$ 2,554,852	\$ 3,937,639
Total Operating Revenues	1,382,787	2,554,852	3,937,639
Operating Expenses:			
Operating expenses	1,051,537	1,040,026	2,091,563
Depreciation	717,142	614,199	1,331,341
Total Operating Expenses	1,768,679	1,654,225	3,422,904
Operating Income (Loss)	(385,892)	900,627	514,735
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	-	2,623,276	2,623,276
Interest expense	(158,284)	(2,806,692)	(2,964,976)
Total Nonoperating Revenues (Expenses), Net	(158,284)	(183,416)	(341,700)
Income (Loss) Before Transfers	(544,176)	717,211	173,035
Transfers:			
Transfers in	-	230,219	230,219
Transfers out	(178,158)	(359,103)	(537,261)
Change in Net Assets	(722,334)	588,327	(134,007)
Net Assets at Beginning of Year	20,823,590	5,891,911	26,715,501
Net Assets at End of Year	\$ 20,101,256	\$ 6,480,238	\$ 26,581,494

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,494,217	\$ 2,576,762	\$ 4,070,979
Payments to vendors and employees	<u>(996,762)</u>	<u>(1,001,435)</u>	<u>(1,998,197)</u>
Net Cash Provided By Operating Activities	497,455	1,575,327	2,072,782
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in	-	963,251	963,251
Transfers out	<u>(178,158)</u>	<u>(1,092,135)</u>	<u>(1,270,293)</u>
Net Cash provided By (Used For) Noncapital Financing Activities	(178,158)	(128,884)	(307,042)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition, construction, and disposition of capital assets	(512,187)	-	(512,187)
Ban proceeds	475,000	-	475,000
Bond payments	(375,000)	(987,568)	(1,362,568)
Interest expense	(158,284)	(1,495,054)	(1,653,338)
Intergovernmental subsidy	<u>-</u>	<u>1,311,638</u>	<u>1,311,638</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(570,471)</u>	<u>(1,170,984)</u>	<u>(1,741,455)</u>
Net Change in Cash and Short-Term Investments	(251,174)	275,459	24,285
Cash and Short-Term Investments, Beginning of Year	<u>2,345,712</u>	<u>3,413,739</u>	<u>5,759,451</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,094,538</u>	<u>\$ 3,689,198</u>	<u>\$ 5,783,736</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income	\$ (385,892)	\$ 900,627	\$ 514,735
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	717,142	614,199	1,331,341
Changes in assets and liabilities:			
User fees	111,430	21,909	133,339
Warrants and accounts payable	7,204	(3,633)	3,571
Accrued liabilities	7,439	(7,833)	(394)
Compensated absence	9,132	2,634	11,766
Other post employment benefits	31,000	46,000	77,000
Other liabilities	<u>-</u>	<u>1,424</u>	<u>1,424</u>
Net Cash Provided By Operating Activities	<u>\$ 497,455</u>	<u>\$ 1,575,327</u>	<u>\$ 2,072,782</u>

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 408,231
Investments	<u>261,202</u>	<u>-</u>
Total Assets	261,202	408,231
<u>LIABILITIES AND NET ASSETS</u>		
Other liabilities	<u>-</u>	<u>408,231</u>
Total Liabilities	<u>-</u>	<u>408,231</u>
<u>NET ASSETS</u>		
Total net assets held in trust	\$ <u><u>261,202</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment income	\$ <u>(9,866)</u>
Total additions	(9,866)
Deductions:	
Other expenses	<u>11,074</u>
Total deductions	<u>11,074</u>
Net increase (decrease)	(20,940)
Net assets:	
Beginning of year	<u>282,142</u>
End of year	\$ <u><u>261,202</u></u>

See notes to financial statements.

TOWN OF KINGSTON, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Kingston (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2009, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental 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 segment 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*.

Fund Financial Statements

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *ARRA (American Recovery and Reinvestment Act) Fund* is used to account for the receipt and expenditure of federal "stimulus" funds awarded the community to replace some of the fiscal year 2009 Chapter 70 State aid reductions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from

providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- Water operations
- Wastewater (sewer) operations

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

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not

exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as “Proposition 2 1/2” limits the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2009 tax levy reflected an excess capacity of \$ 973.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are 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	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. 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 applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

J. 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.

K. Use of Estimates

The preparation of basic 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 disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 34,753,786	\$ 35,103,350
Other financing sources/uses (GAAP basis)	<u>822,787</u>	<u>247,338</u>
Subtotal (GAAP Basis)	35,576,573	35,350,688
Adjust tax revenue to accrual basis	(491,779)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(382,919)
		(continued)

(continued)

<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Add end of year appropriation carryforwards to expenditures	-	433,872
To record use of free cash	952,615	-
To record other financing uses	-	280,512
To reverse the effect of non- budgeted State contributions for teachers retirement	(1,003,164)	(1,003,164)
To reverse timing differences	<u>-</u>	(<u>152,393</u>)
Budgetary basis	\$ <u>35,034,245</u>	\$ <u>34,526,596</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2009:

Special Revenue Funds:

Police Revolving	\$ (131,881)
Fire Revolving	(1,445)
Chapter 90	(4,408)
Septic Betterment	(<u>57,087</u>)
Total	\$ (<u>194,821</u>)

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

E. Excess of Expenditures Over Appropriations

In fiscal year 2009 the Town overexpended the snow and ice appropriation by \$ 173,979. These excess expenditures will be raised as part of the fiscal year 2009 tax rate.

3. Cash and Short-Term Investments

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. Massachusetts general law Chapter 44, section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2009, \$ 11,688,514 of the Town's bank balance of \$ 18,041,966 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts general law, chapter 44, section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the minimum rating required by the Massachusetts General Law and the actual rating as of year end for each investment of the Town (in thousands). (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End AAA</u>
U.S. Treasury notes	\$ 50	N/A	\$ -	\$ 50
Corporate equities	792	N/A	792	-
Mutual funds	555	N/A	555	-
Federal agency securities	<u>1,420</u>	-	<u>-</u>	<u>1,420</u>
Total investments	\$ <u>2,817</u>		\$ <u>1,347</u>	\$ <u>1,470</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have custodial credit risk. The Town does not have policies for custodial credit risk.

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>Total Investments</u>
Federal Home Loan Mortgage Corp.	\$ 326,626	12%
Federal National Mortgage Assn.	372,765	13%
Federal Home Loan Bank	<u>720,977</u>	26%
Total	\$ <u>1,420,368</u>	

C. Interest Rate Risk

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
U.S. Treasury notes	\$ 50	\$ 50	\$ -	\$ -
Federal agency securities	<u>1,420</u>	<u>-</u>	<u>1,176</u>	<u>244</u>
Total	\$ <u>1,470</u>	\$ <u>50</u>	\$ <u>1,176</u>	\$ <u>244</u>

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have foreign currency risk. The Town does not have policies for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2009 consist of the following (in thousands):

Real Estate			
2009	\$ 769		
2008	158		
Prior	<u>4</u>		931
Personal Property			
2009	5		
2008	3		
Prior	<u>2</u>		10
Tax Liens			853
Rollback Taxes			2
Deferred Taxes			<u>47</u>
Total			\$ <u>1,843</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 140,300	\$ -
Excises	107,728	-
Utilities	-	145,043
Other	10,625	-

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009.

8. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 34,125	\$ -	\$ -	\$ 34,125
Machinery, equipment, and furnishings	5,365	138	(50)	5,453
Infrastructure	<u>19,077</u>	<u>248</u>	<u>-</u>	<u>19,325</u>
Total capital assets, being depreciated	58,567	386	(50)	58,903
Less accumulated depreciation for:				
Buildings and improvements	(8,141)	(861)	-	(9,002)
Machinery, equipment, and furnishings	(4,105)	(333)	35	(4,403)
Infrastructure	<u>(3,850)</u>	<u>(387)</u>	<u>-</u>	<u>(4,237)</u>
Total accumulated depreciation	<u>(16,096)</u>	<u>(1,581)</u>	<u>35</u>	<u>(17,642)</u>
Total capital assets, being depreciated, net	42,471	(1,195)	(15)	41,261
Capital assets, not being depreciated:				
Land	6,284	-	-	6,284
Construction in progress	<u>943</u>	<u>648</u>	<u>-</u>	<u>1,591</u>
Total capital assets, not being depreciated	<u>7,227</u>	<u>648</u>	<u>-</u>	<u>7,875</u>
Governmental activities capital assets, net	\$ <u>49,698</u>	\$ (<u>547</u>)	\$ (<u>15</u>)	\$ <u>49,136</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,703	\$ -	\$ -	\$ 19,703
Machinery, equipment, and furnishings	732	-	-	732
Infrastructure	<u>41,283</u>	<u>77</u>	<u>-</u>	<u>41,360</u>
Total capital assets, being depreciated	61,718	77	-	61,795
Less accumulated depreciation for:				
Buildings and improvements	(2,668)	(514)	-	(3,182)
Machinery, equipment, and furnishings	(575)	(44)	-	(619)
Infrastructure	<u>(12,816)</u>	<u>(773)</u>	<u>-</u>	<u>(13,589)</u>
Total accumulated depreciation	<u>(16,059)</u>	<u>(1,331)</u>	<u>-</u>	<u>(17,390)</u>
Total capital assets, being depreciated, net	45,659	(1,254)	-	44,405
Capital assets, not being depreciated:				
Land	463	-	-	463
Construction in progress	<u>11,028</u>	<u>435</u>	<u>-</u>	<u>11,463</u>
Total capital assets, not being depreciated	<u>11,491</u>	<u>435</u>	<u>-</u>	<u>11,926</u>
Business-type activities capital assets, net	\$ <u>57,150</u>	\$ (<u>819</u>)	\$ <u>-</u>	\$ <u>56,331</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 92
Public safety	218
Education	618
Public works	528
Culture and recreation	<u>125</u>
Total depreciation expense - governmental activities	\$ <u>1,581</u>
Business-Type Activities:	
Water	\$ 717
Sewer	<u>614</u>
Total depreciation expense - business-type activities	\$ <u>1,331</u>

9. Warrants Payable

Warrants payable represent 2009 expenditures paid by July 15, 2009 as permitted by law.

10. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

The business-type activities report deferred revenue to offset sewer betterment receivables not yet due. This will be reported as revenue when collected and will be used to help finance related bond debt service costs.

11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements for cases currently pending with the state Appellate Tax Board. The June 30, 2009 balances were not considered material.

12. Other Liabilities

This balance consists primarily of payroll withholdings.

13. Notes Payable

The Town had the following notes outstanding at June 30, 2009:

Governmental Notes Payable:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2009</u>
Bond Anticipation	0.00%	03/15/08	03/15/11	\$ 334,648
Bond Anticipation	2.50%	01/29/09	01/26/10	<u>279,000</u>
Total				\$ <u>613,648</u>

Business Notes Payable:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2009</u>
Water Main	2.50%	01/29/09	01/26/10	\$ 350,000
Water Meter	2.50%	01/29/09	01/26/10	250,000
Water Bond	2.50%	01/29/09	01/26/10	<u>400,000</u>
Total				\$ <u>1,000,000</u>

The following summarizes activity in notes payable during fiscal year 2009 (in thousands):

Governmental:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>657</u>	\$ <u>279</u>	\$ <u>(322)</u>	\$ <u>614</u>
Total	\$ <u>657</u>	\$ <u>279</u>	\$ <u>(322)</u>	\$ <u>614</u>

Business:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>525</u>	\$ <u>1,000</u>	\$ <u>(525)</u>	\$ <u>1,000</u>
Total	\$ <u>525</u>	\$ <u>1,000</u>	\$ <u>(525)</u>	\$ <u>1,000</u>

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2009
<u>Governmental Activities:</u>			
School	11/15/09	5.39	\$ 1,210,000
Septic loan program Title 5	08/01/19	0.00	115,694
Landfill closure	03/01/21	3.70	180,000
Town buildings	03/01/22	3.72	1,825,000
Town buildings	03/01/22	3.74	325,000
Gray's beach	03/01/15	3.24	150,000
Athletic fields	03/01/17	3.42	400,000
MWPAT - septic	08/01/23	0.00	347,709
Equipment	11/15/10	3.59	230,000
Ambulance	11/15/10	3.59	70,000
School	11/15/19	4.00	16,140,000
Non-refunded 1999 garage bond	11/15/09	5.39	45,000
Non-refunded 1999 senior center bond	11/15/09	5.39	80,000
Senior center	11/15/19	4.00	845,000
Septic loan program Title 5	07/15/26	0.00	113,013
Septic loan program Title 5	07/15/27	0.00	265,352
MWPAT stormwater CW-07-16	07/15/28	0.00	<u>322,750</u>
Total Governmental Activities			\$ <u>22,664,518</u>

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2009
<u>Business-Type Activities:</u>			
<u>Sewer Fund:</u>			
MWPAT	08/01/18	1.36	\$ 452,521
MWPAT	08/01/29	1.73	1,096,020
MWPAT	08/01/29	1.73	6,101,559
MWPAT	08/01/29	1.73	2,032,380
MWPAT	08/01/30	1.73	1,247,879
MWPAT	08/01/30	1.73	6,231,302
MWPAT	02/01/31	1.85	517,420
MWPAT	02/01/31	1.85	5,257,651
Sewer	03/01/21	3.69	175,000
MWPAT	08/01/32	2.60	415,666
Sewer	11/15/15	3.60	140,000
MWPAT CW-04-02	07/15/35	2.31	3,273,206
MWPAT CW-04-42A	07/15/35	2.31	<u>4,889,131</u>
Total Sewer Fund			31,829,735

(continued)

(continued)

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2009</u>
<u>Water Fund:</u>			
Water storage facility	03/01/23	3.82	1,050,000
Water mains	03/01/23	3.82	840,000
Water (paint) trucks	03/01/12	2.89	55,000
Water	11/15/15	3.76	280,000
Water equipment	11/15/14	3.69	80,000
Water meters	11/15/14	3.71	160,000
Water mains	11/15/15	3.76	210,000
Trackel Pond well	11/15/12	4.00	<u>410,000</u>
Total Water Fund			<u>3,085,000</u>
Total Business-Type Activities			<u>\$ 34,914,735</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,913,462	\$ 887,203	\$ 2,800,665
2011	1,867,682	806,220	2,673,902
2012	1,772,954	738,516	2,511,470
2013	1,838,232	665,753	2,503,985
2014	1,903,654	587,967	2,491,621
2015 - 2019	10,428,663	1,668,485	12,097,148
2020 - 2024	2,772,316	84,474	2,856,790
2025 - 2029	<u>167,555</u>	<u>4,716</u>	<u>172,271</u>
Total	<u>\$ 22,664,518</u>	<u>\$ 5,443,334</u>	<u>\$ 28,107,852</u>
<u>Business Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,389,656	\$ 719,729	\$ 2,109,385
2011	1,418,481	684,979	2,103,460
2012	1,434,618	651,996	2,086,614
2013	1,444,509	610,523	2,055,032
2014	1,385,490	568,424	1,953,914
2015 - 2019	7,109,286	2,247,256	9,356,542
2020 - 2024	7,476,580	1,463,398	8,939,978
2025 - 2029	8,125,947	746,103	8,872,050
2030 - 2034	4,121,851	230,819	4,352,670
Thereafter	<u>1,008,317</u>	<u>31,909</u>	<u>1,040,226</u>
Total	<u>\$ 34,914,735</u>	<u>\$ 7,955,136</u>	<u>\$ 42,869,871</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/09</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/09</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 24,197	\$ 322	\$ (1,855)	\$ 22,665	\$ (1,914)	\$ 20,751
Other:						
Accrued employee benefits	796	19	-	815	(41)	774
Landfill closure	690	-	(54)	636	(30)	606
Accrued retirement (OPEB)	-	<u>852</u>	-	<u>852</u>	-	<u>852</u>
Total Governmental Activities	\$ <u>25,683</u>	\$ <u>1,194</u>	\$ <u>(1,909)</u>	\$ <u>24,645</u>	\$ <u>(1,985)</u>	\$ <u>22,983</u>
	Total Balance <u>7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/09</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/09</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 36,277	\$ -	\$ (1,362)	\$ 34,915	\$ (1,390)	\$ 33,525
Other:						
Accrued employee benefits	96	12	-	108	(5)	103
Accrued retirement (OPEB)	-	<u>77</u>	-	<u>77</u>	-	<u>77</u>
Total Business-Type Activities	\$ <u>36,373</u>	\$ <u>89</u>	\$ <u>(1,362)</u>	\$ <u>35,100</u>	\$ <u>(1,395)</u>	\$ <u>33,705</u>

D. Advance and Current Refundings

Prior Year

In prior years, the Town of Kingston has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature on November 15, 2009. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2009, the amount of defeased debt outstanding but removed as a liability is \$ 16,565,000.

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at its landfill site for thirty years after closure.

The \$ 636,396 reported as landfill postclosure care liability at June 30, 2009 represents future monitoring costs of the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2009:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Reserved – Other - Represents proceeds from the sale of foreclosed properties.

18. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such over-expenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The following summarizes the specific differences between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 1,188,141
Snow and ice deficits	<u>173,979</u>
Statutory (UMAS) Balance	<u>\$ 1,362,120</u>

19. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

20. Post-Employment Health Care and Life Insurance Benefits

During the year, the Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment health care and life insurance benefits for retired employees through the Town’s plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

As of June 30, 2006, the actuarial valuation date, approximately 66 retirees and 167 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 40% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2006.

Annual Required Contribution (ARC)	\$ 1,556,000
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>1,556,000</u>
Contributions made	<u>(627,000)</u>
Increase in net OPEB obligation	929,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 929,000</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 1,556,000	40%	\$ 929,000

The Town's net OPEB obligation as of June 30, 2009 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2006, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 20,025,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>20,025,000</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ N/A</u>
UAAL as a percentage of covered payroll	<u>N/A</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the June 30, 2006 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 5% investment rate of return and an initial annual healthcare cost trend rate of 12% which decreases to a 5% long-term rate for all healthcare benefits in the year 2014 and thereafter. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis.

21. Pension Plan

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Plymouth County Retirement Association.

A. Plan Description

The Town contributes to the Plymouth County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Plymouth County Retirement System, 11 South Russell Street, Plymouth, Massachusetts 02360.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2009, 2008 and 2007 were \$ 1,160,292, \$ 1,112,922, and \$ 889,155, respectively, which were equal to its annual required contributions for each of these years.

Massachusetts Teacher Retirement System (MTRS) - Plan Description
As required by State Statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The Town is not required to contribute.

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%*
January 1, 1984 - June 30, 1996	8%*
July 1, 1996 - June 30, 2001	9%*
Beginning July 1, 2001	11%

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 1,003,164 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. Self Insurance

The Town self-insures against claims for unemployment coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

23. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

24. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2009, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/08 (as previously <u>reported</u>)
Nonmajor funds	\$ 8,164,834
To include stormwater capital project fund previously included in water enterprise	(<u>122,722</u>)
Total	\$ <u>8,042,112</u>

TOWN OF KINGSTON, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
6/30/2006	\$ -	\$ 20,025,000	\$ 20,025,000	0%	N/A	N/A

See Independent Auditors' Report.