

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

.....
Issuer's and/or Other Obligated Person's Name: _____

CUSIP Numbers (attach additional sheet if necessary):

Nine-digit number(s) to which the information relates: _____

Information relates to **all securities** issued by the issuer having the following six-digit number(s): _____

.....
Number of pages of attached information: _____

Description of Material Event Notice / Financial Information (Check One):

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes
12. Failure to provide annual financial information as required
13. Other material event notice (specify)
- *14. Financial information: Please check all appropriate boxes:

CAFR (a)	includes	does not include	Annual Financial Information	
(b)	Audited?	Yes	No	

Annual Financial Information:	Audited?	Yes	No
Operating Data			

Fiscal Period Covered: _____

*Financial information **should not** be filed with the MSRB

.....
I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

UniBank Fiscal Advisory Services, Inc.
49 Church Street
Whitinsville, MA 01588
(508) 234-8112

THE TOWN OF CHARLTON, MASSACHUSETTS

Charlton, incorporated in 1755, is governed by an open town meeting form of government.

CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT

Massachusetts cities and towns are subject to the plenary legislative power of the Commonwealth. As stated by the Supreme Judicial Court:

A town is not an independent sovereignty. It is merely a subordinate agency of the State Government. It is a creature of the Commonwealth, from which are derived all its powers and those of its voters and officers.

Cities and towns provide general governmental services at the local level. Municipalities were traditionally authorized to exercise only those powers granted by the State legislature, but Massachusetts adopted a Home Rule Amendment to its Constitution in 1966, under which a city or town may exercise by ordinance or by-law any power which the State legislature could confer upon it, provided that the ordinance or by-law is consistent with the laws enacted by the State legislature. Certain powers are excluded from home rule and may still be exercised only when authorized by State law; these powers include the power to levy taxes, the power to borrow money, and the power to enact private or civil law governing civil relationships except as an incident to the exercise of an independent municipal power. Under the Home Rule Amendment the State legislature may enact general laws relating to a class of two or more municipalities but (except in limited circumstances) may enact a special law relating to a particular city or town only on request of the city or town or on recommendation of the Governor and passage by a two-thirds vote of both houses of the legislature.

An amendment to the State Constitution provides that any law imposing additional costs on two or more cities or towns by regulating aspects of municipal employment will not be effective within a city or town until the city council or town meeting accepts the law. Local acceptance will not be required if the legislature has either passed the law by a two-thirds vote or provided that the additional costs would be assumed by the State.

Cities and towns may change their form of government by adopting home rule charters or amending existing charters. A town of less than 12,000 population may not change to a city form of government and a town of less than 6,000 inhabitants may not change from the open town meeting form of government to a limited or representative town meeting form.

Cities are generally governed by a city council and an elected mayor who has the power to veto council actions; the council may override a mayoral veto by a two-thirds vote of the councilors. Some cities are governed by a city council and an appointed city manager who has no power to veto council actions; some municipalities, although still called "towns," have adopted a similar city form of government with a town council and town manager or administrator. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

Most towns are governed by open town meetings in which any voter may participate. Others have an elected representative town meeting, often with public officers serving as ex officio members of the town meeting. Provision is usually made for a referendum on actions of the representative town meeting upon petition of a sufficient number of voters. Administrative affairs are generally managed by a board of three or more selectmen, sometimes with the assistance of a town manager or executive secretary.

School affairs of cities and towns are administered by an elected school committee, except in those towns whose educational functions are carried out entirely through a regional school district.

GOVERNING BODIES AND OFFICERS

Local legislative decisions are made by an open town meeting consisting of all the registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of five selectmen who are elected on an at-large basis for staggered three-year terms and a Town Administrator appointed by the Board of Selectmen. A three member Board of Assessors, elected for staggered three-year terms, determine the value of real and personal property upon which local taxes are assessed.

The following is a list of the principal executive officers:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Selectman	Rick Swensen, Chairman	Elected/3 Years	2009
Selectmen	Peter Boria	Elected/3 Years	2010
Selectman	John Bacon	Elected/3 Years	2009
Selectman	Scott Brown	Elected/3 Years	2011
Selectman	Kathleen Walker	Elected/3 Years	2011
Town Administrator	Robin Craver	Appointed	Indefinite
Town Accountant	Joan Walker	Appointed	2011
Treasurer	Keith Arsenault	Appointed	2010
Tax Collector	Lucia Blanchette	Appointed	2010
Town Clerk	Susan J. Nichols	Elected/3 Years	2011
Town Counsel	James Cosgrove	Appointed/1 Year	2009

SERVICES

The Town provides general governmental services for the territory within its boundaries including police, fire protection, water and sewer services, street maintenance, and recreational facilities.

The Town is a member of the Dudley-Charlton Regional School District which provides education for grades K-12. School affairs are administered by a committee of 7 people, 4 of whom are from the Town of Charlton. Members are elected for four years on a staggered basis by voters of the member communities. Vocational education for grades 9-12 is provided by the Southern Worcester County Regional Vocational School District.

Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex county) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in other counties.

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of the revenue of the current fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid may be incurred by the Treasurer with the approval of the Selectmen.

DEBT LIMITS

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit for the Town is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 per cent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to a separate limit). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years (see "Taxation to Meet Deficits" below). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

TYPES OF OBLIGATIONS

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects, and certain community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing, or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

Serial bonds may be issued as "qualified bonds" with the approval of the Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for notes issued for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and town having electric departments may issue electric revenue bonds and notes in anticipation of such bonds, subject to approval of the State Department of Telecommunications and Energy. The Town does not have an electric department.

DEBT (1)

The following shows the direct debt to be outstanding as of March 31, 2009:

Long-Term Indebtedness (2)(3)

Within the general debt limit:

Sewers & Drains	\$ 1,677,772
Other Building	3,040,000
Streets Sidewalks & Parking	136,000
Architectural & Engineering Services	<u>482,059</u>
Total Within the General Debt Limit	<u>\$ 5,335,831</u>

Outside the general debt limit:

Water	\$ 2,819,745
Sewers	<u>9,872,197</u>
Total Outside the General Debt Limit	<u>12,691,942</u>
Total General Obligation Bonds	<u>\$18,027,773</u>

Temporary Loans in Anticipation of Bonds	<u>\$ 0</u>
Total Direct Debt	<u>\$18,027,773</u>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) At the present time the normal General Debt Limit is \$87,937,600 and the Double General Debt Limit is \$175,875,200.

(3) \$12,752,197 of currently outstanding bonds have been exempted from the provisions of Proposition 2 1/2.

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have authorized unissued debt in the amount of \$6,349,284 for the following purposes:

<u>Purpose</u>	<u>Amount</u>	<u>Prospective Financing</u>
Street Lights	\$ 15,875	Uncertain
Sewer Phase II	20,083	Uncertain
Water Supply Contract	530,000	Likely MWPAT
Water Supply	150,000	MWPAT
Town Buildings Wells	250,000	Uncertain
Sewer Plant Upgrade	3,528,000	MWPAT
Water Distribution Expansion And Connections	1,855,326	MWPAT

Five Years Outstanding Debt (1)

	As of June 30				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Long-Term Indebtedness					
Within the General Debt Limit:					
Sewers & Drains	\$ 1,787,168	\$ 1,893,792	\$ 1,997,761	\$ 2,100,192	\$ 2,200,195
Other Building	3,350,000	3,665,000	3,980,000	420,000	485,000
Streets Sidewalks & Parking	209,000	282,000	405,000	528,000	651,000
Architectural & Engineering Services	505,457	253,424	516,321	535,831	0
Departmental Equipment	0	0	24,000	238,000	469,882
Total Within the General Debt Limit	\$ 5,851,625	\$ 6,094,215	\$ 6,923,082	\$ 3,822,023	\$ 3,806,074
Outside the General Debt Limit:					
Water	3,043,209	3,261,738	3,475,499	3,684,966	3,892,545
Sewers	10,567,398	11,246,225	11,908,714	12,701,129	13,480,709
Total Outside the General Debt Limit	\$ 13,610,607	\$ 14,507,963	\$ 15,384,213	\$ 16,386,095	\$ 17,373,254
Total Long-Term Indebtedness	\$ 19,462,232	\$ 20,602,178	\$ 22,307,295	\$ 20,208,118	\$ 21,179,328
Short-Term Indebtedness					
Revenue Anticipation Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Grant Anticipation Notes	0	0	0	0	0
Bond Anticipation Notes	0	0	222,000		
Total Short-Term Indebtedness	\$ 0	\$ 0	\$ 222,000	\$ 96,000	\$ 120,000
Total Outstanding Indebtedness	\$ 19,462,232	\$ 20,602,178	\$ 22,529,295	\$ 20,304,118	\$ 21,299,328

(1) Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

Bond Debt vs. Population, Valuations and Income

	As of June 30				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Amount (1)	\$19,462,232	\$20,602,178	\$22,307,295	\$20,208,118	\$21,179,328
Per Capita (2)	\$1,547.57	\$1,775.07	\$1,639.39	\$1,775.07	\$1,619.89
Percent of Assessed Valuation (3)	1.18%	1.30%	1.65%	1.64%	2.53%
Percent of Equalized Valuation (4)	1.33%	1.41%	1.91%	1.73%	2.48%
Per Capita as a percent of					
Personal Income (2) per capita	6.55%	6.94%	7.51%	6.86%	7.29%

(1) Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Bureau of the Census - Latest applicable actuals or estimates.

(3) Assessed valuation as of the prior January 1.

(4) Source: Massachusetts Department of Revenue. Equalized valuation in effect for that fiscal year (equalized valuations are established for January 1 of each even-numbered year).

Annual Debt Service (1)

March 31, 2009

Fiscal Year	Outstanding as of 3/31/09		Total Debt Service	Cumulative
	Principal (2)	Interest (2)		% Principal Retired
2009	\$ 0	\$ 0	\$ 0	0.0%
2010	1,455,652	862,038	2,317,690	8.1
2011	1,483,250	778,705	2,261,955	16.3
2012	1,407,800	709,999	2,117,798	24.1
2013	1,280,366	624,380	1,904,745	31.2
2014	1,312,234	564,410	1,876,644	38.5
2015	1,346,643	491,268	1,837,911	46.0
2016	1,385,476	420,911	1,806,387	53.6
2017	1,427,277	349,637	1,776,913	61.6
2018	1,466,708	279,827	1,746,534	69.7
2019	1,506,332	217,385	1,723,717	78.1
2020	1,546,155	141,480	1,687,636	86.6
2021	1,336,188	77,507	1,413,695	94.0
2022	368,992	42,472	411,464	96.1
2023	379,470	24,963	404,433	98.2
2024	160,188	12,710	172,897	99.1
2025	<u>165,043</u>	<u>5,991</u>	<u>171,035</u>	<u>100.0%</u>
Total	<u>\$18,027,773</u>	<u>\$5,603,682</u>	<u>\$23,631,455</u>	

(1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Principal totaling \$12,752,197 and interest totaling \$3,885,833 has been exempted from the provisions of Proposition 2 ½.

Revenue Anticipation Borrowing

The Town has not borrowed in anticipation of revenue since fiscal 1989 and does not anticipate the need to borrow in the future as it has instituted quarterly tax billing.

CONTRACTS

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase of sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, (see Constitutional Status and Form of Government above), cities and towns may also be empowered to make other contracts and leases.

The Town has no contracts of a material nature.

OVERLAPPING DEBT

The following table sets forth the portion of overlapping debt assessed to the Town: (1)

	Outstanding 3/31/09	Authorized Unissued 3/31/09	Assessment for Operations & Debt Service 2009
Dudley-Charlton Regional School District (2)	\$35,225,000	\$0	\$9,256,223
Southern Worcester County Vocational Technical School District	0	0	653,406

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Dudley-Charlton Regional School District. The District Members are the Towns of Dudley and Charlton. Charlton's percentage share of outstanding debt of the District is 48.5% The District receives a grant annually from the Massachusetts School Building Authority (MSBA) that provides reimbursement for costs funded by these bonds. That grant reimburses 76.3% of approved costs. The annual grants commenced in fiscal 2000 and are expected to continue through fiscal 2019. Assessments on the Member Towns for debt service on these bonds is excluded from the limits of Proposition 2 ½.

(3) Source: Southern Worcester County Regional Vocational Technical School District. The District Members are the Towns of Auburn, Charlton, Dudley, North Brookfield, Oxford, Paxton, Rutland, Southbridge, Spencer and Webster. The District sought enactment of special legislation to permit the issuance of deficit financing bonds following the resignation of its former Business Manager/Treasurer in January 2000. The former Business Manager/Treasurer has pled guilty to misappropriating more than \$5 million in District funds over a period of some years. The Commonwealth of Massachusetts enacted Chapter 58 of the Acts of 2000 in April 2000, which permitted the District to issue up to \$5,000,000 deficit financing bonds. The District initially issued \$5,000,000 notes in June 2000, but has fully paid down the principal of this original issue. Currently, the Town's share of enrollment is 13 percent of the District's total enrollments.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to the separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. “Excess earnings”, or earnings on individual’s employees’ retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system’s pension reserve fund in any given year up to five percent of the preceding year’s tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system’s retirement funding schedule is designed to reduce the unfounded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under recent legislation, cities and towns that accepted its provisions and that obtained certain state approvals therefore were allowed, within limits, to reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations were required to revise their retirement system funding schedule for eliminating their unfunded pension liability and were allowed to extend such schedule by one year, provided that in no event could such funding schedule extend beyond June 30, 2028. The Town of Charlton did not accept this provision.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the “PRIT Fund”), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

The Town participates in the Worcester Regional Retirement System. The annual contributions to the retirement system for the most recent years and budgeted for the current year are set forth below:

<u>Fiscal Year</u>	<u>Contributory</u>
2009	\$483,905
2008	442,077
2007	401,284
2006	369,627
2005	294,670

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provision are subject to acceptance by the local retirement broad and approval by the local legislative body, which acceptance may not be revoked.

The foregoing data do not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

As of January 1, 2007, the total estimated accrued liability of the Worcester Regional Retirement System was \$692,768,325, and its assets were \$389,758,785 leaving an estimated unfunded accrued liability of \$303,009,540.

It is the intent of the Town to update the actuarial valuation and funding schedule every three years, and to base its annual contributory retirement appropriation on the funding schedule contained therein.

Other Post-Employment Benefits. In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis.

The Governmental Accounting Standards Board (“GASB”) recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Town is required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town expects such valuation to be completed by March 31, 2009.

PROPERTY TAXATION AND VALUATION

Tax Rate and Valuation. Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 percent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 percent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 percent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 percent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer’s principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State

Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forestland, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forestland is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value" (see Debt Limits above).

VALUATIONS

The following shows the assessed and equalized valuations for the current and most recent fiscal years:

	For Fiscal Year				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005 (3)</u>
Real Property(1)	\$ 1,542,204,679	\$ 1,604,953,658	\$ 1,537,652,451	\$ 1,310,673,800	\$ 1,188,718,984
Personal Property(1)	51,064,520	45,991,920	44,318,590	44,526,520	43,885,440
Total	<u>\$ 1,593,269,199</u>	<u>\$ 1,650,945,605</u>	<u>\$ 1,581,971,041</u>	<u>\$ 1,355,200,320</u>	<u>\$ 1,232,604,424</u>
Equalized Value(2)	\$ 1,758,752,000	\$ 1,460,055,600	\$ 1,460,055,600	\$ 1,165,195,100	\$ 1,165,195,100
Percent of Total Assessed to Equalized Valuation	90.6%	113.1%	108.4%	116.3%	105.8%

(1) As of January 1, 2008, 2007, 2006, 2005 and 2004, respectively.

(2) Based on equalized valuation in effect for each year.

(3) Revaluation year.

The following table shows the breakdown of the total assessed valuation for fiscal years 2009, 2008 and 2007 by classification:

<u>Type of Property</u>	Fiscal 2009 % of Total		Fiscal 2008 % of Total		Fiscal 2007 % of Total	
	<u>Assessed</u>	<u>Assessed</u>	<u>Assessed</u>	<u>Assessed</u>	<u>Assessed</u>	<u>Assessed</u>
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>
Residential	\$ 1,407,132,102	88.3%	\$ 1,469,608,943	89.0%	\$ 1,413,734,866	89.4%
Commercial	81,541,602	5.1	82,349,572	5.0	71,391,345	4.5
Industrial	53,530,975	3.4	52,995,170	3.2	52,526,240	3.3
Personal	51,064,520	3.2	45,991,920	2.8	44,318,590	2.8
Total	<u>\$ 1,593,269,199</u>	<u>100.0%</u>	<u>\$ 1,650,945,605</u>	<u>100.0%</u>	<u>\$ 1,581,971,041</u>	<u>100.0%</u>

Tax Rates

The following shows the actual tax rates per \$1,000 of assessed valuation and the estimated full value rate based on the equalized valuations for the current and most recent fiscal years:

<u>Type of Property</u>	<u>For Fiscal Year</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	\$9.05	\$8.69	\$8.62	\$9.19	\$9.45
Open Space	9.05	8.69	8.62	9.19	9.45
Commercial	9.05	8.69	8.62	9.19	9.45
Industrial	9.05	8.69	8.62	9.19	9.45
Personal	9.05	8.69	8.62	9.19	9.45
Average Tax Rate	<u>\$9.05</u>	<u>\$8.69</u>	<u>\$8.62</u>	<u>\$9.19</u>	<u>\$9.45</u>
Full Value Tax Rate.....	\$8.20	\$9.83	\$9.34	\$10.69	\$10.00

Largest Taxpayers (1)

The following is a list of the largest taxpayers:

<u>Name</u>	<u>Nature of Business</u>	<u>FY2009 Assessed Valuation</u>	<u>Amount of Tax</u>	<u>% of Assessed Valuation</u>
Overlook Communities Inc.	Assisted Living	\$ 75,906,000	\$ 530,023	3.68%
Verizon New England	Utility	10,100,100	91,406	0.63
New England Power	Utility	9,271,990	83,912	0.58
Karl Storz Endovision, Inc.	Manufacturing	8,441,700	76,397	0.53
Tennessee Gas Pipeline Co.	Utility	7,802,700	70,614	0.49
Mass Electric	Utility	7,011,140	63,451	0.44
MCI Telecommunications	Utility	5,571,200	50,419	0.35
Genzyme Transgenics Corp.	Manufacturing	5,440,000	49,232	0.34
Gubb Martin R		5,081,000	45,983	0.32
Level 3 Communication LLC	Utility	4,959,600	44,884	0.31
TOTAL		<u>\$139,585,430</u>	<u>\$1,106,321</u>	<u>7.67%</u>

(1) All of the largest taxpayers listed above are current on their real estate taxes and personal property taxes.

TAX LEVIES

Levy-General. The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Tax Limitations" below. As to the inclusion of debt service and final judgments, see Security and Remedies above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see “Abatements and Overlay” below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see “Taxation to Meet Deficits” below).

Taxation to Meet Deficits. As noted elsewhere (see “Abatements and Overlay” below) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations. Chapter 580 of the Acts of 1980, which was proposed by an initiative petition known as "Proposition 2 1/2", was adopted at the November 4, 1980 general election and took effect on December 4, 1980. The law is subject to amendment or repeal by the legislature. The legislation (as subsequently amended) imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation. This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund. The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculations of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued

before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay cost of issuance. **The Town has voted to exempt the debt service on \$13,692,398 of previously issued bonds from the limitations of Proposition 2 1/2, as well as the assessments to be raised to pay debt service on \$20,488,825 general obligation bonds of the Dudley-Charlton Regional School District.**

Voters may also exclude from the Proposition 2 1/2 limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 1/2 limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, the statute limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA, and certain districts for which special legislation provides otherwise) to the sum of (a) 2 1/2 percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veteran districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under the statute any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Pledged Taxes. Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes (see "Tax Increment Financing for Development Districts" below).

Initiative Petitions. Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

CALCULATION OF TAX LEVIES AND LEVY LIMITS

The following table shows the details of the calculation of the tax levies for the current and most recent fiscal years:

	<u>For Fiscal Year</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Gross Amount To Be Raised:					
Appropriations	\$ 23,796,758	\$ 23,505,963	\$ 23,847,882	\$ 21,426,167	\$ 17,867,473
Other Local Expenditures	33,276	94,064	64,971	206,818	130,465
State & County Charges	37,841	37,678	37,661	32,453	33,473
Overlay Reserve	<u>206,779</u>	<u>110,061</u>	<u>183,731</u>	<u>152,100</u>	<u>102,175</u>
Total Gross Amount to be Raised	24,074,654	23,747,767	24,134,245	21,817,538	18,133,586
Less Estimated Receipts & Other Revenue:					
Estimated Receipts - State	1,791,761	1,773,265	1,722,239	1,403,142	1,199,952
Estimated Receipts - Local Available Funds	5,057,121	5,909,129	5,726,273	5,816,468	4,314,484
Appropriated:					
Free Cash	1,149,887	538,529	1,935,300	992,571	0
Other Available Funds	1,651,356	1,174,243	1,107,569	1,120,858	971,038
Free Cash & Other Revenue Used to Reduce Tax Rate	<u>5,443</u>	<u>5,883</u>	<u>6,274</u>	<u>31,126</u>	<u>0</u>
Total Estimated Receipts & Revenue	<u>9,655,568</u>	<u>9,401,049</u>	<u>10,497,655</u>	<u>9,364,166</u>	<u>6,485,474</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 14,419,086</u>	<u>\$ 14,346,717</u>	<u>\$ 13,636,590</u>	<u>\$ 12,453,372</u>	<u>\$ 11,648,112</u>
Property Valuation	\$1,593,269,199	\$1,650,945,605	\$1,581,971,041	\$1,355,100,320	\$1,232,604,424

The following shows the calculation of levy limits for the current and most recent fiscal years:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Primary Levy Limit (2)	\$39,831,730	\$41,273,640	\$39,549,276	\$33,877,508	\$30,815,111
Prior Fiscal year Levy Limit	12,791,506	12,077,091	11,109,563	10,290,030	9,501,282
2.5% Levy Growth	319,788	301,927	277,739	257,251	237,532
New Growth (3)	233,564	412,488	689,789	562,282	551,216
Overrides	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Growth Levy Limit	13,344,858	12,791,506	12,077,091	11,109,563	10,290,030
Debt Exclusions	1,108,604	1,557,889	1,562,511	1,347,953	1,367,050
Capital Expenditure Exclusions	0	0	0	0	0
Other Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Levy Limit	14,453,462	14,349,395	13,639,602	12,457,516	11,657,080
Tax Levy	<u>14,419,086</u>	<u>14,346,717</u>	<u>13,636,590</u>	<u>12,453,372</u>	<u>11,648,112</u>
Unused Primary Levy Capacity (5)	\$34,376	\$2,678	\$3,012	\$4,144	\$8,968
Unused Primary Levy Capacity (5)	<u>\$26,486,872</u>	<u>\$28,482,134</u>	<u>\$27,472,185</u>	<u>\$22,767,945</u>	<u>\$20,525,081</u>

(1) 2.5% of assessed valuation.

(2) Allowed addition for new valuation – certified by the Department of Revenue.

(3) Tax Levy Limit less Tax Levy. The additional amount which may be levied without voter approval.

(4) Primary Levy less Growth Levy Limit.

TAX COLLECTIONS AND ABATEMENTS

Payment Dates. The Town of Charlton has accepted a statute providing for quarterly tax payments. Under the statute, preliminary tax payments are to be due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. The Town voted to institute quarterly tax bills in fiscal 1991. Interest accrues on delinquent taxes at the rate of 14 percent per annum.

Lien. Real property (land and buildings) is subject to a lien for the taxes assessed upon it subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

Personal Liability. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws.) In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described in "Taking and Sale" below.

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each fiscal year and as of a more recent date for the each of the most recent fiscal years:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Tax Levy	\$14,419,086	\$14,346,717	\$13,636,590	\$12,453,372	\$11,648,112
Overlay Reserve for Abatements	<u>206,779</u>	<u>110,061</u>	<u>183,731</u>	<u>152,100</u>	<u>102,175</u>
Net Tax Levy (1)	<u>\$14,212,307</u>	<u>\$14,236,657</u>	<u>\$13,452,860</u>	<u>\$12,301,272</u>	<u>\$11,545,937</u>
Amount Collected					
During Fiscal Year Payable (2)	N/A	\$13,976,660	\$13,250,459	\$12,098,373	\$11,318,451
Percent of Net Tax Levy	N/A	98.2%	98.5%	98.4%	97.2%
Amount Collected through 12/31/08	\$7,004,263	\$14,081,466	\$13,254,387	\$12,251,595	\$11,511,287
Percent of Net Tax Levy	49.3%	98.9%	98.5%	99.6%	99.7%

(1) Net after deduction of overlay reserve for abatements.

(2) Actual collections of levy less refunds and amounts refundable, including proceeds of tax titles and tax possessions attributed to such levy, but not including abatements or other credits.

Abatements and Overlay. A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following shows the abatements granted during the fiscal year as well as through a more recent date for the each of the most recent fiscal years:

	For Fiscal Year				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Tax Levy	\$14,419,086	\$14,346,717	\$13,636,590	\$12,453,372	\$11,648,112
Overlay Reserve for Abatements	206,779	110,061	183,731	152,100	102,175
Percent of Tax Levy Abatements Granted:					
During Fiscal Year of Levy	N/A	\$142,160	\$114,325	\$100,034	\$87,249
Through 12/31/08	0	146,924	116,797	94,191	10,393

Taking and Sale. Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

Sales Tax Receivables. Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

Taxes Outstanding

The following shows taxes outstanding at the end of the last five fiscal years:

	For Fiscal Year				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Aggregate (1)	\$205,269	\$287,859	\$267,930	\$325,121	\$547,323
For Current Year (1)	194,898	272,063	213,307	262,341	367,029
Tax Titles and Tax Possessions	129,446	63,875	113,926	133,108	76,351
	84,664	81,376	76,537	70,084	67,913

(1) Excludes tax titles, tax possessions and abated taxes. Includes taxes in litigation, if any.

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April or May. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Water and sewer department expenditures are generally included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In fiscal years 1994 through 2005, the Town's net school spending exceeded the minimum required local contribution and is expected to do so in fiscal 2006. (See "State Distributions" below.)

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See Property Taxation and Valuation above.)

Budget Comparison

The following table sets forth the budgets for fiscal years 2005-2009:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Government	\$3,960,861	\$3,680,911	\$3,290,467	\$3,138,455	\$2,336,660
Public Safety	3,562,777	3,438,203	3,192,407	2,910,543	2,404,200
Human Services	270,251	212,318	197,762	198,806	177,495
Education	9,949,601	9,884,246	9,271,465	8,777,667	8,416,977
Public Works	1,149,259	1,138,781	1,144,289	1,233,911	913,556
Culture and Recreation	363,108	423,975	284,359	297,796	254,023
Debt Service	1,717,048	1,894,598	1,816,225	1,848,050	1,791,389
Water (1)	78,535	49,592	15,421	15,421	4,830
Sewer (2)	<u>1,335,423</u>	<u>1,158,353</u>	<u>1,032,299</u>	<u>877,692</u>	<u>642,262</u>
Total	<u>\$22,386,863</u>	<u>\$21,880,977</u>	<u>\$20,244,694</u>	<u>\$19,298,341</u>	<u>\$16,941,392</u>

(1) General Fund supported.

(2) Enterprise Fund supported.

See STATE AID below for discussion of the effects of mid-year state aid cuts.

STATE AID

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "school" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In 1993, the Massachusetts Supreme Judicial Court found that the State has an enforceable constitutional obligation to provide an adequate public education and that, at that time, the State was not fulfilling its obligation. Promptly, thereafter, the state legislature adopted the Education Reform Act of 1993, which, among other things, increased funding levels and changed allocation formulas for state school aid. In 1999, the litigation was reinstated by a number of municipalities challenging the adequacy of the public education being provided by the State and seeking, among other things, additional state aid for their schools. Pursuant to a fact finding trial, the Superior Court issued a report to the Supreme Judicial Court which, among other things, concluded that the State is not satisfying its constitutional obligation with respect to certain municipal school systems and recommended that the Court order the State to provide funding necessary to pay for an adequate education in such municipalities. On February 15, 2005, the Supreme Judicial Court in effect held that the State was currently meeting its constitutional obligation.

In the fall of 1986, both the State Legislature (by statute, repealed as of July, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining measure could restrict the amount of state revenues available for state aid to local communities.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule. *The Town chose not to accept the teacher deferral.*

The following table sets forth the amount of State aid to the Town in recent years:

<u>Fiscal</u> <u>Year</u>	<u>Total</u> <u>State Aid</u>
2008	\$1,797,046
2007	1,745,454
2006	1,385,000
2005	1,199,952
2004	1,190,525

For fiscal 2009, the Town's initial state aid estimate, upon which it based its operating budget, was \$1,791,761. On January 28, 2009, Massachusetts Governor Deval Patrick announced mid-year reductions in state aid for most communities, including Charlton, in response to growing fiscal pressures on the Commonwealth of Massachusetts. The Town's reduction, which will be in its Lottery and Additional Assistance aid, will total \$157,400. As of this date, the Town believes that positive variances in other revenues will more than offset the state aid reduction.

State School Building Assistance Program

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities and towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far

exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of the Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. It is expected that the Authority will continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

Projects on the priority waiting list, as of July 1, 2004, are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for such projects are expected to be paid in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expense that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, shall be included in the approved costs of such projects.

Grant applications for new projects may not be submitted to the Authority until July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. Prior to that date, the Authority is required to engage in a comprehensive review of the school building assistance program, to recommend legislative changes, to adopt new maximum eligible cost and size standards, and to promulgate new regulations. The Authority expects to pay grants for such projects in lump sum payments as project costs are incurred. None of the interest expense incurred on debt issued by municipalities to finance new projects will be included in the approved project costs eligible for reimbursement.

MOTOR VEHICLE EXCISE

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the Registrar of Motor Vehicles.

The following table sets forth the amount of motor vehicle excise taxes received in each of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Motor Vehicle Excise Taxes (1)</u>
2008	\$1,665,915
2007	1,583,292
2006	1,838,813
2005	1,174,427
2004	1,947,677

(1) Net after refunds. Includes receipts for prior years.

COMMUNITY PRESERVATION ACT

The Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 ½ (see Tax Limitations above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not accepted the provisions of the CPA.

TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "Property Tax" above).

UNDESIGNATED GENERAL FUND BALANCE AND FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the undesignated general fund balance and certified free cash for the most recent fiscal years:

<u>July 1,</u>	<u>Undesignated General Fund Balance</u>	<u>Free Cash</u>
2008	\$1,349,930	\$1,149,887
2007	797,351	538,529
2006	1,210,698	852,883
2005	1,330,505	1,082,417
2004	1,206,455	992,571

INVESTMENTS

Investments of funds of cities and town, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, or in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds, with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal

investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems.

STABILIZATION FUND

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes, funds may be appropriated from the Fund for any municipal purpose by a two-thirds vote of town meeting. The following is the balance in the account at the end of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Balance</u>
2008	\$1,203,433
2007	1,309,551
2006	1,373,420
2005	1,016,378
2004	(18,142)

COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 200 full time and part-time employees of which approximately 31 percent belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of People</u>	<u>Expiration Date</u>
Charlton Permanent Firefighters Association Local 4023, IAFF,PFMM, AFL_CIO_CLC	Firefighter	14	6/30/2009
Charlton Police Alliance	Police	19	6/30/2009
Charlton Highway Department Local 888, SEIU, AFL-CIO	Highway	9	6/30/2011
Charlton Clerical & Administrative Union	Municipal workers	15	6/30/2011

PHYSICAL AND ECONOMIC CHARACTERISTICS

General

The Town of Charlton, Massachusetts, located in Worcester County (central Massachusetts), was incorporated in 1755. Encompassing 44 square miles, the Town is approximately 10 miles from Worcester, 35 miles east of Springfield, and 50 miles from Boston.

The Town’s history includes James Capen Adams (1807-1860), better known as “Grizzly” Adams. Adams was born and lived most of his life in Charlton, but lived his last eight years in the Rocky Mountains of the western United States as a “mountain man”. He came to fame as a member of P.T. Barnum’s traveling troupe fighting and performing with grizzly bears. He is buried in the Old Burying Ground in Charlton.

Major highways serving the Town include U.S. Route 20 and state Routes 31 and 169. The Massachusetts Turnpike (I-90), which passes through the Town, is accessible to the west in the adjacent town of Sturbridge and to the east in the nearby town of Auburn. Interstate 84 is accessible from the Massachusetts Turnpike in Sturbridge. Interstates 290 and 395 are accessible in Auburn.

Charlton’s location – within commuting distance of Worcester, Springfield, Hartford, and to a lesser extent Boston and Providence – has spurred significant growth in population, income, wealth, and other economic

activity in the past twenty years. Population has grown from 6,719 in 1980 to 13,325 in 2004. Per capita income has gone from 80 percent of the state average in 1980 to 91 percent of state average in 2000. Full value per capita has risen from just over \$56,000 in fiscal 2001 to over \$92,000 in fiscal 2005.

Principal Employers (1)

Other than the Town itself, the following are the principal employers located in the Town:

<u>Company</u>	<u>Nature of Business</u>	<u>Current Employees</u>
Overlook Masonic Health Center	Nursing Home	575
Karl Storz Endovision	Manufacturing	538
McDonald Corp.	Restaurants (Service Areas on Mass. Turnpike)	292
Dudley-Charlton RSD	Public School District	245
InCom, Inc.	Manufacturing	233
Bay Path RVSD	Education	190
First Student Transportation	School Bus Contractor	106
Bay Path College	Higher Education	64
GTC Biotherapeutics	Research	57
Sims	Health Club	53
L & P Converters	Manufacturing	38
Verizon Business	Telecommunications	35
Fallon Clinic	Medical Clinic	34
CVS	Pharmacy	34
Meacham, Inc.	A/C Contractors	22
Worthington Corrugated box	Manufacturing	21

(1) Source: The Town.

Overlook Masonic Project

This project is now complete. The entire Continuing Care Retirement Community, including 405 acres of land, of which reported 160 acres encompass the existing development areas. 112 bed skilled Nursing Facility, 69 unit Rest Home, The Performing Arts Center and the 219 unit independent living facility known as the “Overlook”.

The project includes numerous common areas such as central dining facilities, private dining rooms, guest suites, café, pub, lounge areas, library and communications, creative arts studio, wood working shop, gift shop, green house, convenience store, beauty salon, Great Room and other multi-purpose rooms, fitness center and indoor pool.

Overlook is now the largest taxpayer in the Town of Charlton. See VALUATIONS, Largest Taxpayers above.

Millenium Power Project

Millenium Power Partners, L.P. (“Millenium Power”) operates a natural gas powered electric generation facility in Charlton. Total capacity of the facility is 360 MW. This facility has been in operation since April 2001. Its estimated taxable value is approximately \$172 million. Under Chapter 462 of the Massachusetts Acts of 1996, Millenium Power makes annual payments to the Town in lieu of property taxes. These payments are scheduled over twenty years as follows:

<u>Fiscal Years</u>	<u>Annual Payment</u>
2002-2006	\$1,000,000
2007-2011	900,000
2012-2016	800,000
2017-2021	700,000

Assuming that the plant has not been decommissioned, it will begin paying property taxes in fiscal 2022.

Under Chapter 152 of the Acts of 2003, payments in lieu of taxes by Millenium Power to the Town are deposited annually by vote of the Board of Selectmen, Board of Assessors, and Town Treasurer, acting jointly, to the following funds: 50 percent to the Town's General Fund, a maximum of 40 percent to a Debt Service Reserve Fund, a maximum of 10 percent to the Town's Stabilization Fund, and any remaining funds to a Capital Expenditures Fund.

Employment and Payrolls

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Construction & Natural Resources	337	300	284	294	270
Manufacturing	661	605	579	503	478
Trade, Transportation & Utilities	575	539	552	539	497
Financial Activities	60	52	57	56	47
Professional & Business Services	334	298	228	230	228
Education & Health Services	868	833	788	791	806
Leisure & Hospitality	430	408	497	368	373
Information & Other Services	<u>182</u>	<u>188</u>	<u>120</u>	<u>82</u>	<u>91</u>
Total Employment	3,674	3,456	3,287	3,146	3,084
Number of Establishments	300	299	300	298	293
Total Annual Wage (000)	\$140,828	\$126,429	\$115,651	\$110,619	\$104,724
Average Weekly Wage	\$737	\$704	\$677	\$676	\$653

Source: Massachusetts Department of Employment and Training.

OTHER DATA

Unemployment (1)

<u>Year</u>	<u>Charlton</u>	<u>Massachusetts</u>	<u>United States</u>
2008 (December)	6.6%	6.5%	7.1%
2007	4.9	4.5	4.6
2006	5.2	5.0	4.6
2005	5.1	4.8	5.1
2004	5.4	5.2	5.5

(1) Massachusetts Department of Employment and Training. Full year annual averages except for 2007 which is for the month indicated.

Population (1)

Year	Charlton		Worcester County		Massachusetts	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2020 (Projected)	16,582	22.7%	843,534	6.3%	6,767,712	3.2%
2010 (Projected)	13,518	8.4	793,336	1.3	6,557,001	2.5
2000	11,263	17.6	750,963	5.8	6,349,097	5.5
1990	9,576	42.5	709,705	9.8	6,016,245	4.9
1980	6,719	44.4	646,352	1.5	5,737,037	0.8
1970	4,654		637,037		5,689,170	

(1) Source: U.S. Department of Commerce for actuals, Massachusetts Institute for Social & Economic Research for projections.

Population Density (1)

Year	Charlton		Worcester County		Massachusetts	
	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2020 (Projected)	16,582	388.2	843,534	557.5	6,767,712	863.5
2010 (Projected)	13,518	316.5	793,336	524.3	6,557,001	836.6
2000	11,263	263.7	750,963	496.3	6,349,097	810.0
1990	9,576	224.2	709,705	469.0	6,016,245	767.6
1980	6,719	157.3	646,352	427.2	5,737,037	732.0
1970	4,654	109.0	637,037	421.0	5,689,170	725.8

(1) Source: U.S. Department of Commerce.

(2) Based on 42.7 square miles.

Population Composition 2000 (1)

Year	Charlton		Worcester County		Massachusetts	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	810	7.2%	50,027	6.7%	397,268	6.3%
5 Years to 19 Years	2,811	25.0	162,638	21.7	1,277,845	20.1
20 Years to 64 Years	6,775	60.2	440,329	58.6	3,813,822	60.1
65 Years and Over	867	7.7	97,963	13.0	860,162	13.5
Total	11,263	100.0%	750,963	100.0%	6,349,097	100.0%
Median Age	35.4		36.3		36.5	
Median Age (1990)	31.2		33.1		33.6	

(1) Source: U.S. Department of Commerce.

Income Levels (1)

Year	Charlton		Worcester County		Massachusetts	
	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>
1999	\$23,626	56.2%	\$22,983	48.3%	\$25,952	50.7%
1989	15,128	153.6	15,500	124.4	17,224	131.0
1979	5,966		6,908		7,457	
% Below Poverty Level (1999)		5.6%		9.2%		9.3%

(1) Source: U.S. Department of Commerce.

Family Income Distribution 1999 (1)

Income for Families	Charlton		Worcester County		Massachusetts	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	131	4.3 %	8,811	4.5 %	71,198	4.5 %
10,000 - 24,999	184	6.0	22,849	11.8	175,120	11.0
25,000 - 49,999	566	18.6	48,192	24.9	368,418	23.2
50,000 - 74,999	809	26.5	46,056	23.8	359,202	22.6
75,000 - 99,999	745	24.4	30,392	15.7	251,231	15.8
100,000 - 149,999	520	17.1	25,632	13.2	222,234	14.0
150,000 or more	<u>93</u>	<u>3.1</u>	<u>11,880</u>	<u>6.1</u>	<u>140,134</u>	<u>8.8</u>
Total	<u>3,048</u>	<u>100.0 %</u>	<u>193,812</u>	<u>100.0 %</u>	<u>1,587,537</u>	<u>100.0 %</u>

(1) Source: U.S. Department of Commerce.

Household Income Distribution 1999 (1)

<u>Income for Households</u>	<u>Charlton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	251	6.6 %	25,152	8.8 %	214,700	8.8 %
10,000 - 24,999	344	9.1	48,186	17.0	385,395	15.8
25,000 - 49,999	783	20.7	74,212	26.1	608,320	24.9
50,000 - 74,999	930	24.6	58,935	20.7	490,998	20.1
75,000 - 99,999	796	21.0	35,696	12.6	312,741	12.8
100,000 - 149,999	572	15.1	28,596	10.1	267,300	10.9
150,000 or more	<u>110</u>	<u>2.9</u>	<u>13,441</u>	<u>4.7</u>	<u>165,134</u>	<u>6.8</u>
Total	<u>3,786</u>	<u>100.0 %</u>	<u>284,218</u>	<u>100.0 %</u>	<u>2,444,588</u>	<u>100.0 %</u>

(1) Source: U.S. Department of Commerce.

Value Distribution of Specified Owner-Occupied Housing Units 2000(1)

<u>Units</u>	<u>Charlton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	275	10.2 %	24,058	16.1 %	113,263	9.5 %
100,000 - 149,999	1,047	38.8	55,194	36.9	277,571	23.4
150,000 - 199,999	925	34.3	33,326	22.3	573,542	23.0
200,000 - 299,999	391	14.5	24,356	16.3	286,599	24.1
300,000 - 499,999	57	2.1	10,715	7.2	170,536	14.4
500,000 or more	<u>-0-</u>	<u>0.0</u>	<u>1,739</u>	<u>1.2</u>	<u>66,360</u>	<u>5.6</u>
Total	<u>2,695</u>	<u>100.0 %</u>	<u>149,388</u>	<u>100.0 %</u>	<u>1,187,871</u>	<u>100.0 %</u>

(1) Source: U.S. Department of Commerce.

Age Distribution of Housing Units 2000 (1)

<u>Year Built</u>	<u>Charlton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1990 to March 2000	820	20.5 %	32,843	11.0 %	218,407	8.3 %
1980 to 1989	1,025	25.6	39,366	13.2	292,701	11.2
1940 to 1979	1,599	39.9	127,855	42.9	1,205,183	46.0
1939 or Earlier	<u>564</u>	<u>14.1</u>	<u>98,095</u>	<u>32.9</u>	<u>905,698</u>	<u>34.5</u>
Total	<u>4,008</u>	<u>100.0 %</u>	<u>298,159</u>	<u>100.0 %</u>	<u>2,621,989</u>	<u>100.0 %</u>

(1) Source: U.S. Department of Commerce.

Housing Unit Inventory 2000 (1)

<u>Units in Structure</u>	<u>Charlton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1, Detached	3,145	78.5 %	167,648	56.2 %	1,374,479	52.4 %
1, Attached	192	4.8	10,667	3.6	104,129	4.0
2 to 4	474	11.8	69,488	23.3	603,917	23.0
5 to 9	147	3.7	17,467	5.9	156,135	6.0
10 to 49	9	0.2	11,079	3.7	113,697	4.3
50 or More	11	0.3	18,870	6.3	244,892	9.3
Mobile Home, Trailer, or Other	<u>30</u>	<u>0.7</u>	<u>2,940</u>	<u>1.0</u>	<u>24,740</u>	<u>0.9</u>
Total	<u>4,008</u>	<u>100.0 %</u>	<u>298,159</u>	<u>100.0 %</u>	<u>262,989</u>	<u>100.0 %</u>

(1) Source: U.S. Department of Commerce.

Educational Attainment 2000 (1)

<u>Years of School Completed</u>	<u>Charlton</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th Grade	341	4.7 %	28,826	5.8 %	247,556	5.8 %
9th to 12th Grade, No Diploma	618	8.5	53,200	10.7	403,537	9.4
High School Graduate	2,357	32.4	149,639	30.2	1,165,489	27.3
Some College, No Degree	1,379	19.0	91,635	18.5	730,135	17.1
Associate's Degree	657	9.0	39,063	7.9	308,263	7.2
Bachelor's Degree	1,160	15.9	82,648	16.7	834,554	19.5
Graduate or Professional Degree	<u>763</u>	<u>10.5</u>	<u>50,857</u>	<u>10.3</u>	<u>583,741</u>	<u>13.7</u>
Total	<u>7,275</u>	<u>100.0 %</u>	<u>495,868</u>	<u>100.0 %</u>	<u>4,273,275</u>	<u>100.0 %</u>
High School Graduate or Higher	6,316	86.8 %	413,842	83.5 %	3,622,182	84.8 %
Bachelor's Degree or Higher	1,923	26.4	133,505	26.9	1,418,295	33.2

(1) Source: U.S. Department of Commerce.

Public School Enrollments

<u>Grade</u>	<u>Actual</u>					<u>Projected</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
K-4	982	934	938	921	898	898
5-8	809	866	821	846	809	814
9-12	<u>594</u>	<u>618</u>	<u>652</u>	<u>668</u>	<u>696</u>	<u>708</u>
Total	<u>2,385</u>	<u>2,419</u>	<u>2,411</u>	<u>2,435</u>	<u>2,401</u>	<u>2,420</u>

Source: Massachusetts Department of Education.

LITIGATION

There are numerous cases pending in courts throughout the Commonwealth where the Town is a defendant. In the opinion of the Town Counsel, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgments against the Town that would materially affect its financial condition.

**TOWN OF CHARLTON
Massachusetts**

By: /s/ Keith R. Arsenault
Treasurer

Dated: March 31, 2009

APPENDIX A

The following Balance Sheets for June 30, 2005 - 2008 and the Statement of Revenues, Transfers, Expenditures and Changes in Fund Balance for fiscal years 2005 - 2008 have been extracted from the audit reports of those years.

**TOWN OF CHARLTON
Massachusetts**

**BALANCE SHEET- GENERAL FUND
June 30, (1)**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:				
Cash and Equivalents	\$2,103,755	\$1,581,479	\$2,163,123	\$1,911,362
Receivables:				
Property Taxes	205,269	291,833	259,421	308,489
Tax Liens & Foreclosures	241,701	169,316	225,844	220,627
Motor Vehicle Excise	235,296	175,675	226,895	123,133
Less: Allowance for Abatements	(195,632)	(195,659)	(156,724)	(118,642)
Due from Other Governments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$2,590,389</u>	<u>\$2,022,644</u>	<u>\$2,718,559</u>	<u>\$2,444,969</u>
Liabilities:				
Warrants & Accounts Payable	426,807	367,097	451,870	453,808
Other Accrued Liabilities	24,782	40,079	232,138	224,574
Notes Payable		0	0	0
Deferred Revenue	424,314	369,045	495,479	476,572
Other Liabilities	<u>32,195</u>	<u>60,639</u>	<u>71,845</u>	<u>16,948</u>
Total Liabilities	<u>908,098</u>	<u>836,860</u>	<u>1,251,332</u>	<u>1,171,902</u>
Fund Balances::				
Reserved	247,798	287,600	393,141	77,585
Unreserved	<u>1,434,493</u>	<u>898,114</u>	<u>1,074,086</u>	<u>1,195,482</u>
Total Equity & Other Credits	<u>1,682,291</u>	<u>1,185,784</u>	<u>1,467,227</u>	<u>1,273,067</u>
Total Liabilities & Equity	<u>\$2,590,389</u>	<u>\$2,022,644</u>	<u>\$2,718,559</u>	<u>\$2,444,969</u>

TOWN OF CHARLTON
Massachusetts
Combined Statement of Revenues, Transfers, Expenditures and Changes in Fund Balance
GENERAL FUND
June 30,

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Property Taxes	\$14,319,719	\$13,798,277	\$12,531,728	\$11,815,445
Excise Taxes & Other Taxes	1,684,388	1,631,987	1,890,931	1,646,772
Departmental Charges for Services	116,877	96,376	88,322	89,907
Licenses & Permits	123,760	123,253	157,804	310,613
Intergovernmental	1,797,046	1,745,454	1,578,457	1,312,082
Payments in Lieu of Taxes	915,500	904,942	1,008,095	1,002,585
Fees & Miscellaneous	51,024	131,005	139,307	15,652
Fines	92,594	78,708	85,496	105,538
Earnings on Investments	<u>151,074</u>	<u>266,379</u>	<u>288,318</u>	<u>53,521</u>
Total Revenues	<u>19,251,982</u>	<u>18,776,381</u>	<u>17,768,458</u>	<u>16,352,115</u>
Expenditures:				
General Government	1,516,416	1,384,936	1,088,441	1,045,410
Public Safety	3,438,960	3,086,113	2,673,335	2,416,759
Public Works	1,269,080	1,234,042	968,468	1,168,900
Human Services	187,779	178,284	156,238	137,724
Culture & Recreation	412,470	290,237	298,663	246,230
Intergovernmental	40,344	39,900	39,862	33,225
Employee Benefits	1,489,968	1,388,829	1,308,038	1,135,145
Education	9,286,366	9,268,238	8,756,876	8,416,977
Capital Outlay	427,422	1,031,781	593,172	0
Other	295,223	378,512	330,677	306,311
Debt Service	<u>554,712</u>	<u>646,014</u>	<u>527,524</u>	<u>478,510</u>
Total Expenditures	<u>18,918,740</u>	<u>18,926,886</u>	<u>16,741,294</u>	<u>15,385,191</u>
Excess of Revenues Over (Under) Expenditures	333,242	(150,505)	1,027,164	966,924
Other Financing Sources (Uses):				
Transfers In	1,138,665	982,785	1,042,330	767,322
Transfers Out	<u>(975,400)</u>	<u>(1,113,723)</u>	<u>(1,875,334)</u>	<u>(1,771,468)</u>
Total Other Financing	<u>163,265</u>	<u>(130,938)</u>	<u>(833,004)</u>	<u>(1,004,146)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	496,507	(281,443)	194,160	(37,222)
Fund Balances Beginning	<u>\$1,185,784</u>	<u>\$1,467,227</u>	<u>\$1,273,067</u>	<u>\$1,310,289</u>
Fund Balances Ending	<u>\$1,682,291</u>	<u>\$1,185,784</u>	<u>\$1,467,227</u>	<u>\$1,273,067</u>

APPENDIX B

There follows in this Appendix the audited financial statements for the fiscal year ended June 30, 2008 with the report of the certified public accountant, Bill Fraher, C.P.A., Boston, Massachusetts.

BF

Bill Fraher, CPA

TOWN OF CHARLTON, MASSACHUSETTS

Basic Financial Statements, Required Supplementary
Information, and Supplementary Information

Year ended June 30, 2008

(With Independent Auditor's Report Thereon)

TOWN OF CHARLTON, MASSACHUSETTS

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Independent Auditor's Report

The Board of Selectman
Town Of Charlton, Massachusetts:

I 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 Charlton, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Charlton's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable insurance 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Charlton, Massachusetts, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 19, 2008 on my consideration of the Town of Charlton's internal control structure over financial reporting and on my 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 my 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

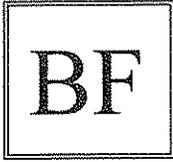


The Board of Selectmen
Town of Charlton, Massachusetts
Independent Auditor's Report

The Management's Discussion and Analysis on pages 5 through 10 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Charlton's basic financial statements. The combining fund financial statements listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bill Fraher, CPA
December 19, 2008



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

The Board of Selectmen
Town of Charlton, Massachusetts

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Charlton, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued my report thereon dated December 19, 2008. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Charlton, Massachusetts' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Charlton, Massachusetts' internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Town of Charlton,



The Board of Selectmen
Town of Charlton, Massachusetts
Report on Compliance and on Internal Control Over Financial Reporting

Massachusetts' financial statements will not be prevented or detected by the Town of Charlton, Massachusetts' internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of the Town's 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 my audit and, accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards.

I noted certain matters related to internal control and compliance that I have reported to the management of the Town of Charlton, Massachusetts in a separate letter dated December 19, 2008.

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

A handwritten signature in cursive script, appearing to read 'Bill Fraher'.

Bill Fraher, CPA
December 19, 2008

**Town of Charlton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2008**

Each year, we are required to present a Management's Discussion and Analysis (MD&A) with our annual financial report. The MD&A appears in the front of our financial report and is intended to introduce our financial statements to users and help them assess whether our government's overall financial health has improved or deteriorated as a result of the past year's operations.

One required component of MD&A is to briefly describe the reasons for significant changes in our asset, liability, revenue and expenditure/expense account balances compared to last year.

Financial Highlights of Fiscal Year 2008 (July 1, 2007 - June 30, 2008)

- The assets of the Town of Charlton exceeded its liabilities at the close of the most recent fiscal year by \$63,481,155 (net assets). Of this amount, \$7,956,186 is considered unrestricted (unrestricted net assets). The unrestricted net assets of the Town's governmental activities are \$5,638,718 and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of business-type activities are \$2,317,470. Net assets increased from the prior year in governmental activities by \$2,101,482 and increased in business-type activities by \$1,296,786.
- The total cost of all town services for Fiscal Year 2008 was \$23,113,346 compared with \$23,131,501 in 2007. For the current year, \$20,715,517 was spent on governmental activities and an additional \$2,397,829 on business type activities consisting solely of water and sewer activities.
- At June 30, 2008, the Town's governmental funds reported a combined ending fund balance of \$5,654,227, an increase from the June 30, 2007 amount of \$5,328,936. The total at 2008 is made up of \$1,682,291 in the general fund (of which \$1,434,493 is unreserved) and \$3,971,936 in all other governmental funds. General fund total fund balances increased by \$496,507 from the prior year, due to current year expenditures and transfers out being less than revenues and transfers in. All other governmental funds total fund balances decreased by \$171,216 primarily due the expenditure of bond proceeds for library construction and appropriations from Stabilization.
- The Town's total bonded indebtedness is \$19,290,263. The Town also has \$200,000 in short term debt related to pending state reimbursements and \$364,261 in accrued interest on long term debt.

**Town of Charlton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2008**

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

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

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

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

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

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-type Activities** – Activities reported here are for water and sewer operations. User fees charged to the customers receiving services finance these services.

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

**Town of Charlton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2008**

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The Town has one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities.

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 their resources are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. All of the Town's fiduciary funds are agency funds.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

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

**Town of Charlton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2008**

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

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

Financial Analysis of the Government-wide Financial Statements

Statement of Net Assets

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

The net assets of the Town of Charlton increased by \$3,398,268. The net assets of the governmental activities increased by \$2,101,482 (compared with a prior year increase of \$666,025) and the net assets of the business-type activities increased by \$1,296,786 (compared with a prior year decrease of \$314,386). There were no significant changes to the amounts in the statement of net assets. The largest changes related to bond payments and the acquisition of capital assets in a library construction project.

Statement of Activities

Government Activities

In Fiscal Year 2008, property taxes and vehicle excise taxes accounted for 70% of all governmental activities revenues (compared to 73% last year). Of all governmental activities expenses, 47% related to education (compared with 49% last year). The overall increase in net assets of governmental activities is due primarily to capital acquisitions, offset somewhat by depreciation expense.

**Town of Charlton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2008**

Business-type Activities

Water and sewer rates are structured to cover all costs related to the activity. The revenues of the business-type activities exceeded expenses by \$1,296,786. This increase in the net assets of business-type activities is due primarily to the collection of special assessments related to sewer system expansion and the recognition of future payments from the Commonwealth to offset debt service costs.

Financial Analysis of the Town's Funds

General Fund – The year-end fund balances of the general fund were \$1,682,291, which is \$496,507 more than the prior year's fund balances. The Town appropriates money from what the Massachusetts Department of Revenue calls the "free cash account" [roughly defined as the undesignated (unrestricted) fund balance with year end adjustments for receivables and some payables]. If the amount taken to fund the budget is not replenished by excess revenues or unexpended appropriations, fund balance will decrease. For fiscal year 2008, the Town appropriated \$538,529 of free cash, primarily to fund a transfer to the stabilization fund and capital items. This was more than replenished by revenues exceeding budget and by unexpended appropriations.

Other Governmental Funds – Fund balances of other governmental funds (in total) decreased by \$171,216, primarily due to the expenditure of all remaining bond proceeds for library construction and stabilization appropriations.

Proprietary Funds.

Water and Sewer Funds. The Town of Charlton, Massachusetts' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Enterprise Fund at year end were \$2,317,470 compared with \$1,187,452 last year. The total increase in net assets was \$1,296,786, \$303,931 relating to the water fund and \$992,855 related to the sewer fund. The main reason for these increases is the recognition of future payments from the Commonwealth to offset debt service costs.

**Town of Charlton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2008**

General Fund Budgetary Highlights

On a budgetary basis, the Town showed a \$1,011,543 favorable variance to the bottom line budget. Of this amount, \$161,821 reflects revenues in excess of budgeted amounts and \$849,722 relates to unexpended appropriations. The Town had a one time unexpended education appropriation of \$412,332 due to a reduction in the regional school assessment.

Capital Asset and Debt Administration

Capital Assets

The Town of Charlton's investments in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$70,570,474 (net of accumulated depreciation), compared to \$69,993,161 at June 30, 2007. This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles. On the governmental side, net capital assets increased by \$1,222,741 (capital additions exceeding depreciation) due mainly to the recognition of private road acceptances, while net capital assets decreased on the business-type activity side by \$645,428.

Debt

The Town of Charlton had \$3,559,000 in bonds outstanding for governmental activities on June 30, 2008, which represents a decrease of \$388,000 from June 30, 2007. An additional \$15,731,263 in bonds was outstanding for the business-type activities, a decrease of \$1,167,000 from the prior year. Business-type activities show bond anticipation notes of \$200,000 related to a capital project.

TOWN OF CHARLTON, MASSACHUSETTS

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 4,472,409	2,212,055	6,684,464
Investments	1,720,813	83,607	1,804,420
Receivables (net of allowance for uncollectibles)	1,144,096	152,320	1,296,416
Due from commonwealth	4,130	4,298,903	4,303,033
Unapportioned assessments due in future years	-	7,389,960	7,389,960
Capital assets:			
Assets not being depreciated	10,576,517	4,551,465	15,127,982
Assets being depreciated, net	<u>34,221,959</u>	<u>21,220,533</u>	<u>55,442,492</u>
 Total assets	 \$ <u>52,139,924</u>	 <u>39,908,843</u>	 <u>92,048,767</u>
 <u>Liabilities</u>			
Warrants and accounts payable	\$ 544,338	72,376	616,714
Other accrued liabilities	24,782	-	24,782
Accrued interest payable	51,239	313,022	364,261
Notes payable	-	200,000	200,000
Other liabilities	32,195	-	32,195
Deferred revenue	-	7,389,960	7,389,960
Long-term liabilities:			
Due within one year:			
Landfill postclosure care costs	20,000	-	20,000
Compensated absences	235,280	-	235,280
Bonds payable	383,000	1,058,513	1,441,513
Due in more than one year:			
Landfill postclosure care costs	280,000	-	280,000
Compensated absences	114,157	-	114,157
Bonds payable	<u>3,176,000</u>	<u>14,672,750</u>	<u>17,848,750</u>
 Total liabilities	 <u>4,860,991</u>	 <u>23,706,621</u>	 <u>28,567,612</u>
 <u>Net Assets</u>			
Invested in capital assets, net of related debt	41,239,476	13,884,752	55,124,228
Restricted for:			
Specific purposes - expendable	188,465	-	188,465
Specific purposes - nonexpendable	212,274	-	212,274
Unrestricted	<u>5,638,718</u>	<u>2,317,470</u>	<u>7,956,188</u>
 Total net assets	 \$ <u><u>47,278,933</u></u>	 <u><u>16,202,222</u></u>	 <u><u>63,481,155</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 2,340,728	178,269	6,603	-	(2,155,856)	-	(2,155,856)
Public safety	4,620,489	1,115,203	214,860	46,370	(3,244,056)	-	(3,244,056)
Education	9,644,771	-	14,236	-	(9,630,535)	-	(9,630,535)
Public works	2,961,844	47,107	9,132	2,192,778	(712,827)	-	(712,827)
Human services	385,725	157,181	30,088	-	(198,456)	-	(198,456)
Recreation and culture	600,572	761	33,141	551,434	(15,236)	-	(15,236)
Interest on debt service	161,388	-	-	-	(161,388)	-	(161,388)
Total governmental activities	<u>20,715,517</u>	<u>1,498,521</u>	<u>308,060</u>	<u>2,790,582</u>	<u>(16,118,354)</u>	<u>-</u>	<u>(16,118,354)</u>
Business-type activities:							
Water	221,055	-	-	206,409	-	(14,646)	(14,646)
Sewer	2,176,774	1,885,541	-	847,190	-	555,957	555,957
Total business-type activities	<u>2,397,829</u>	<u>1,885,541</u>	<u>-</u>	<u>1,053,599</u>	<u>-</u>	<u>541,311</u>	<u>541,311</u>
Total government	\$ <u>23,113,346</u>	<u>3,384,062</u>	<u>308,060</u>	<u>3,844,181</u>	<u>(16,118,354)</u>	<u>541,311</u>	<u>(15,577,043)</u>
General revenues:							
Property taxes					\$ 14,315,367	-	14,315,367
Excise taxes					1,744,009	-	1,744,009
Payments in lieu of taxes					915,500	-	915,500
Intergovernmental					1,690,859	-	1,690,859
Unrestricted investment earnings					207,956	34,487	242,443
Miscellaneous					67,133	-	67,133
Transfers					(720,988)	720,988	-
Total general revenues and transfers					<u>18,219,836</u>	<u>755,475</u>	<u>18,975,311</u>
Changes in net assets					2,101,482	1,296,786	3,398,268
Net assets - beginning of year					<u>45,177,451</u>	<u>14,905,436</u>	<u>60,082,887</u>
Net assets - end of year					\$ <u>47,278,933</u>	<u>16,202,222</u>	<u>63,481,155</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2008

	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 2,103,755	265,364	2,103,290	4,472,409
Investments	-	938,069	782,744	1,720,813
Receivables:				
Property taxes	205,269	-	-	205,269
Tax liens and foreclosures	241,701	-	-	241,701
Motor vehicle and other excise	235,296	-	-	235,296
Departmental	-	-	657,462	657,462
Less: allowance for abatements	(195,632)	-	-	(195,632)
Due from other governments	-	-	4,130	4,130
Total assets	\$ 2,590,389	1,203,433	3,547,626	7,341,448
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants and accounts payable	\$ 426,807	-	117,531	544,338
Other accrued liabilities	24,782	-	-	24,782
Notes payable	-	-	-	-
Deferred revenue	424,314	-	661,592	1,085,906
Other liabilities	32,195	-	-	32,195
Total liabilities	908,098	-	779,123	1,687,221
Fund balances:				
Reserved for:				
Encumbrances and continued appropriations	247,628	-	-	247,628
Other specific purposes	170	-	400,739	400,909
Unreserved, reported in:				
General fund	1,434,493	-	-	1,434,493
Special revenue funds	-	1,203,433	1,777,603	2,981,036
Capital projects funds	-	-	590,161	590,161
Total fund balances	1,682,291	1,203,433	2,768,503	5,654,227
Total liabilities and fund balances	\$ 2,590,389	1,203,433	3,547,626	7,341,448

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2008

	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes	\$ 14,319,719	-	-	14,319,719
Excise taxes	1,684,388	-	-	1,684,388
Payments in lieu of taxes	915,500	-	-	915,500
Departmental charges for services	116,877	-	1,105,202	1,222,079
Licenses and permits	123,760	-	-	123,760
Intergovernmental	1,797,046	-	960,214	2,757,260
Fines	92,594	-	-	92,594
Investment income	151,074	54,744	40,030	245,848
Other	51,024	-	320,120	371,144
Total revenues	19,251,982	54,744	2,425,566	21,732,292
Expenditures:				
Current:				
General government	1,516,416	-	139,949	1,656,365
Public safety	3,438,960	-	133,876	3,572,836
Education	9,286,366	-	14,236	9,300,602
Public works	1,269,080	-	30	1,269,110
Human services	187,779	-	132,664	320,443
Recreation and culture	412,470	-	82,460	494,930
Intergovernmental	40,344	-	-	40,344
Employee benefits	1,489,968	-	-	1,489,968
Other	295,223	-	-	295,223
Debt service	554,712	-	-	554,712
Capital outlay	427,422	-	1,264,058	1,691,480
Total expenditures	18,918,740	-	1,767,273	20,686,013
Excess (deficiency) of revenues over expenditures	333,242	54,744	658,293	1,046,279
Other financing sources (uses):				
Operating transfers in	1,138,665	50,291	183,000	1,371,956
Operating transfers out	(975,400)	(220,000)	(897,544)	(2,092,944)
Total other financing sources (uses)	163,265	(169,709)	(714,544)	(720,988)
Net changes in fund balances	496,507	(114,965)	(56,251)	325,291
Fund balance, beginning of year	1,185,784	1,318,398	2,824,754	5,328,936
Fund balance, end of year	\$ 1,682,291	1,203,433	2,768,503	5,654,227

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTS

Reconciliation of the Governmental Fund Balance Sheet
To the Statement of Net Assets
Year Ended June 30, 2008

Total fund balances - governmental funds \$ 5,654,227

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. These
assets consist of:

Land and land improvements	3,096,465
Construction in progress	7,480,052
Infrastructure assets	41,863,358
Buildings and building improvements	15,448,966
Other capital assets	5,319,499
Accumulated depreciation	<u>(28,409,864)</u>

Total Capital Assets 44,798,476

Other long-term assets are not available to pay for current
period expenditures and, therefore, are deferred in funds. 1,085,906

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in funds. These
liabilities consist of:

Bonds payable	(3,559,000)
Landfill postclosure care costs	(300,000)
Accrued interest on bonds	(51,239)
Compensated absences	<u>(349,437)</u>

Total long-term liabilities (4,259,676)

Net assets of governmental activities \$ 47,278,933

TOWN OF CHARLTON, MASSACHUSETTS

Reconciliation of the Governmental Funds - Statement of Revenues,
Expenditures and Changes in Fund Balances To the Statement of Activities
Year Ended June 30, 2008

Net changes in fund balances - governmental funds	\$ 325,291
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these amounts are recorded as capital assets and depreciated over their estimated useful lives. This is the amount by which depreciation is less (more) than capital outlays for the year.	(466,631)
Bond proceeds provide financial resources and bond payments are recorded as expenditures in governmental funds, while these are recorded as increases or decreases to long-term liabilities in the statement of net assets. This is the amount by which long-term debt repayments are more than bond proceeds and accrued interest for the year.	393,324
Capital assets are not reported in governmental funds. Donations of capital assets are reflected as revenue and capital assets in the statement of net assets.	1,689,372
Other long-term liabilities are recorded as expenditures in governmental funds while these are recorded as decreases to long-term liabilities in the statement of net assets.	43,803
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>116,323</u>
Changes in net assets of governmental activities	\$ <u>2,101,482</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTS

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance To Final Budget Favorable (Unfavorable)</u>
Resources (inflows):				
Property taxes	\$ 14,361,677	14,361,677	14,329,518	(32,159)
Excise taxes	1,598,556	1,598,556	1,684,388	85,832
Payments in lieu of taxes	916,013	916,013	915,500	(513)
Departmental charges for services	96,375	96,375	116,877	20,502
Licenses and permits	123,200	123,200	123,760	560
Intergovernmental	1,757,112	1,757,112	1,797,046	39,934
Fines	78,707	78,707	92,594	13,887
Investment income	266,000	266,000	151,074	(114,926)
Other	48,007	48,007	51,024	3,017
Transfers from other funds	943,573	992,978	1,138,665	145,687
Total resources	<u>20,189,220</u>	<u>20,238,625</u>	<u>20,400,446</u>	<u>161,821</u>
Charges to appropriations (outflows):				
General government	1,820,455	1,821,894	1,662,176	159,718
Public safety	3,526,782	3,591,644	3,546,779	44,865
Education	9,884,246	9,706,344	9,286,366	419,978
Public works	1,295,282	1,473,184	1,420,580	52,604
Human services	212,318	207,318	186,908	20,410
Recreation and culture	423,975	426,779	412,250	14,529
Debt service	559,828	559,828	554,712	5,116
Intergovernmental	40,261	40,261	40,344	(83)
Employee benefits	1,556,477	1,551,777	1,490,199	61,578
Insurance	376,230	366,230	295,223	71,007
Transfers to other funds	975,400	975,400	975,400	-
Total charges to appropriations	<u>20,671,254</u>	<u>20,720,659</u>	<u>19,870,937</u>	<u>849,722</u>
Excess (deficiency) of resources over charges to appropriations	<u>(482,034)</u>	<u>(482,034)</u>	<u>529,509</u>	<u>1,011,543</u>
Fund balance allocation	<u>482,034</u>	<u>482,034</u>		
Excess (deficiency) of resources over charges to appropriations and fund balance allocation	<u>\$ -</u>	<u>-</u>		

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTS

Statement of Net Assets - Proprietary Funds

June 30, 2008

	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 244,823	1,967,232	2,212,055
Investments	66,080	17,527	83,607
Receivables (net):			
User charges	-	114,588	114,588
Liens	-	7,502	7,502
Special Assessments	-	30,063	30,063
Other	-	167	167
Due from other governments	<u>244,592</u>	<u>210,294</u>	<u>454,886</u>
Total current assets	<u>555,495</u>	<u>2,347,373</u>	<u>2,902,868</u>
Noncurrent assets:			
Due from other governments	763,202	3,080,815	3,844,017
Unapportioned assessments due in future years	-	7,389,960	7,389,960
Capital assets	4,453,965	26,925,588	31,379,553
Accumulated depreciation	<u>-</u>	<u>(5,607,555)</u>	<u>(5,607,555)</u>
Total noncurrent assets	<u>5,217,167</u>	<u>31,788,808</u>	<u>37,005,975</u>
Total assets	<u>\$ 5,772,662</u>	<u>34,136,181</u>	<u>39,908,843</u>
<u>Liabilities</u>			
Current Liabilities:			
Warrants and accounts payable	\$ 3,724	68,652	72,376
Accrued interest payable	67,141	245,881	313,022
Notes payable	200,000	-	200,000
Bonds payable	<u>246,862</u>	<u>811,651</u>	<u>1,058,513</u>
Total current liabilities	<u>517,727</u>	<u>1,126,184</u>	<u>1,643,911</u>
Noncurrent liabilities:			
Deferred revenue	-	7,389,960	7,389,960
Bonds payable	<u>3,282,465</u>	<u>11,390,285</u>	<u>14,672,750</u>
Total noncurrent liabilities	<u>3,282,465</u>	<u>18,780,245</u>	<u>22,062,710</u>
Total liabilities	<u>3,800,192</u>	<u>19,906,429</u>	<u>23,706,621</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,687,840	12,196,912	13,884,752
Unrestricted	<u>284,630</u>	<u>2,032,840</u>	<u>2,317,470</u>
Total net assets	<u>\$ 1,972,470</u>	<u>14,229,752</u>	<u>16,202,222</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTS

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2008

	Water Enterprise Fund	Sewer Enterprise Fund	Total
Operating revenues:			
Charges for services	\$ -	1,282,298	1,282,298
Special assessments	-	601,452	601,452
Other	-	1,791	1,791
	<hr/>	<hr/>	<hr/>
Total operating revenues	-	1,885,541	1,885,541
Operating expenditures:			
Salaries, wages and employee benefits	-	48,421	48,421
Other operating expenses	64,320	809,125	873,445
Depreciation	-	679,365	679,365
	<hr/>	<hr/>	<hr/>
Total operating expenditures	64,320	1,536,911	1,601,231
Operating income	(64,320)	348,630	284,310
Nonoperating revenues (expenses):			
Intergovernmental	206,409	847,190	1,053,599
Investment income	3,613	30,874	34,487
Interest expense	(156,735)	(639,863)	(796,598)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	53,287	238,201	291,488
Income before transfers	(11,033)	586,831	575,798
Operating transfers (out)	-	(31,121)	(31,121)
Operating transfers in	314,964	437,145	752,109
	<hr/>	<hr/>	<hr/>
Changes in net assets	303,931	992,855	1,296,786
Net assets, beginning of year	1,668,539	13,236,897	14,905,436
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 1,972,470	14,229,752	16,202,222

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTSStatement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2008

	Water Enterprise Fund	Sewer Enterprise Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ -	1,916,388	1,916,388
Cash paid to suppliers	(60,596)	(856,862)	(917,458)
Cash paid to employees	-	(48,421)	(48,421)
Transfers in (out)	314,964	406,024	720,988
Net cash provided by operating activities	<u>254,368</u>	<u>1,417,129</u>	<u>1,671,497</u>
Cash flows from investing activities:			
Net (purchase) sale of investments	12,436	11,179	23,615
Interest on deposits and investments	3,613	30,874	34,487
Net cash provided by investing activities	<u>16,049</u>	<u>42,053</u>	<u>58,102</u>
Cash flows from capital and related financing activities:			
Capital expenditures	(22,948)	(10,988)	(33,936)
Intergovernmental revenue	117,652	-	117,652
Change in state receivable	-	(214,708)	(214,708)
Proceeds of notes payable	200,000	-	200,000
Interest paid, net of subsidy	(60,940)	(237,309)	(298,249)
Net borrowing (repayments), net of subsidy	(200,246)	(776,783)	(977,029)
Net cash provided by capital and related financing activities:	<u>33,518</u>	<u>(1,239,788)</u>	<u>(1,206,270)</u>
Net increase in cash and cash equivalents	303,935	219,394	523,329
Cash and cash equivalents, beginning of year	(59,112)	1,747,838	1,688,726
Cash and cash equivalents, end of year	<u>\$ 244,823</u>	<u>1,967,232</u>	<u>2,212,055</u>
Reconciliation of operating income to net cash provided			
By operating activities:			
Operating income (loss)	\$ (64,320)	348,630	284,310
Transfers in (out)	314,964	406,024	720,988
Depreciation, bad debts & reserve	-	679,365	679,365
Decrease in accounts receivable	-	30,847	30,847
(Decrease) in accounts payable	3,724	(47,737)	(44,013)
Net cash provided by operating activities	<u>\$ 254,368</u>	<u>1,417,129</u>	<u>1,671,497</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CHARLTON, MASSACHUSETTS

Statement of Net Assets

Fiduciary Funds

June 30, 2008

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	342,299
Investments	\$ <u>751,254</u>
 Total assets	 <u>1,093,553</u>
<u>Liabilities</u>	
Accounts payable	9,784
Other liabilities	<u>1,083,769</u>
 Total liabilities	 <u>1,093,553</u>
<u>Net Assets</u>	
Unrestricted	<u>-</u>
 Total net assets	 \$ <u><u>-</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 1. Reporting Entity and Significant Accounting Policies

A. Introduction

The Town of Charlton was incorporated as a town in 1755 under the statutes of the Commonwealth of Massachusetts. The Town operates with a selectmen-open Town meeting form of government and an elected five member Board of Selectmen. The Town provides general municipal services including public safety, education, public works, health, culture and recreation. Water and sewer service are provided on an enterprise basis. This report includes the fund types and account group to account for these activities.

B. Financial Reporting Entity

Accounting principles generally accepted in the United States of America ("GAAP") require that the accompanying financial statements present the Town (the primary government) and its component units. Component units are included in the Town's reporting entity if their operational and financial relationships with the Town are significant. In determining the financial reporting entity, the Town considered all potential component units and found that none exist.

C. Financial Statement Presentation

The financial condition and results of operations of the Town's funds are presented as of and for the year ended June 30, 2008. The accounting policies of the Town conform to GAAP.

D. Government-wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (i.e., the net assets and the statement of activities) and fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the Town. For the most part, the effect of interfund activities 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods services, or privileges provided by a certain function and 2) grants and contributions that are restricted to meeting the

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 1. Reporting Entity and Significant Accounting Policies (continued)

D. Government-wide and Fund Financial Statements (continued)

operational or capital requirements of a particular function. 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. GAAP requires that major individual governmental funds and major individual enterprise funds be reported as separate columns in the fund financial statements. The Town's general fund, water fund and sewer fund are reported as major funds. The Town reports the following fund financial statements:

Governmental Funds

General Fund - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other Governmental Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Water Fund - This fund is used to account for the Town's water operations.

Sewer Fund - This fund is used to account for the Town's sewer operations.

Fiduciary Funds

Agency Funds - These funds are used to report resources held by the Town in a purely custodial capacity (assets equal liabilities).

E. Measurement Focus and Basis of Accounting

The government-wide, propriety, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and propriety fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 1. Reporting Entity and Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting (continued)

both measurable and available. The Town considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes and interest associated with the current fiscal year are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

All governmental and business-type activities and enterprise funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

F. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

State 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 levels without collateralization by the financial institutions involved. The Town, with certain restrictions, can also purchase obligations of US Government or its agencies, repurchase agreements, money market funds and units of the Massachusetts Municipal Depository Trust (MMDT). The MMDT is an investment pool established by the State Treasurer that operates in accordance with appropriate state laws and regulations.

In addition, certain other governmental funds have additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

The Town pools cash to facilitate the management of cash. Each fund presents its pro rata share of the combined cash account as cash and cash equivalents in the accompanying basic financial statements. The Town has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent and deposits with the MMDT. Investments are reported at fair value.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Assets or Equity (continued)

b. Property Taxes

The Town is responsible for assessing and collecting property taxes in accordance with enabling state laws. Property taxes are determined, each year, on the full and fair cash value of taxable properties as of January 1st. The tax levy is divided into two billings and is payable on a quarterly basis. The first billing is an estimate of the current year's levy based on the prior year's taxes. 50% is due on August 1st and 50% is due on November 1st. The second billing reflects adjustments to the current year's actual levy with 50% due on February 1st and 50% due on May 1st. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2 1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2 %, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a Town-wide referendum vote.

c. Inventories

The costs of inventories are not material and the purchase methods are used in all funds.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the roadways and curbing assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Assets or Equity (continued)

d. Capital Assets (continued)

Capital assets are defined by the Town as assets with a initial, individual cost of more than \$10,000 and an estimated life in excess of three years. Such assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	7 - 20
Vehicles and equipment	3 - 10
Infrastructure	30 - 100

e. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated annual and sick leave absences. In the government-wide and proprietary fund financial statements, this liability is recognized when the associated benefit has been earned.

f. 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. Premiums received on debt issuance's are reported as other financing sources while discounts received on debt issuance's are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Assets or Equity (continued)

g. Fund Balances - Governmental Funds

In the fund financial statements, the fund balance of the governmental funds is divided into reserved and unreserved portions. Reservations of fund balance are required if resources are not available for spending or spending is legally restricted. The Town allocates fund balance as follows:

Reserved for Expenditures - This portion of fund balance is the amount Town Meeting has approved to fund the subsequent year's (fiscal year 2009) appropriations. This amount of fund balance is no longer available for appropriation. The Town had no amounts reserved for expenditures at June 30, 2008.

Reserved for Encumbrances and Continued Appropriations - This portion of fund balance represents the amount of unexpended appropriations carried forward to fiscal year 2009 for contracts that are still outstanding or for continuing special articles for projects that have not yet been completed.

Reserved for Other Specific Purposes - This portion of fund balance that is permanently restricted by trust agreements or state statute for Permanent Fund expenditures as well as for other miscellaneous purposes.

Unreserved Fund Balances (Undesignated) - In the general fund, this represents the amount available for appropriation. In the other governmental funds, this represents the excess or deficit of assets over liabilities and reserved fund balance.

h. Use of Estimates

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 2. Budgetary Information

Under the Town's by-laws, budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review. The Selectmen and the Finance Committee have until April, when the Town meeting is held, to make their recommendations regarding department requests. After approval of the budget at the annual Town meeting, the tax recapitulation 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. This process should generally be completed by November so the actual tax bills can be mailed by January 1, due and payable by the taxpayer on February 1.

The Town must establish its tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures, state and county assessments, and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenues and transfers projected to be received by the Town, including available funds.

The final Town budget as presented in the Budgetary Comparison Schedule - General Fund was developed as follows:

Charges to appropriations and transfers out	<u>\$20,720,659</u>
To be funded as follows:	
Budgeted revenue	\$19,245,647
Transfers from other funds	992,978
Allocation of surplus	<u>482,034</u>
Total funding (resources)	<u>\$20,720,659</u>

The Town's General Fund budget is prepared on a basis other than GAAP. The "actual" results column of the Budgetary Comparison Schedule - General Fund is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP bases are:

- a. Property tax revenues are recorded when the cash is received as opposed to when susceptible to accrual (GAAP);
- b. Encumbrances and continuing appropriations are recorded as expenditures (budgetary) as opposed to a reservation of fund balance (GAAP); and
- c. On behalf payment for state teacher's retirement system is recognized for GAAP only.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 2. Budgetary Information (continued)

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2008:

	<u>General Fund</u>
Excess (deficiency) of resources over charges to appropriations:	\$529,509
Adjustments:	
Record Revenues on a Modified Accrual Basis	(\$9,799)
Adjustment for Encumbrances and Continuing Appropriation Articles	<u>(\$23,203)</u>
Net changes in fund balances - GAAP Basis	<u>\$496,507</u>

Within the adopted budget a sum is allocated to provide funding for extraordinary or unforeseen expenditures. The Finance Committee can authorize transfers from this reserve fund. Any other modifications to the budget would require action by Town Meeting.

Note 3. Deposits and Investments

Cash Deposits

Custodial risk on cash deposits is the risk that in the event of a depository failure, the Town will not be able to recover the value of its deposits or collateral securities that are in the possession of the depository. At June 30, 2008, the Town's carrying amount of deposits was \$2,401,481 and the bank balance was \$2,469,196. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit. Of the bank balances, \$1,507,593 was covered by Federal Deposit Insurance Corporation or other state insurance. The remaining \$961,603 was not insured nor collateralized and therefore exposed to custodial risk.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 3. Deposits and Investments (continued)

Investments

At June 30, 2008, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US government and agency securities	2,127,266
Other fixed income securities	323,026
Securities	105,382
Pooled short-term investments:	
Money market funds	722,958
MMDT	<u>3,902,324</u>
Total investments	<u>7,180,956</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party 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.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy covering interest rate risk. The US government and agency securities investments have maturities as follows: \$151,844 from one to two years and \$1,975,423 from two to five years. Other fixed income securities consist of corporate bonds and federal home loan pools and all have maturities from two to five years.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The US government and agency securities investments are rated Aaa by Moody's Investor Services and AAA by Standard and Poor's and are not considered to have credit risk. Other fixed income securities have a rating of A to AA. Money market funds and MMDT are not rated as to credit risk. The Town does not have an investment policy which would limit its investment choices as to credit risk.

Concentration of credit risk – The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding US federal agency

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 3. Deposits and Investments (continued)

securities, and MMDT, there are no securities or issuers which represent more than 5% of the total investments of the governmental funds or governmental activities.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the time of real estate receipts, proceeds from borrowings, collection of state and federal receipts and capital outlays throughout the year.

Note 4. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$2,843,165	253,300	-	3,096,465
Construction in progress	<u>6,559,435</u>	<u>980,674</u>	<u>60,057</u>	<u>7,480,052</u>
Total capital assets not being depreciated	<u>9,402,600</u>	<u>1,233,974</u>	<u>60,057</u>	<u>10,576,517</u>
Capital assets being depreciated:				
Buildings and improvements	15,369,588	79,378	-	15,448,966
Equipment	5,419,941	168,534	268,976	5,319,499
Infrastructure	<u>39,904,335</u>	<u>1,959,023</u>	-	<u>41,863,358</u>
Total capital assets being depreciated	<u>60,693,864</u>	<u>2,206,935</u>	<u>268,976</u>	<u>62,631,823</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,978,951)	(396,791)	-	(5,375,742)
Equipment	(3,958,561)	(384,213)	(267,877)	(4,074,897)
Infrastructure	<u>(17,583,217)</u>	<u>(1,376,008)</u>	-	<u>(18,959,225)</u>
Total accumulated depreciation	<u>(26,520,729)</u>	<u>(2,157,012)</u>	<u>(267,877)</u>	<u>(28,409,864)</u>
Capital assets being depreciated, net	<u>34,173,135</u>	<u>49,923</u>	<u>1,099</u>	<u>34,221,959</u>
Total governmental activities capital assets, net	<u>\$43,575,735</u>	<u>1,283,897</u>	<u>61,156</u>	<u>44,798,476</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$35,159
Public safety	319,783
Education	344,169
Public works	1,453,088
Recreation and culture	<u>4,813</u>
Total governmental activities depreciation expense	<u>\$2,157,012</u>

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 4. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	\$97,500	-	-	97,500
Construction in progress	<u>4,431,017</u>	<u>22,948</u>	=	<u>4,453,965</u>
Total capital assets not being depreciated	<u>4,528,517</u>	<u>22,948</u>	=	<u>4,551,465</u>
Capital assets being depreciated:				
Buildings and improvements	11,544,312	10,988	-	11,555,300
Equipment	1,003,912	-	-	1,003,912
Infrastructure	<u>14,268,876</u>	=	-	<u>14,268,876</u>
Total capital assets being depreciated	<u>26,817,100</u>	<u>10,988</u>	=	<u>26,828,088</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,197,789)	(288,745)	-	(2,486,534)
Equipment	(138,276)	(33,898)	-	(172,174)
Infrastructure	<u>(2,592,125)</u>	<u>(356,722)</u>	=	<u>(2,948,847)</u>
Total accumulated depreciation	<u>(4,928,190)</u>	<u>(679,365)</u>	=	<u>(5,607,555)</u>
Capital assets being depreciated, net	<u>21,888,910</u>	<u>(668,377)</u>	=	<u>21,220,533</u>
Total governmental activities capital assets, net	<u>\$26,417,427</u>	<u>(645,429)</u>	=	<u>25,771,998</u>
Depreciation expense was charged to functions as follows:				
		<u>Business-type Activities</u>		
Water		\$0		
Sewer		<u>679,365</u>		
Total business-type activities depreciation expense		<u>\$679,365</u>		

Note 5. Long-term Obligations

The following is a summary of the changes in the Town's long-term obligation for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Landfill postclosure care costs	\$320,000	-	20,000	300,000	20,000
Compensated absences	373,240	-	23,803	349,437	235,280
Bonds payable	<u>3,947,000</u>	=	<u>388,000</u>	<u>3,559,000</u>	<u>383,000</u>
	<u>4,640,240</u>	=	<u>431,803</u>	<u>4,208,437</u>	<u>638,280</u>
Business-type activities:					
Bonds payable	<u>16,898,263</u>	=	<u>1,167,000</u>	<u>15,731,263</u>	<u>1,058,513</u>
	<u>\$16,898,263</u>	=	<u>1,167,000</u>	<u>15,731,263</u>	<u>1,058,513</u>

Town of Charlton, Massachusetts

Notes to the Financial Statements

June 30, 2008

Note 6. Short-term Debt

Subject to state laws, the Town is authorized to issue general obligation debt on a temporary basis. The following classes of short-term loans can be issued:

Tax anticipation notes (TANs) - This debt is issued to provide funding for operations during lean periods in a fiscal cycle. They are repaid from subsequent collections of taxes or other revenues.

Bond anticipation notes (BANs) - This debt is issued to provide initial funding for capital projects. They are redeemed from the proceeds from the sale of the bonds.

Grant anticipation notes (GANs) - This debt is issued to provide funding for projects in anticipation of reimbursement from federal or state grants. They are repaid from subsequent distributions from the federal or state agency.

Short-term debt activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond anticipation notes:				
Governmental activities:				
Town hall renovations	<u>\$48,000</u>		<u>48,000</u>	=
	<u>\$48,000</u>		<u>48,000</u>	=
Business-type activities:				
Water projects	<u>\$150,000</u>	<u>200,000</u>	<u>150,000</u>	<u>200,000</u>
	<u>\$150,000</u>	<u>200,000</u>	<u>150,000</u>	<u>200,000</u>

Note 7. Bonds Payable

The Town's indebtedness consists of general obligation serial notes issued between fiscal years 1997 and 2007 for funding various special projects. All bond issues must be approved by Town meeting. The outstanding governmental activities bonds were issued for a variety of capital purposes, the largest portion related to school construction. The outstanding business-type activities bonds were issued for various water and sewer purposes, the largest portion related to the expansion of sewer lines. The bonds bear interest from 0.0% to 5.25% and are due in various annual installments ranging through 2025.

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2008 are as follows:

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 7. Bonds Payable (continued)

Fiscal Year	Governmental Principal	Activities Interest	Business-type Principal	Activities Interest	Total Principal	Total Interest
2009	\$383,000	145,762	\$1,058,513	\$776,671	1,441,513	922,433
2010	373,000	128,640	1,090,023	726,027	1,463,023	854,667
2011	373,000	111,855	1,117,953	659,147	1,490,953	771,002
2012	270,000	95,070	1,145,849	606,879	1,415,849	701,949
2013	240,000	82,920	1,048,777	533,048	1,288,777	615,968
2014 - 2018	1,200,000	256,440	5,786,426	1,801,524	6,986,426	2,057,964
2019 - 2023	720,000	41,280	4,431,578	402,600	5,151,578	443,880
2024 - 2028	=	=	<u>52,144</u>	<u>1,471</u>	<u>52,144</u>	<u>1,471</u>
Totals	<u>\$3,559,000</u>	<u>861,967</u>	<u>15,731,263</u>	<u>5,507,367</u>	<u>19,290,263</u>	<u>6,369,334</u>

Of the total business-type activities future debt service requirements of \$21,238,630, the Town is scheduled to receive \$7,235,865 as a debt service subsidy from the Commonwealth of Massachusetts Water Pollution Abatement Trust. The amount of this reimbursement that is related to debt principal (\$3,844,016) has been recorded as an intergovernmental receivable in the financial statements. The reimbursement related to accrued interest payable on this debt is also recorded as an intergovernmental receivable.

The Town is subject to a dual level general debt limit; normal debt limit and double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations. As of June 30, 2008, the Town has \$15,731,263 of debt exempt from the Town's debt limit. The Town may issue an additional \$83,782,725 of debt within its legal debt limit.

At June 30, 2008, the Town also has authorized and unissued debt of \$615,958 for Town water, sewer and street light purposes.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Dudley-Charlton Regional School District, the Town's share of the Regional School's \$35,225,000 debt at June 30, 2008 (based on current assessment percentages) is 43% or \$15,257,738. Net of state school building reimbursements, the Town's required future payments on this debt will amount to \$4,915,099. Baypath Regional Vocational Technical High School has no debt as of June 30, 2008.

Town of Charlton, Massachusetts

Notes to the Financial Statements

June 30, 2008

Note 8. Pension Plans

Description of Plans

Town employees participate in two cost sharing, multiple employer defined benefit plans. The system is funded by contributions from participants, employer contributions and/or state appropriations. These systems are the Worcester Regional Retirement System, which covers most non-teaching employees and the Massachusetts Teachers Retirement System, which covers retired teachers for the period prior to full regionalization of the Town's schools.

Worcester Regional Retirement System:

Eligibility and Vesting - Employees of the Town who are employed on a basis which anticipates work at an annual rate to exceed 1040 hours are eligible to participate in the System. Employees are eligible immediately after the date of employment. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

Contributions - Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Retirement Benefits - The amount of normal monthly retirement benefit is equal to a percentage of the participant's average monthly compensation, determined based on age at retirement, the maximum being 2.5% at age 65, and based on the higher of the participant's (1) highest three consecutive years of compensation or (2) last three calendar years of employment preceding retirement whether or not such years are consecutive, multiplied by years of service, up to a maximum of 80% of the average monthly compensation as computed above or \$30,000 in annual compensation for participants who first became employed after January 1, 1979. Any cost-of-living adjustments granted since 1981 and any increase in other benefits imposed by state law after that year are borne by the Commonwealth of Massachusetts.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 8. Pension Plans (continued)

Other - Provisions exist in the plan for cost of living adjustments and disability benefits.

Town Contributions Required and Made - The Town is assessed annually for their share of system. The Town was assessed and paid \$336,627 in 2006, \$401,284 in 2007 and \$442,077 in 2008. These amounts represent approximately 2% of system wide employer assessments for these years.

Trend Information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. A copy of this report is available from the system.

Massachusetts Teachers Retirement System

Eligibility and Vesting - The Town has retired employees covered by the Massachusetts Teachers Retirement System for the period prior to full regionalization of the Town's schools. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

Contributions - Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; and 8% if first employed on or after January 1, 1984. Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Other - Provisions exist in the plan for cost of living adjustments and disability benefits.

Town Contributions Required and Made - The Town is not required to contribute to this plan. State appropriations are made annually to fund system costs. For the fiscal year ended June 30, 2008, the state did not make a contribution to this plan on behalf of the Town.

Trend Information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. A copy of this report is available from the system.

Town of Charlton, Massachusetts

Notes to the Financial Statements
June 30, 2008

Note 9. Post-Retirement Benefits

In addition to the pension benefits previously described, the Town provides for certain health care benefits in accordance with Massachusetts General Law Chapter 32B, to employees who retire in accordance with various predetermined years of service and under various age requirements. These benefits are provided through the Town's health insurance plans, at 50% of the applicable plan rate. For the fiscal year ended June 30, 2008, the Town contributed \$116,389 towards post-retirement health care benefits for approximately 35 retirees.

Note 10. Risk Management

Lawsuits may be pending or threatened against the Town, which arise from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Town's attorney estimates that potential claims against the Town, not covered by insurance, resulting from such litigation, would not materially affect the general-purpose financial statements.

The Town receives some financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and may be subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Town.

TOWN OF CHARLTON, MASSACHUSETTS

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 1,800,966	232,833	69,491	2,103,290
Investments	24,521	426,388	331,835	782,744
Receivables:				
Departmental	657,462	-	-	657,462
Due from other governments	4,130	-	-	4,130
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>2,487,079</u>	<u>659,221</u>	<u>401,326</u>	<u>3,547,626</u>
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 47,884	69,060	587	117,531
Deferred revenue	661,592	-	-	661,592
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>709,476</u>	<u>69,060</u>	<u>587</u>	<u>779,123</u>
 <u>Fund Balances:</u>				
Unreserved	<u>1,777,603</u>	<u>590,161</u>	<u>400,739</u>	<u>2,768,503</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,777,603</u>	<u>590,161</u>	<u>400,739</u>	<u>2,768,503</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>2,487,079</u>	<u>659,221</u>	<u>401,326</u>	<u>3,547,626</u>

TOWN OF CHARLTON, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:				
Departmental charges for services	\$ 1,096,777	-	8,425	1,105,202
Intergovernmental	718,882	241,332	-	960,214
Investment income	2,151	21,769	16,110	40,030
Other	31,080	288,333	707	320,120
	<u>1,848,890</u>	<u>551,434</u>	<u>25,242</u>	<u>2,425,566</u>
Total revenues				
Expenditures:				
Current:				
General government	139,949	-	-	139,949
Public safety	133,876	-	-	133,876
Education	14,236	-	-	14,236
Public works	30	-	-	30
Human services	132,664	-	-	132,664
Recreation and culture	54,829	-	27,631	82,460
Capital Outlay	567,589	696,469	-	1,264,058
	<u>1,043,173</u>	<u>696,469</u>	<u>27,631</u>	<u>1,767,273</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	805,717	(145,035)	(2,389)	658,293
Other financing sources (uses):				
Operating transfers in	125,000	58,000	-	183,000
Operating transfers out	(868,139)	(29,405)	-	(897,544)
	<u>(743,139)</u>	<u>28,595</u>	<u>-</u>	<u>(714,544)</u>
Total other financing sources (uses)				
Net changes in fund balances	62,578	(116,440)	(2,389)	(56,251)
Fund balance, beginning of year	<u>1,715,025</u>	<u>706,601</u>	<u>403,128</u>	<u>2,824,754</u>
Fund balance, end of year	<u>\$ 1,777,603</u>	<u>590,161</u>	<u>400,739</u>	<u>2,768,503</u>