

***TOWN OF BILLERICA, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***FISCAL YEAR ENDED JUNE 30, 2011***

TOWN OF BILLERICA, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Billerica, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Billerica, Massachusetts, as of and for the fiscal year ended June 30, 2011, 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 Billerica, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Billerica, Massachusetts, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2012, on our consideration of the Town of Billerica, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, the retirement system schedules of funding progress and employer contributions, and the other postemployment benefits plan schedules of funding progress, employer contributions and actuarial methods and assumptions, located after the notes to the basic financial statements are not a required part of the basic financial statements but are supplementary information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

March 5, 2012

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# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Billerica, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in this report.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Billerica's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund based) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, and interest.

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

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

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund is considered a major fund for presentation purposes. The major funds are presented in separate columns in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

**Proprietary funds.** The Town maintains two types of proprietary funds.

*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 operations.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for self-insured health insurance 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 statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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

**Financial Highlights.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Billerica's governmental assets exceeded liabilities for governmental activities by \$60.6 million and the business-type assets exceed liabilities by \$64.2 million at the close of the most recent fiscal year. Key components of the Town's activities are presented below.

**Governmental Activities**

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Current assets.....	\$ 47,285,748	\$ 43,396,239
Capital assets.....	<u>72,892,724</u>	<u>64,902,579</u>
<b>Total assets.....</b>	<b>120,178,472</b>	<b>108,298,818</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	9,305,026	5,077,162
Noncurrent liabilities (excluding debt).....	32,226,000	21,133,671
Current debt.....	7,587,800	9,552,184
Noncurrent debt.....	<u>10,449,725</u>	<u>9,205,525</u>
<b>Total liabilities.....</b>	<b>59,568,551</b>	<b>44,968,542</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	55,733,061	52,044,870
Restricted.....	2,707,933	2,146,816
Unrestricted.....	<u>2,168,927</u>	<u>9,138,590</u>
<b>Total net assets.....</b>	<b>\$ <u>60,609,921</u></b>	<b>\$ <u>63,330,276</u></b>

Governmental net assets of \$55.7 million (92%) reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets, \$2.7 million (4%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$2.2 million (4%), may be used to meet the government's ongoing obligations to citizens and creditors.

	<u>2011</u>	<u>2010</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 8,370,925	\$ 7,708,796
Operating grants and contributions.....	39,025,781	38,006,452
Capital grants and contributions.....	3,610,514	3,229,424
<b>General Revenues:</b>		
Real estate and personal property taxes.....	91,869,868	86,166,415
Tax liens.....	1,104,506	1,512,887
Motor vehicle and other excise taxes.....	5,382,334	5,310,951
Penalties and interest on taxes.....	481,096	455,925
Payments in Lieu of taxes.....	132,791	184,160
Nonrestricted grants.....	4,925,266	5,130,485
Unrestricted investment income.....	422,509	215,087
<b>Total revenues.....</b>	<u>155,325,590</u>	<u>147,920,582</u>
<b>Expenses:</b>		
General Government.....	7,171,695	6,847,284
Public Safety.....	24,374,706	24,146,414
Education.....	101,122,133	98,338,588
Public Works.....	10,025,406	9,637,540
Human Services.....	1,949,841	1,833,798
Culture and Recreation.....	4,331,375	4,146,799
Interest.....	683,824	429,810
<b>Total expenses.....</b>	<u>149,658,980</u>	<u>145,380,233</u>
<b>Excess (Deficiency) before transfers.....</b>	5,666,610	2,540,349
<b>Transfers.....</b>	<u>(8,386,965)</u>	<u>(8,373,744)</u>
<b>Change in net assets.....</b>	<u>\$ (2,720,355)</u>	<u>\$ (5,833,395)</u>

Governmental activities decreased the Town's net assets by (\$2.7 million) during the current fiscal year.

Total revenues increased by \$7.4 million. The main components of the increase were real estate and operating grant income which increased by \$5.7 million and \$1 million, respectively.

The increase in operating grants is attributable to an increase of \$843,000 relating to on-behalf payments recognized for the Town's share of teacher pension contributions.

The increase in real estate revenue is attributable to the Town realizing additional collections for amounts owed on prior fiscal year tax commitments. The additional receipts were realized as a result of the Town's efforts to collect tax assessments from property owners prior to placing liens on the property.

Expenses increased \$4.3 million mainly due to a \$415,000 increase in state and county charges that mainly affected amounts paid for charter school assessments. In addition, there was a \$2.8 million increase in pension, employee benefits and other postemployment benefit obligations that has been allocated across all functional categories.

The governmental activities supported the operations of the water and sewer enterprise funds in the form of \$7.7 million in transfers to cover operating losses.

**Business-type Activities**

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Current assets.....	\$ 11,224,927	\$ 12,359,544
Noncurrent assets (excluding capital).....	5,290,674	5,579,646
Capital assets not being depreciated.....	716,021	15,093,637
Capital assets, net of accumulated depreciation.....	<u>115,181,717</u>	<u>101,773,282</u>
<b>Total assets</b> .....	<u>132,413,339</u>	<u>134,806,109</u>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,530,620	1,922,061
Noncurrent liabilities (excluding debt).....	2,827,000	1,857,882
Current debt.....	5,132,718	8,637,693
Noncurrent debt.....	<u>58,681,537</u>	<u>59,695,577</u>
<b>Total liabilities</b> .....	<u>68,171,875</u>	<u>72,113,213</u>
<b>Net Assets:</b>		
Capital assets net of related debt.....	65,369,698	63,324,418
Unrestricted.....	<u>(1,128,234)</u>	<u>(631,522)</u>
<b>Total net assets</b> .....	<u>\$ 64,241,464</u>	<u>\$ 62,692,896</u>

Water and sewer business-type activities assets exceeded liabilities by \$64.2 million at the close of fiscal year 2011. Capital assets, net of related debt, were \$65.4 million while unrestricted net assets were \$(1.1 million).

	<u>2011</u>	<u>2010</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 8,690,359	\$ 6,416,455
Operating grants and contributions.....	764,621	799,569
Capital grants and contributions.....	<u>-</u>	<u>1,867,696</u>
<b>Total revenues</b> .....	<u>9,454,980</u>	<u>9,083,720</u>
<b>Expenses:</b>		
Water.....	8,048,738	7,622,355
Sewer.....	<u>8,244,639</u>	<u>7,791,486</u>
<b>Total expenses</b> .....	<u>16,293,377</u>	<u>15,413,841</u>
<b>Excess (Deficiency) before transfers</b> .....	(6,838,397)	(6,330,121)
<b>Transfers</b> .....	<u>8,386,965</u>	<u>8,373,744</u>
<b>Change in net assets</b> .....	<u>\$ 1,548,568</u>	<u>\$ 2,043,623</u>

During the current fiscal year the general fund transferred \$7.7 million of operating activity to the water and sewer funds.

The business-type activities show a (\$6.9) million deficit before transfers and operating contributions. The operating deficits primarily relates to the fact that charges for services for the water enterprise fund and the sewer enterprise are not set to recover the respective operating and interest costs. The general fund currently subsidizes the operating deficits.

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

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Fiscal year 2011 was the Town's initial year of implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the Town's stabilization fund is reported within the general fund as unassigned.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$18.0 million, a net increase of \$1.2 million from the prior year. The increase is due to increases in the general fund of \$3.7 million, and non major funds of \$3.5 million; offset by a \$6.0 million decrease in the MSBA Parker School fund.

#### ***General Fund***

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16.0 million, while total fund balance was \$17 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 12.5% of total general fund expenditures, while total fund balance represents approximately 13.3% of that same amount.

Fund balance of the general fund increased \$3.7 million from the prior year. This increase is primarily due to favorable budgetary results of realizing higher than expected revenues and lower than expected expenditures.

#### ***MSBA Parker School***

This fund accounts for, and reports the results of operations for, activities relating to the construction of the new Parker School. Fund balance decreased by \$6.0 million during the fiscal year. The decrease is attributable to the Town having incurred construction costs in excess of grant revenues. The deficit will be funded by future grant proceeds and issuance of long term debt.

## ***General Fund Budgetary Highlights***

The Town of Billerica adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Actual revenues came in more than budget by \$3.8 million, primarily due to the collection of \$1.2 million of unbudgeted tax lien receipts, as well as departmental revenues which were higher by \$1.2 million. Departmental revenues were higher than budget due to higher than expected building permit fees and ambulance user charge receipts.

Actual expenditures and carryovers were less than budgeted expenditures by approximately \$1.4 million due to large turn-backs in the public safety, general government, and employee benefit appropriations.

The Town has carried over approximately \$1.1 million in appropriations to fiscal year 2012.

## ***Capital Asset and Debt Administration***

In conjunction with the operating budget, the Town annually prepares capital budgets for each upcoming fiscal year.

The majority of the current fiscal year's business-type capital asset activity relates to \$2.4 million of improvements to the wastewater treatment facility. The facility was placed in service during the fiscal year; and accordingly all amounts previously capitalized as construction in progress are now recorded as infrastructure. Total capital assets net of accumulated depreciation was \$115.9 million at the end of fiscal year 2011.

The Town's governmental major capital activity related to \$8.5 million of construction costs relative to the new Parker School building project. Other governmental additions included \$1.3 million of Chapter 90 roadway upgrade costs, as well as \$428,000 for new public safety and public works vehicles. The funding for these capital expenditures came from the issuance of long-term bonds, general fund appropriations, and capital grants from the Commonwealth. Total capital assets net of accumulated depreciation was \$72.9 million at the end of fiscal year 2011.

Outstanding long-term debt, as of June 30, 2011, totaled \$76.2 million, of which \$64.1 million relates to various water and sewer projects, and \$12.1 million relates to various school and general governmental projects.

## ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Billerica's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 365 Boston Road, Billerica, Massachusetts 01821.

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# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2011

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 32,976,547	\$ 7,973,514	\$ 40,950,061
Investments.....	1,734,914	-	1,734,914
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,290,206	-	1,290,206
Tax liens.....	3,760,615	-	3,760,615
Motor vehicle and other excise taxes.....	562,916	-	562,916
Water fees.....	-	1,419,753	1,419,753
Sewer fees.....	-	1,158,850	1,158,850
Departmental and other.....	392,236	-	392,236
Intergovernmental.....	4,588,071	672,810	5,260,881
Working capital deposit.....	78,100	-	78,100
Tax foreclosures.....	1,902,143	-	1,902,143
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	5,290,674	5,290,674
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	31,439,566	716,021	32,155,587
Depreciable.....	41,453,158	115,181,717	156,634,875
<b>TOTAL ASSETS.....</b>	<b>120,178,472</b>	<b>132,413,339</b>	<b>252,591,811</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	4,161,570	342,760	4,504,330
Accrued payroll.....	1,060,969	133,371	1,194,340
Health claims payable.....	1,137,000	-	1,137,000
Tax refunds payable.....	1,139,000	-	1,139,000
Accrued interest.....	124,138	788,489	912,627
Other liabilities.....	144,247	-	144,247
Advance collections.....	138,102	-	138,102
Compensated absences.....	1,400,000	266,000	1,666,000
Notes payable.....	5,900,000	-	5,900,000
Bonds payable.....	1,687,800	5,132,718	6,820,518
<b>NONCURRENT:</b>			
Compensated absences.....	1,756,000	362,000	2,118,000
Other postemployment benefits.....	30,470,000	2,465,000	32,935,000
Bonds payable.....	10,449,725	58,681,537	69,131,262
<b>TOTAL LIABILITIES.....</b>	<b>59,568,551</b>	<b>68,171,875</b>	<b>127,740,426</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	55,733,061	65,369,698	121,102,759
Restricted for:			
Permanent funds:			
Expendable.....	46,093	-	46,093
Nonexpendable.....	1,449,263	-	1,449,263
Grants and gifts.....	1,212,577	-	1,212,577
Unrestricted.....	2,168,927	(1,128,234)	1,040,693
<b>TOTAL NET ASSETS.....</b>	<b>\$ 60,609,921</b>	<b>\$ 64,241,464</b>	<b>\$ 124,851,385</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 7,171,695	\$ 1,301,618	\$ 47,317	\$ -	\$ (5,822,760)
Public safety.....	24,374,706	2,335,145	438,475	7,427	(21,593,659)
Education.....	101,122,133	3,269,672	37,936,374	2,520,061	(57,396,026)
Public works.....	10,025,406	441,595	211,515	1,083,026	(8,289,270)
Human services.....	1,949,841	228,705	343,943	-	(1,377,193)
Culture and recreation.....	4,331,375	794,190	48,157	-	(3,489,028)
Interest.....	683,824	-	-	-	(683,824)
<b>Total Primary Government.....</b>	<b>149,658,980</b>	<b>8,370,925</b>	<b>39,025,781</b>	<b>3,610,514</b>	<b>(98,651,760)</b>
<i>Business-Type Activities:</i>					
Water.....	8,048,738	4,921,466	764,621	-	(2,362,651)
Sewer.....	8,244,639	3,768,893	-	-	(4,475,746)
<b>Total Business-Type Activities.....</b>	<b>16,293,377</b>	<b>8,690,359</b>	<b>764,621</b>	<b>-</b>	<b>(6,838,397)</b>
<b>Total Primary Government.....</b>	<b>\$ 165,952,357</b>	<b>\$ 17,061,284</b>	<b>\$ 39,790,402</b>	<b>\$ 3,610,514</b>	<b>\$ (105,490,157)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(98,651,760)</b>	\$ <b>(6,838,397)</b>	\$ <b>(105,490,157)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds.....	91,869,868	-	91,869,868
Tax liens.....	1,104,506	-	1,104,506
Motor vehicle and other excise taxes.....	5,382,334	-	5,382,334
Penalties and interest on taxes.....	481,096	-	481,096
Payments in lieu of taxes.....	132,791	-	132,791
Grants and contributions not restricted to specific programs.....	4,925,266	-	4,925,266
Unrestricted investment income.....	422,509	-	422,509
<i>Transfers, net</i> .....	<u>(8,386,965)</u>	<u>8,386,965</u>	<u>-</u>
Total general revenues and transfers.....	<u>95,931,405</u>	<u>8,386,965</u>	<u>104,318,370</u>
Change in net assets.....	(2,720,355)	1,548,568	(1,171,787)
<i>Net Assets:</i>			
Beginning of year.....	<u>63,330,276</u>	<u>62,692,896</u>	<u>126,023,172</u>
End of year.....	<u>\$ 60,609,921</u>	<u>\$ 64,241,464</u>	<u>\$ 124,851,385</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2011

<b>ASSETS</b>	General	MSBA Parker School	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 18,500,471	\$ 1,581,786	\$ 6,684,611	\$ 26,766,868
Investments.....	1,370,582	-	364,332	1,734,914
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,290,206	-	-	1,290,206
Tax liens.....	3,760,615	-	-	3,760,615
Motor vehicle and other excise taxes.....	562,916	-	-	562,916
Departmental and other.....	392,236	-	-	392,236
Intergovernmental.....	-	1,846,068	2,742,003	4,588,071
Tax foreclosures.....	1,902,143	-	-	1,902,143
<b>TOTAL ASSETS.....</b>	<b>\$ 27,779,169</b>	<b>\$ 3,427,854</b>	<b>\$ 9,790,946</b>	<b>\$ 40,997,969</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 673,159	\$ 3,488,411	\$ -	\$ 4,161,570
Accrued payroll.....	1,060,969	-	-	1,060,969
Tax refunds payable.....	1,139,000	-	-	1,139,000
Other liabilities.....	144,247	-	-	144,247
Deferred revenues and advance collections.....	7,698,151	-	2,880,105	10,578,256
Notes payable.....	-	5,900,000	-	5,900,000
<b>TOTAL LIABILITIES.....</b>	<b>10,715,526</b>	<b>9,388,411</b>	<b>2,880,105</b>	<b>22,984,042</b>
<b>FUND BALANCES:</b>				
Nonspendable.....	-	-	1,449,263	1,449,263
Restricted.....	-	-	6,915,650	6,915,650
Assigned.....	1,051,552	-	-	1,051,552
Unassigned.....	16,012,091	(5,960,557)	(1,454,072)	8,597,462
<b>TOTAL FUND BALANCES.....</b>	<b>17,063,643</b>	<b>(5,960,557)</b>	<b>6,910,841</b>	<b>18,013,927</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 27,779,169</b>	<b>\$ 3,427,854</b>	<b>\$ 9,790,946</b>	<b>\$ 40,997,969</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2011

Total governmental fund balances.....		\$ 18,013,927
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		72,892,724
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		10,440,154
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		5,150,779
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(124,138)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(12,137,525)	
Compensated absences.....	(3,156,000)	
Other post-employment benefits.....	<u>(30,470,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(45,763,525)</u>
Net assets of governmental activities.....		<u>\$ 60,609,921</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2011

	General	MSBA Parker School	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 91,634,958	\$ -	\$ -	\$ 91,634,958
Tax liens.....	1,241,820	-	-	1,241,820
Motor vehicle and other excise taxes.....	5,272,425	-	-	5,272,425
Charges for services.....	-	-	399,995	399,995
Intergovernmental.....	38,508,844	2,520,060	7,462,097	48,491,001
Departmental and other.....	3,770,450	-	3,820,101	7,590,551
Contributions.....	-	-	47,680	47,680
Investment income.....	354,117	-	65,249	419,366
<b>TOTAL REVENUES.....</b>	<b>140,782,614</b>	<b>2,520,060</b>	<b>11,795,122</b>	<b>155,097,796</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	3,910,425	-	582,803	4,493,228
Public safety.....	14,506,652	-	353,297	14,859,949
Education.....	56,548,098	8,480,617	7,531,151	72,559,866
Public works.....	7,243,782	-	1,811,244	9,055,026
Human services.....	1,185,697	-	300,420	1,486,117
Culture and recreation.....	1,702,149	-	1,394,038	3,096,187
Pension benefits.....	21,268,044	-	-	21,268,044
Employee benefits.....	12,941,862	-	-	12,941,862
Building Insurance.....	895,127	-	-	895,127
State and county charges.....	5,575,757	-	-	5,575,757
Debt service:				
Principal.....	1,491,184	-	-	1,491,184
Interest.....	681,015	-	-	681,015
<b>TOTAL EXPENDITURES.....</b>	<b>127,949,792</b>	<b>8,480,617</b>	<b>11,972,953</b>	<b>148,403,362</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>12,832,822</b>	<b>(5,960,557)</b>	<b>(177,831)</b>	<b>6,694,434</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of long-term debt.....	-	-	2,932,000	2,932,000
Operating activity transferred out to enterprise funds.....	(7,679,296)	-	-	(7,679,296)
Transfers in.....	156,929	-	1,201,000	1,357,929
Transfers out.....	(1,601,000)	-	(464,598)	(2,065,598)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(9,123,367)</b>	<b>-</b>	<b>3,668,402</b>	<b>(5,454,965)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>3,709,455</b>	<b>(5,960,557)</b>	<b>3,490,571</b>	<b>1,239,469</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, (as revised).....</b>	<b>13,354,188</b>	<b>-</b>	<b>3,420,270</b>	<b>16,774,458</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 17,063,643</b>	<b>\$ (5,960,557)</b>	<b>\$ 6,910,841</b>	<b>\$ 18,013,927</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds.....	\$	1,239,469
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		11,063,703
Depreciation expense.....		<u>(3,073,558)</u>
Net effect of reporting capital assets.....		7,990,145
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		224,650
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets.</p>		
Issuance from bonds and notes.....		(2,932,000)
Debt service principal payments.....		<u>1,491,184</u>
Net effect of reporting long-term debt.....		(1,440,816)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in other postemployment benefits accrual.....		(11,013,329)
Net change in compensated absences accrual.....		(273,000)
Net change in accrued interest on long-term debt.....		<u>(2,809)</u>
Net effect of recording long-term liabilities.....		(11,289,138)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>555,335</u>
Change in net assets of governmental activities.....	\$	<u><u>(2,720,355)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 7,632,742	\$ 340,772	\$ 7,973,514	\$ 6,209,679
Receivables, net of allowance for uncollectibles:				
Water fees.....	1,419,753	-	1,419,753	-
Sewer fees.....	-	1,158,850	1,158,850	-
Intergovernmental.....	288,972	383,838	672,810	-
Working capital deposit.....	-	-	-	78,100
Total current assets.....	<u>9,341,467</u>	<u>1,883,460</u>	<u>11,224,927</u>	<u>6,287,779</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	5,290,674	-	5,290,674	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	65,957	650,064	716,021	-
Depreciable.....	<u>44,449,349</u>	<u>70,732,368</u>	<u>115,181,717</u>	<u>-</u>
Total noncurrent assets.....	<u>49,805,980</u>	<u>71,382,432</u>	<u>121,188,412</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u><b>59,147,447</b></u>	<u><b>73,265,892</b></u>	<u><b>132,413,339</b></u>	<u><b>6,287,779</b></u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	247,127	95,633	342,760	-
Accrued payroll.....	85,069	48,302	133,371	-
Health claims payable.....	-	-	-	1,137,000
Accrued interest.....	514,099	274,390	788,489	-
Compensated absences.....	133,000	133,000	266,000	-
Bonds payable.....	<u>2,360,987</u>	<u>2,771,731</u>	<u>5,132,718</u>	<u>-</u>
Total current liabilities.....	<u>3,340,282</u>	<u>3,323,056</u>	<u>6,663,338</u>	<u>1,137,000</u>
<b>NONCURRENT:</b>				
Compensated absences.....	187,000	175,000	362,000	-
Other postemployment benefits.....	1,108,000	1,357,000	2,465,000	-
Bonds payable.....	<u>26,826,996</u>	<u>31,854,541</u>	<u>58,681,537</u>	<u>-</u>
Total noncurrent liabilities.....	<u>28,121,996</u>	<u>33,386,541</u>	<u>61,508,537</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>31,462,278</b></u>	<u><b>36,709,597</b></u>	<u><b>68,171,875</b></u>	<u><b>1,137,000</b></u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	27,888,928	37,480,770	65,369,698	-
Unrestricted.....	<u>(203,759)</u>	<u>(924,475)</u>	<u>(1,128,234)</u>	<u>5,150,779</u>
<b>TOTAL NET ASSETS.....</b>	<u><b>\$ 27,685,169</b></u>	<u><b>\$ 36,556,295</b></u>	<u><b>\$ 64,241,464</b></u>	<u><b>\$ 5,150,779</b></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
<b><u>OPERATING REVENUES:</u></b>				
Employee contributions .....	\$ -	\$ -	\$ -	\$ 4,068,196
Employer contributions .....	-	-	-	11,708,175
Charges for services .....	4,784,166	3,768,893	8,553,059	-
Other.....	137,300	-	137,300	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>4,921,466</b>	<b>3,768,893</b>	<b>8,690,359</b>	<b>15,776,371</b>
<b><u>OPERATING EXPENSES:</u></b>				
Cost of services and administration .....	5,388,653	5,144,908	10,533,561	-
Depreciation.....	1,301,264	2,057,835	3,359,099	-
Employee benefits .....	-	-	-	15,224,180
<b>TOTAL OPERATING EXPENSES .....</b>	<b>6,689,917</b>	<b>7,202,743</b>	<b>13,892,660</b>	<b>15,224,180</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(1,768,451)</b>	<b>(3,433,850)</b>	<b>(5,202,301)</b>	<b>552,191</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>				
Investment income.....	-	-	-	3,144
Interest expense.....	(1,358,821)	(1,041,896)	(2,400,717)	-
MWPAT interest subsidy.....	764,621	-	764,621	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(594,200)</b>	<b>(1,041,896)</b>	<b>(1,636,096)</b>	<b>3,144</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....</b>	<b>(2,362,651)</b>	<b>(4,475,746)</b>	<b>(6,838,397)</b>	<b>555,335</b>
<b>OPERATING CONTRIBUTIONS.....</b>	<b>3,056,329</b>	<b>4,622,967</b>	<b>7,679,296</b>	<b>-</b>
<b><u>TRANSFERS:</u></b>				
Transfers in.....	-	707,669	707,669	-
<b>CHANGE IN NET ASSETS.....</b>	<b>693,678</b>	<b>854,890</b>	<b>1,548,568</b>	<b>555,335</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>26,991,491</b>	<b>35,701,405</b>	<b>62,692,896</b>	<b>4,595,444</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 27,685,169</b>	<b>\$ 36,556,295</b>	<b>\$ 64,241,464</b>	<b>\$ 5,150,779</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 4,477,989	\$ 3,305,391	\$ 7,783,380	\$ -
Receipts from interfund services provided.....	-	-	-	15,776,371
Payments to vendors.....	(3,686,777)	(3,915,062)	(7,601,839)	-
Payments to employees.....	(1,143,745)	(759,287)	(1,903,032)	-
Payments for interfund services used.....	-	-	-	(15,097,580)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>(352,533)</b>	<b>(1,368,958)</b>	<b>(1,721,491)</b>	<b>678,791</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in.....	-	707,669	707,669	-
Operating contributions.....	3,056,329	4,622,967	7,679,296	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>3,056,329</b>	<b>5,330,636</b>	<b>8,386,965</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	732,000	4,849,706	5,581,706	-
Acquisition and construction of capital assets.....	-	(2,805,997)	(2,805,997)	-
Principal payments on bonds and notes.....	(2,697,541)	(5,275,016)	(7,972,557)	-
Interest expense.....	(617,290)	(1,053,740)	(1,671,030)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(2,582,831)</b>	<b>(4,285,047)</b>	<b>(6,867,878)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income.....	-	-	-	3,144
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>120,965</b>	<b>(323,369)</b>	<b>(202,404)</b>	<b>681,935</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>7,511,777</b>	<b>664,141</b>	<b>8,175,918</b>	<b>5,527,744</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 7,632,742</b>	<b>\$ 340,772</b>	<b>\$ 7,973,514</b>	<b>\$ 6,209,679</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ (1,768,451)	\$ (3,433,850)	\$ (5,202,301)	\$ 552,191
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,301,264	2,057,835	3,359,099	-
Changes in assets and liabilities:				
Water fees.....	(443,477)	-	(443,477)	-
Sewer fees.....	-	(463,502)	(463,502)	-
Working capital deposit.....	-	-	-	(3,400)
Warrants payable.....	74,071	(53,728)	20,343	-
Accrued payroll.....	23,284	(55)	23,229	-
Health claims payable.....	-	-	-	130,000
Accrued compensated absences.....	70,000	47,000	117,000	-
Other postemployment benefits.....	390,776	477,342	868,118	-
Total adjustments.....	1,415,918	2,064,892	3,480,810	126,600
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ (352,533)</b>	<b>\$ (1,368,958)</b>	<b>\$ (1,721,491)</b>	<b>\$ 678,791</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 1,325,862	\$ 1,331,762
<b>LIABILITIES</b>		
Liabilities due depositors.....	-	1,331,762
<b>NET ASSETS</b>		
Held in trust for private purposes.....	\$ 1,325,862	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>
<b><u>ADDITIONS:</u></b>	
Contributions:	
Private donations.....	\$ 126,472
Net investment income:	
Interest.....	<u>132,185</u>
TOTAL ADDITIONS.....	<u>258,657</u>
<b><u>DEDUCTIONS:</u></b>	
Educational scholarships.....	<u>139,450</u>
CHANGE IN NET ASSETS.....	119,207
NET ASSETS AT BEGINNING OF YEAR.....	<u>1,206,655</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 1,325,862</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Billerica, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

**A. Reporting Entity**

The Town of Billerica is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has determined that there are no component units.

**B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

*Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service and fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *MSBA Parker School fund* is used to account for the activity relating to the Parker School Construction project.

The non-major governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operations within the water department.

The *sewer enterprise fund* is used to account for the financial activity that occurs as a result of the ongoing operations within the sewer department.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

The *agency fund* is primarily used to account for public works and planning board performance bonds and police detail activity but also accounts for any asset that is held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### *Government-Wide and Fund Financial Statements*

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

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on July 1<sup>st</sup> and January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Tax liens are processed within 30 days of the close of the following fiscal year end for all taxes that are considered delinquent at that time. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectible accounts is estimated based on historical trends and specific account analysis.

### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

### ***Sewer***

User fees are levied three time a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

### ***Water***

User fees are levied three time a year in December, March, and August based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

## **F. Inventories**

### ***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

**G. Capital Assets**

*Government-Wide Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in process) are depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-30
Buildings.....	20-40
Vehicles.....	5-15
Machinery and equipment.....	5-10
Infrastructure.....	40-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

**H. Interfund Receivables and Payables**

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

*Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

*Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the statement of activities as “Transfers, net”.

*Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts. Only investment earnings may be expended from this category.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Grants and gifts” – represents amounts held for school and other Town grants, and for gift funds.

*Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

L. Long-term debt*Government-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary fund operations is voluntarily assigned and transferred to the general fund.

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

*Government-Wide Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

O. Individual Fund Deficits

There are individual fund deficits within the Special Revenue and Capital Project Funds that will be funded through grants, bond proceeds and available fund balance during fiscal 2012.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Q. Total Column*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At fiscal year-end, the carrying amount of deposits totaled \$35,363,687 and the bank balance totaled \$36,611,195. Of the bank balance, \$7,053,847 was covered by Federal Depository Insurance, \$1,116,685 was covered by the Share Insurance Fund insurance, \$24,751,730 was collateralized, and \$3,688,933 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Share Insurance Fund (SIF) is a private fund owned by the member co-operative banks, which insures all deposits at co-operative banks in Massachusetts above Federal Deposit Insurance Corporation (FDIC) limits.

The Town's investment policy addresses custodial credit risk of deposits by establishing the following policy: The Town will not have on deposit with a single financial institution more than 60% of the institutions total equity presented on the specific institution's annual audited financial statements. Additionally, no single bank or bank holding company shall hold in excess of 75% of the Treasurer's cash balance for greater than three consecutive days.

Investments

As of June 30, 2011, the Town had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Under 1 Year</b>	<b>Maturity 1-5 Years</b>	<b>Rating</b>
<u>Debt Securities</u>				
U.S. Government Agencies.....	\$ 1,329,239	\$ -	\$ 1,329,239	AAA
Corporate Bonds.....	405,675	405,675	-	AAA
Total Debt Securities.....	1,734,914	<u>405,675</u>	<u>1,329,239</u>	
<u>Other Investments</u>				
Money Market Mutual Funds.....	8,230,108			
MMDT.....	13,890			
Total Investments.....	<u>\$ 9,978,912</u>			

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments of \$1,329,239 in United States Government Enterprises and \$405,675 in Corporate Bonds are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. Excluding investments in United States Government Agency bonds, United States Treasury Notes, and MMDT, no more than 75% of the Town's total investment portfolio will be held by any single financial institution.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

### Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

### Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. At June 30, 2011, the Town's did not maintain investments requiring concentration of credit risk disclosure.

## **NOTE 3 – RECEIVABLES**

At June 30, 2011, receivables for the individual major and the non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,598,916	\$ (308,710)	\$ 1,290,206
Tax liens.....	3,760,615	-	3,760,615
Motor vehicle and other excise taxes.....	1,280,143	(717,227)	562,916
Departmental and other.....	783,236	(391,000)	392,236
Intergovernmental.....	4,588,071	-	4,588,071
	<u>12,010,981</u>	<u>(1,416,937)</u>	<u>10,594,044</u>
Total.....	\$ <u>12,010,981</u>	\$ <u>(1,416,937)</u>	\$ <u>10,594,044</u>

At June 30, 2011, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 1,419,753	\$ -	\$ 1,419,753
Intergovernmental.....	5,963,484	-	5,963,484
Sewer fees.....	1,158,850	-	1,158,850
	<u>8,542,087</u>	<u>-</u>	<u>8,542,087</u>
Total.....	\$ <u>8,542,087</u>	\$ <u>-</u>	\$ <u>8,542,087</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues and advance collections that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<b>Receivables and other asset types:</b>			
Real estate and personal property taxes.....	\$ 1,080,241	\$ -	\$ 1,080,241
Tax liens.....	3,760,615	-	3,760,615
Motor vehicle and other excise taxes.....	562,916	-	562,916
Departmental and other.....	392,236	-	392,236
Intergovernmental.....	-	2,742,003	2,742,003
*Advance collections.....	-	138,102	138,102
Tax foreclosures.....	1,902,143	-	1,902,143
<b>Total.....</b>	<b>\$ 7,698,151</b>	<b>\$ 2,880,105</b>	<b>\$ 10,578,256</b>

\* Revenue collections, occurring during fiscal year 2011, in advance of recreational programming that will take place during fiscal year 2012 are initially recorded as a component of governmental fund deferred revenues. The Town will recognize the revenue during fiscal year 2012 as the related recreation programs are complete.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 21,009,852	\$ -	\$ -	\$ 21,009,852
Construction in progress.....	1,923,373	8,506,341	-	10,429,714
<b>Total capital assets not being depreciated.....</b>	<b>22,933,225</b>	<b>8,506,341</b>	<b>-</b>	<b>31,439,566</b>
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,923,436	25,848	-	4,949,284
Buildings.....	54,475,290	675,714	-	55,151,004
Vehicles.....	7,691,731	428,052	-	8,119,783
Machinery and equipment.....	6,591,918	120,186	-	6,712,104
Infrastructure.....	37,128,365	1,307,562	-	38,435,927
<b>Total capital assets being depreciated.....</b>	<b>110,810,740</b>	<b>2,557,362</b>	<b>-</b>	<b>113,368,102</b>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,086,463)	(154,287)	-	(2,240,750)
Buildings.....	(31,575,926)	(1,062,102)	-	(32,638,028)
Vehicles.....	(6,287,288)	(373,012)	-	(6,660,300)
Machinery and equipment.....	(4,765,129)	(541,431)	-	(5,306,560)
Infrastructure.....	(24,126,580)	(942,726)	-	(25,069,306)
<b>Total accumulated depreciation.....</b>	<b>(68,841,386)</b>	<b>(3,073,558)</b>	<b>-</b>	<b>(71,914,944)</b>
<b>Total capital assets being depreciated, net.....</b>	<b>41,969,354</b>	<b>(516,196)</b>	<b>-</b>	<b>41,453,158</b>
<b>Total governmental activities capital assets, net.....</b>	<b>\$ 64,902,579</b>	<b>\$ 7,990,145</b>	<b>\$ -</b>	<b>\$ 72,892,724</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 65,957	\$ -	\$ -	\$ 65,957
<u>Capital assets being depreciated:</u>				
Vehicles.....	420,218	-	-	420,218
Machinery and equipment.....	165,229	-	-	165,229
Infrastructure.....	58,921,577	-	-	58,921,577
Total capital assets being depreciated.....	59,507,024	-	-	59,507,024
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(348,981)	(24,918)	-	(373,899)
Machinery and equipment.....	(83,340)	(16,764)	-	(100,104)
Infrastructure.....	(13,324,090)	(1,259,582)	-	(14,583,672)
Total accumulated depreciation.....	(13,756,411)	(1,301,264)	-	(15,057,675)
Total capital assets being depreciated, net.....	45,750,613	(1,301,264)	-	44,449,349
Total water capital assets, net.....	\$ 45,816,570	\$ (1,301,264)	\$ -	\$ 44,515,306

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 650,064	\$ -	\$ -	\$ 650,064
Construction in progress.....	<u>14,377,616</u>	<u>-</u>	<u>(14,377,616)</u>	<u>-</u>
Total capital assets not being depreciated.....	<u>15,027,680</u>	<u>-</u>	<u>(14,377,616)</u>	<u>650,064</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	2,924,117	-	-	2,924,117
Machinery and equipment.....	343,850	19,001	-	362,851
Vehicles.....	888,882	-	-	888,882
Infrastructure.....	<u>81,510,373</u>	<u>16,748,533</u>	<u>-</u>	<u>98,258,906</u>
Total capital assets being depreciated.....	<u>85,667,222</u>	<u>16,767,534</u>	<u>-</u>	<u>102,434,756</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,498,610)	(73,103)	-	(1,571,713)
Machinery and equipment.....	(288,358)	(8,262)	-	(296,620)
Vehicles.....	(602,473)	(47,098)	-	(649,571)
Infrastructure.....	<u>(27,255,112)</u>	<u>(1,929,372)</u>	<u>-</u>	<u>(29,184,484)</u>
Total accumulated depreciation.....	<u>(29,644,553)</u>	<u>(2,057,835)</u>	<u>-</u>	<u>(31,702,388)</u>
Total capital assets being depreciated, net.....	<u>56,022,669</u>	<u>14,709,699</u>	<u>-</u>	<u>70,732,368</u>
Total sewer capital assets, net.....	<u>\$ 71,050,349</u>	<u>\$ 14,709,699</u>	<u>\$ (14,377,616)</u>	<u>\$ 71,382,432</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government.....	\$ 93,121
Public safety.....	379,346
Education.....	935,652
Public works.....	1,194,492
Human services.....	27,500
Culture and recreation.....	<u>443,447</u>
Total depreciation expense - governmental activities.....	<u>\$ 3,073,558</u>

**Business-Type Activities:**

Water.....	\$ 1,301,264
Sewer.....	<u>2,057,835</u>
Total depreciation expense - business-type activities.....	<u>\$ 3,359,099</u>

**NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES**

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Sewer Enterprise Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 400,000	\$ 1,201,000	\$ 1,601,000 (1)
Nonmajor Governmental Funds.....	156,929	307,669	-	464,598 (2)
Total.....	\$ 156,929	\$ 707,669	\$ 1,201,000	\$ 2,065,598

1) Represents budgeted transfers to the Sewer Fund to fund the Sanitary Overflow Abatement Plan. Also includes transfers to the capital project fund for school window replacement (\$775,000), police radio replacement (\$256,000), recreational purposes (\$30,000), and improvements to council on aging facilities (\$140,000).

2) Represents a transfer to the sewer enterprise fund from the special revenue funds, budgeted transfer of \$37,375 from the Rink Revolving Fund to the general fund and \$119,553 in close outs of non-reauthorized revolving funds.

In addition to the budgeted transfers detailed above, the Town transferred approximately \$7.7 million from the general fund to the water and sewer funds. This amount represents operating and debt services activities originally recorded and paid for in the general fund.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the fiscal year ended June 30, 2011, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
BAN	Schools - Parker Construction.....	1.50%	05/20/11	\$ 5,500,000	\$ -	\$ 5,500,000	\$ -
BAN	Schools - Parker Feasibility.....	1.50%	05/20/11	400,000	-	400,000	-
BAN	Schools - Security, Widows, HVAC.....	1.15%	05/20/11	100,000	-	100,000	-
BAN	Schools - Security, Widows, HVAC.....	1.50%	05/20/11	1,553,000	-	1,553,000	-
BAN	Recreation - Lampson Phase 2.....	1.15%	05/20/11	258,000	-	258,000	-
BAN	Town Hall Repairs.....	1.50%	05/20/11	250,000	-	250,000	-
BAN	Schools - Parker Construction.....	1.50%	05/18/12	-	5,705,142	-	5,705,142
BAN	Schools - Parker Feasibility.....	1.50%	05/18/12	-	194,858	-	194,858
Total Governmental Funds.....				8,061,000	5,900,000	8,061,000	5,900,000
BAN	Crosby Hill Water Tank.....	1.15%	05/20/11	600,000	-	600,000	-
BAN	Water Treatment.....	1.15%	05/20/11	132,000	-	132,000	-
Total Water Fund.....				732,000	-	732,000	-
BAN	Sewer - Pump Station Rebuilds - George Brown.....	1.50%	05/20/11	3,000,000	-	3,000,000	-
Total.....				\$ 11,793,000	\$ 5,900,000	\$ 11,793,000	\$ 5,900,000

#### NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In prior fiscal years, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2011, \$5,125,000 of bonds outstanding from the advance refunding transactions is considered defeased.

Details related to the outstanding indebtedness at June 30, 2011, and the debt service requirements are as follows:

### Bond Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Reductions	Outstanding at June 30, 2011
School Construction.....	2.38 - 4.50%	\$ 3,855,000	\$ -	\$ 265,000	\$ 3,590,000
Building Remodeling - Library Refunding...	2.13 - 3.00%	1,375,769	-	185,769	1,190,000
Outdoor Recreational Facility.....	3.25 - 5.00%	132,200	-	19,100	113,100
Departmental Equipment - Fire.....	3.85%	68,740	-	6,315	62,425
Public Way.....	2.38 - 4.00%	2,155,000	-	565,000	1,590,000
Building Remodeling.....	3.97%	325,000	-	25,000	300,000
Building Remodeling - School.....	2.00 - 4.75%	955,000	2,324,000	70,000	3,209,000
Engineering Services.....	2.38 - 3.00%	590,000	-	175,000	415,000
Computer Hardware.....	2.38 - 4.00%	1,140,000	-	145,000	995,000
Computer Software.....	2.38 - 4.00%	100,000	-	35,000	65,000
Building Remodeling - Town Hall.....	2.00 - 3.00%	-	250,000	-	250,000
Departmental Equipment - School.....	2.00 - 3.00%	-	100,000	-	100,000
Municipal Tennis Court Construction.....	2.00 - 3.00%	-	258,000	-	258,000
Total Governmental.....		\$ 10,696,709	\$ 2,932,000	\$ 1,491,184	\$ 12,137,525

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

Year	Principal	Interest	Total
2012.....	\$ 1,687,800	\$ 415,032	\$ 2,102,832
2013.....	1,237,807	367,999	1,605,806
2014.....	1,205,115	328,002	1,533,117
2015.....	1,039,730	289,956	1,329,686
2016.....	1,032,038	254,177	1,286,215
2017.....	1,026,654	220,099	1,246,753
2018.....	944,981	184,770	1,129,751
2019.....	511,135	155,539	666,674
2020.....	511,135	136,701	647,836
2021.....	506,130	117,838	623,968
2022.....	445,000	98,906	543,906
2023.....	445,000	81,321	526,321
2024.....	380,000	63,939	443,939
2025.....	380,000	48,430	428,430
2026.....	155,000	32,557	187,557
2027.....	150,000	26,350	176,350
2028.....	150,000	20,050	170,050
2029.....	110,000	13,750	123,750
2030.....	110,000	9,212	119,212
2031.....	110,000	4,675	114,675
Total.....	\$ 12,137,525	\$ 2,869,303	\$ 15,006,828

**Bond Payable Schedule – Water Enterprise Fund**

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Reductions	Outstanding at June 30, 2011
Water Treatment Facility.....	2.38 - 5.00%	\$ 3,056,060	\$ 132,000	\$ 202,585	\$ 2,985,475
Water.....	3.90 - 5.11%	75,750	-	25,250	50,500
Surface Drain.....	3.31 - 3.90%	284,000	-	50,000	234,000
Water Pollution Abatement Trust.....	3.0 - 5.35%	23,501,378	-	1,560,370	21,941,008
Water Mains.....	2.38 - 4.75%	2,444,000	-	137,000	2,307,000
Water Departmental Equipment.....	2.38 - 4.75%	942,000	600,000	132,000	1,410,000
Engineering Services.....	2.50 - 3.00%	400,000	-	140,000	260,000
Total Water.....		<u>\$ 30,703,188</u>	<u>\$ 732,000</u>	<u>\$ 2,247,205</u>	<u>\$ 29,187,983</u>

Debt service requirements for principal and interest for the Water Enterprise Fund bonds payable in future fiscal years are as follows:

Year	Principal	Interest	Total
2012.....	\$ 2,360,987	\$ 1,311,155	\$ 3,672,142
2013.....	2,408,942	1,213,317	3,622,259
2014.....	2,117,175	1,108,805	3,225,980
2015.....	1,980,645	1,031,143	3,011,788
2016.....	2,034,885	944,169	2,979,054
2017.....	2,084,885	843,905	2,928,790
2018.....	2,058,865	734,361	2,793,226
2019.....	2,078,865	634,048	2,712,913
2020.....	2,138,865	533,633	2,672,498
2021.....	2,128,870	431,990	2,560,860
2022.....	2,190,000	326,872	2,516,872
2023.....	2,145,000	220,591	2,365,591
2024.....	2,189,999	115,857	2,305,856
2025.....	545,000	50,831	595,831
2026.....	225,000	32,832	257,832
2027.....	225,000	22,582	247,582
2028.....	225,000	12,082	237,082
2029.....	25,000	1,566	26,566
2030.....	25,000	525	25,525
Total.....	<u>\$ 29,187,983</u>	<u>\$ 9,570,262</u>	<u>\$ 38,758,245</u>

**Bond Payable Schedule – Sewer Enterprise Fund**

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2010</u>	<u>Issued</u>	<u>Reductions</u>	<u>Outstanding at June 30, 2011</u>
Sewer.....	3.00 - 5.37%	\$ 13,919,250	\$ 3,000,000	\$ 1,169,750	\$ 15,749,500
Sewer Refunding.....	2.00 - 4.01%	4,214,231	-	784,231	3,430,000
MWPAT.....	2.00%	9,527,457	-	-	9,527,457
Sewer Treatment Facility.....	2.50 - 4.20%	6,530,000	-	350,000	6,180,000
Total Sewer.....		<u>\$ 34,190,938</u>	<u>\$ 3,000,000</u>	<u>\$ 2,303,981</u>	<u>\$ 34,886,957</u>

The difference between the debt outstanding per the schedule above and the total aggregate principal payments to be made per the schedule below relates to a deferred loss on a prior debt refunding in the amount of \$260,685 that has been capitalized and is being amortized over the life of the new debt.

Debt service requirements for principal and interest for the Sewer Enterprise Fund bonds payable in future fiscal years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 2,771,731	\$ 1,094,470	\$ 3,866,201
2013.....	2,662,329	1,010,722	3,673,051
2014.....	2,653,337	925,519	3,578,856
2015.....	2,496,950	841,098	3,338,048
2016.....	2,488,037	760,213	3,248,250
2017.....	2,341,985	681,172	3,023,157
2018.....	2,158,415	604,632	2,763,047
2019.....	2,021,174	532,112	2,553,286
2020.....	2,025,268	460,698	2,485,966
2021.....	1,593,511	396,532	1,990,043
2022.....	1,602,976	340,198	1,943,174
2023.....	1,612,632	282,975	1,895,607
2024.....	1,247,483	229,116	1,476,599
2025.....	1,257,533	187,478	1,445,011
2026.....	992,786	151,912	1,144,698
2027.....	1,003,246	122,828	1,126,074
2028.....	1,013,918	93,157	1,107,075
2029.....	1,024,805	63,066	1,087,871
2030.....	935,912	34,341	970,253
2031.....	722,244	-	722,244
Total.....	<u>\$ 34,626,272</u>	<u>\$ 8,812,239</u>	<u>\$ 43,438,511</u>

The Town receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT). Future subsidies of capital expenses are structured as principal subsidies of principal payments. Interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in repayment of this future debt. Future principal subsidies of \$5,579,645 have been recorded as an intergovernmental receivable in the water enterprise fund. Future interest subsidies total \$5,497,455 and will be recognized as revenue when received. During fiscal year 2011, the Town's principal and interest subsidy amounted to approximately \$1,043,079.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2011, the Town had authorized and un-issued debt as follows:

Purpose	Date Authorized	Amount
Water treatment plant.....	05/03/01	\$ 426,999
Planning and land acquisition.....	05/25/06	500,000
Sewer.....	05/25/06	500,000
Town hall renovations.....	05/22/08	750,000
Water tank.....	10/21/08	85,300
Water.....	10/21/08	120,000
School feasibility.....	10/21/08	205,142
School building.....	10/06/09	27,902,649
Sewer pump station improvements.....	10/05/10	3,700,000
Fire trucks.....	05/03/11	1,500,000
<b>Total.....</b>		<b>\$ 35,690,090</b>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

<b>Governmental Activities</b>	Balance June 30, 2010	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2011	Current Portion
Long-Term Bonds.....	\$ 10,696,709	\$ 2,932,000	\$ (1,491,184)	\$ -	\$ -	\$ 12,137,525	\$ 1,687,800
Other Postemployment Benefits.....	19,456,671	-	-	18,727,332	(7,714,003)	30,470,000	-
Compensated Absences.....	2,883,000	-	-	1,479,000	(1,206,000)	3,156,000	1,400,000
<b>Total.....</b>	<b>\$ 33,036,380</b>	<b>\$ 2,932,000</b>	<b>\$ (1,491,184)</b>	<b>\$ 20,206,332</b>	<b>\$ (8,920,003)</b>	<b>\$ 45,763,525</b>	<b>\$ 3,087,800</b>

<b>Business-Type Activities</b>	Balance June 30, 2010	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2011	Current Portion
Long-Term Bonds.....	\$ 64,894,126	\$ 3,732,000	\$ (4,551,186)	\$ -	\$ -	\$ 64,074,940	\$ 5,132,718
Deferred Loss on Refunding.....	(292,856)	-	-	-	32,171	(260,685)	(28,965)
Other Postemployment Benefits.....	1,596,882	-	-	1,213,090	(344,972)	2,465,000	-
Compensated Absences.....	511,000	-	-	367,000	(250,000)	628,000	266,000
<b>Total.....</b>	<b>\$ 66,709,152</b>	<b>\$ 3,732,000</b>	<b>\$ (4,551,186)</b>	<b>\$ 1,580,090</b>	<b>\$ (562,801)</b>	<b>\$ 66,907,255</b>	<b>\$ 5,369,753</b>

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

In fiscal year 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In accordance with GASB 54, the stabilization fund, previously reported as a non-major governmental fund, has been reported in the general fund, and accordingly, the general fund and non-major governmental funds beginning balances have been revised from \$9,397,043 to \$13,354,188 and from \$7,377,415 to \$3,420,270, respectively.

At June 30, 2011, \$4,800,517 has been set aside in a stabilization fund that is classified as part of the general fund in the governmental funds financial statements. Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. During fiscal year 2011, the stabilization fund recognized interest and investment earnings of \$135,085. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

As of June 30, 2011, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS			
	General	MSBA Parker School	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 1,449,263	\$ 1,449,263
Restricted for:				
Town revolving funds.....	-	-	329,154	329,154
Town state grant funds.....	-	-	178,628	178,628
Town receipts reserved.....	-	-	2,624,661	2,624,661
School lunch.....	-	-	290,790	290,790
School revolving funds.....	-	-	999,586	999,586
School grant funds.....	-	-	761,492	761,492
Recreation revolving.....	-	-	10,636	10,636
Other special revenue.....	-	-	924,461	924,461
School capital projects.....	-	-	750,149	750,149
Cemetery perpetual care.....	-	-	46,093	46,093
Assigned to:				
General government.....	133,563	-	-	133,563
Public safety.....	58,659	-	-	58,659
Education.....	838,829	-	-	838,829
Public works.....	20,102	-	-	20,102
Human services.....	399	-	-	399
Unassigned.....	16,012,091	(5,960,557)	(1,454,072)	8,597,462
<b>TOTAL FUND BALANCES (DEFICIT).....</b>	<b>\$ 17,063,643</b>	<b>\$ (5,960,557)</b>	<b>\$ 6,910,841</b>	<b>\$ 18,013,927</b>

## NOTE 9 – RISK FINANCING

The Town is self-insured for portions of its workers' compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund. The workers' compensation activities are accounted for in the general fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

### *Insurance*

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in a premium-based health care plan for its active and eligible retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town estimates its' Incurred But Not Reported (IBNR) health claims based on historical and current claim payment analysis. The Town purchases individual stop loss insurance for claims in excess of the \$100,000

coverage provided by the Town. At June 30, 2011, the amount of the liability for health insurance claims totaled \$1,137,000.

Changes in the reported liability since July 1, 2010, are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-End
Fiscal Year 2010.....	\$ 1,016,000	\$	(13,718,986)	\$	13,709,986	\$	1,007,000
Fiscal Year 2011.....	1,007,000		(15,094,180)		15,224,180		1,137,000

#### *Workers' Compensation*

The Town participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's liability related to incurred but not reported claims for police officers and/or firefighter's worker's compensation is not material at June 30, 2011, and is therefore not reported.

#### **NOTE 10 – PENSION PLAN**

*Plan Description* - The Town contributes to the Middlesex County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement Board (the Board). Substantially all employees are members of the System except for public school teachers and certain administrators who are members of the Commonwealth's Teachers Contributory Retirement System to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$15,087,000 for the fiscal year ended June 30, 2011, and accordingly, are reported in the General Fund as intergovernmental revenues and pension benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are funded by the system. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, MA 01865.

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the years ended June 30, 2011, 2010, and 2009 were \$6,898,125, \$6,891,684, and \$6,352,561, respectively, which equaled its required contribution for each fiscal year.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets

is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

#### NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

*Plan Description* – The Town of Billerica administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2011, the Plan's membership consisted of the following:

Active members.....	825
Retirees, Disabled, Survivors and beneficiaries.....	<u>917</u>
Total.....	<u>1,742</u>

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 90% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10% percent of their premium costs.

*Annual OPEB Cost and Net OPEB Obligation* – The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 19,873,133
Interest on net OPEB obligation.....	894,776
Adjustments to annual required contribution.....	<u>(827,487)</u>
Annual OPEB cost (expense).....	19,940,422
Contributions made.....	<u>(8,058,975)</u>
Increase/(Decrease) in net OPEB obligation.....	11,881,447
Net OPEB obligation - beginning of year.....	<u>21,053,553</u>
Net OPEB obligation - end of year.....	<u>\$ 32,935,000</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 19,940,422	40%	\$ 32,935,000
6/30/2010	18,423,484	40%	21,053,553
6/30/2009	17,020,244	41%	20,099,490

*Funded Status and Funding Progress* – As of January 1, 2009, the most recent actuarial valuation date, the following actuarial information is as follows:

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
1/1/2009	\$ -	\$ 233,836,000	\$ 233,836,000	0.0%	\$ 65,751,000	355.6%

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

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

In the January 1, 2009, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.25% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 11% initially, graded to 5% over 10 years. The UAAL is being amortized over a 30 year period. The remaining amortization period at June 30, 2011 is 27 years.

**NOTE 12 – COMMITMENTS**

The Commonwealth of Massachusetts has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Business Authority (MSBA), provides resources to fund school construction under a grant program. The program is for all new construction where the Town submits

grant reimbursement requests as the construction occurs. The Town is currently constructing a new Parker Elementary School which will cost approximately \$34,000,000 to build. The MSBA has approved grant funding of approximately \$19,000,000, which represents a 56% reimbursement rate of eligible costs.

Through the end of FY2011 the Town has expended approximately \$8,000,000 and has received approximately \$2,500,000 in construction grant reimbursements. At year end, an additional \$1,800,000 in reimbursable construction costs has been submitted to the MSBA for approval and actual reimbursements. Since the Town has met its obligations under the grant agreement, the entire \$1,800,000 has been included as a receivable in the governmental fund financial statements.

The Town is also currently committed to expend \$7.5 million relative to expansions to the Wastewater Treatment Facility, \$3.5 million in pumping station improvements, as well as \$7.0 million to complete other various sewer projects.

### **NOTE 13 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

### **NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2011, the following GASB pronouncements were implemented:

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was required to be implemented in fiscal year 2011. This pronouncement required additional disclosure and impacted the basic financial statements.
- GASB Statement #59, *Financial Statements Omnibus*, which was required to be implemented in fiscal year 2011. This pronouncement required additional disclosures relative to investments held by the Town.

Future implementation of GASB pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management expects that the implementation of this pronouncement will have an impact on the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

# ***Required Supplementary Information***

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 91,456,053	\$ 91,346,053	\$ 92,113,958	\$ -	\$ 767,905
Tax liens.....	-	-	1,241,820	-	1,241,820
Motor vehicle and other excise .....	4,975,000	4,975,000	5,272,425	-	297,425
Charges for services.....	6,910,000	6,910,000	7,356,176	-	446,176
Intergovernmental.....	23,668,416	23,668,416	23,421,519	-	(246,897)
Departmental and other.....	2,598,000	2,598,000	3,799,420	-	1,201,420
Investment income.....	80,000	80,000	219,032	-	139,032
<b>TOTAL REVENUES.....</b>	<b>129,687,469</b>	<b>129,577,469</b>	<b>133,424,350</b>	<b>-</b>	<b>3,846,881</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	4,412,025	4,492,025	4,131,413	133,563	227,049
Public safety.....	15,163,912	15,133,912	14,506,652	58,659	568,601
Education.....	57,423,368	57,423,368	56,548,098	838,829	36,441
Public works.....	14,480,411	14,480,411	14,481,469	20,102	(21,160)
Human services.....	1,126,124	1,211,124	1,193,497	399	17,228
Culture and recreation.....	1,709,210	1,709,210	1,702,149	-	7,061
Pension benefits.....	6,898,125	6,898,125	6,898,125	-	-
Employee benefits.....	14,555,000	14,093,000	13,849,636	-	243,364
Building Insurance.....	1,020,000	1,020,000	946,127	-	73,873
State and county charges.....	5,627,343	5,627,343	5,575,757	-	51,586
Debt service:					
Principal.....	5,763,912	5,763,912	5,763,912	-	-
Interest.....	2,233,616	2,475,616	2,319,874	-	155,742
<b>TOTAL EXPENDITURES.....</b>	<b>130,413,046</b>	<b>130,328,046</b>	<b>127,916,709</b>	<b>1,051,552</b>	<b>1,359,785</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....</b>	<b>(725,577)</b>	<b>(750,577)</b>	<b>5,507,641</b>	<b>(1,051,552)</b>	<b>5,206,666</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	37,375	303,903	316,929	-	13,026
Transfers out.....	-	(2,509,787)	(2,509,787)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>37,375</b>	<b>(2,205,884)</b>	<b>(2,192,858)</b>	<b>-</b>	<b>13,026</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(688,202)</b>	<b>(2,956,461)</b>	<b>3,314,783</b>	<b>(1,051,552)</b>	<b>5,219,692</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>13,860,185</b>	<b>10,208,052</b>	<b>9,847,043</b>	<b>-</b>	<b>(361,009)</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 13,171,983</b>	<b>\$ 7,251,591</b>	<b>\$ 13,161,826</b>	<b>\$ (1,051,552)</b>	<b>\$ 4,858,683</b>

See notes to required supplementary information.

# ***Retirement System Schedules of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**Middlesex County Contributory Retirement System  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/10	\$ 819,987,914	\$ 1,742,380,855	\$ 922,392,941	47.1%	\$ 384,598,692	239.8%
1/1/08	774,863,669	1,529,806,307	754,942,638	50.7%	360,206,302	209.6%
1/1/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
1/1/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
1/1/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%
1/1/00	570,263,467	905,280,472	335,017,005	63.0%	253,228,818	132.3%
1/1/98	476,708,969	763,093,878	286,384,909	62.5%	215,380,186	133.0%
1/1/96	373,750,361	634,920,488	261,170,127	58.9%	218,345,024	119.6%

The Town's share of the UAAL, as of January 1, 2010, is approximately \$94.6 million.

See notes to required supplementary information.

**Middlesex County Contributory Retirement System  
Schedule of Employer Contributions**

Plan Year Ended December 31	System Wide			Town of Billerica	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2010	76,243,557	76,243,557	100%	6,891,684	9.04%
2009	72,671,595	72,671,595	100%	6,352,561	8.74%
2008	71,233,749	71,233,749	100%	5,667,683	7.96%
2007	64,664,829	64,664,829	100%	5,205,872	8.05%
2006	60,169,717	60,169,717	100%	4,609,124	7.66%
2005	52,298,150	52,298,150	100%	3,970,636	7.59%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents the employer's required and actual contributions to the plan as well as the total contributions to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2011

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2009	\$ -	\$ 233,836,000	\$ 233,836,000	0%	\$ 65,751,000	355.6%

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2011	\$ 19,873,133	\$ 8,058,975	40%
6/30/2010	18,379,077	7,419,676	40%
6/30/2009	17,020,244	6,970,499	41%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

FISCAL YEAR ENDED JUNE 30, 2011

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Actuarial Methods:

Valuation date.....	January 1, 2009
Actuarial cost method.....	Projected unit credit cost method
Amortization method.....	30 years
Remaining amortization period.....	27 years

Actuarial Assumptions:

Investment rate of return.....	4.25%
Medical/drug cost trend rate.....	11% initially, graded to 5% over 10 years

Plan Membership:

Current retirees, beneficiaries, and dependents....	825
Current active members.....	<u>917</u>
 Total.....	 <u><u>1,742</u></u>

See notes to required supplementary information.

**NOTE A – BUDGETARY BASIS OF ACCOUNTING****A. Budgetary Information**

Municipal Law requires the Town to adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to the Town Meeting Representatives (the Representatives), which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Representatives, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Representative approval via a special article.

The majority of the Town's appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Representatives.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2011 approved budget authorized \$130.4 million in appropriations and other amounts to be raised. During fiscal year 2011, the original budget was increased by \$2.4 million which mainly relates to \$2.5 million in transfers out to fund capital projects.

The Town Accountant has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the Town's accounting system.

**B. Budgetary - GAAP Reconciliation**

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2011, is presented below:

Net change in fund balance - budgetary basis.....	\$ 3,314,783
 <u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	873,672
 Activity of the water and sewer functions recorded as enterprise funds for GAAP:	
Water and sewer enterprise fund revenues.....	(7,385,146)
Water and sewer enterprise fund expenditures.....	15,064,442
Transfer out to water and sewer enterprise fund.....	(7,679,296)
 <u>Basis of accounting differences:</u>	
Increase in revenues due to on-behalf payments.....	15,087,325
Increase in expenditures due to on-behalf payments.....	(15,087,325)
Net change in revenues in recording 60 day receipts.....	(385,000)
Net change in recording tax refunds payable.....	<u>(94,000)</u>
 Net change in fund balance - GAAP basis.....	 <u><u>\$ 3,709,455</u></u>

**NOTE B – PENSION PLAN**

The Town contributes to the Middlesex County Contributory Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Middlesex Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

- Valuation Date..... January 1, 2010
- Actuarial Cost Method..... Entry Age Normal Cost Method
- Amortization Method..... Level dollar for 2002 and 2003 ERIs and increasing amortization for the remaining unfunded liability.
- Remaining Amortization Period..... 25 years remaining as of January 1, 2010 except:  
 9 years remaining for 2002 ERI liability  
 10 years remaining for 2003 ERI liability
- Asset Valuation Method..... The actuarial value of assets is determined by projecting the actuarial value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.125%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is the applied to recognize the difference between the actual investment return and the expected return over a five year period.

Actuarial Assumptions:

- Investment rate of return..... 8.125%
- Projected salary increases..... 4.75% for Group 1 and 5.25% for Group 4
- Cost of living adjustments..... 3.0% for the first \$12,000 of retirement income, increasing to \$13,000 on July 1, 2011 and to \$14,000 on July 1, 2012

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	4,833
Terminated participants entitled to a return of their employee contributions.....	2,994
Terminated participants with a vested right to a deferred or immediate benefit.....	232
Active participants.....	<u>8,946</u>
 Total.....	 <u><u>17,005</u></u>

**NOTE C – OTHER POST-EMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which the Town includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of the accumulated plan assets.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions to the plan as a whole.

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

The Schedule of Actuarial Assumptions presents factors that significantly affect the identification of trends in the amounts reported.