

***TOWN OF BILLERICA, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2010***

TOWN OF BILLERICA, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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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, 2010, 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, 2010, 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 February 25, 2011, 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.

February 25, 2011

# ***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, 2010. 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 for FY2010 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 \$63.3 million and the business-type assets exceed liabilities by \$62.7 million at the close of the most recent fiscal year. Key components of the Town's activities are presented below.

**Governmental Activities**

	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Current assets.....	\$ 43,396,239	\$ 33,677,289
Capital assets.....	<u>64,902,579</u>	<u>63,893,977</u>
<b>Total assets.....</b>	<b>108,298,818</b>	<b>97,571,266</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,077,162	4,496,689
Noncurrent liabilities (excluding debt).....	21,133,671	10,967,628
Current debt.....	9,552,184	2,246,569
Noncurrent debt.....	<u>9,205,525</u>	<u>10,696,709</u>
<b>Total liabilities.....</b>	<b>44,968,542</b>	<b>28,407,595</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	52,044,870	50,950,699
Restricted.....	2,146,816	1,529,075
Unrestricted.....	<u>9,138,590</u>	<u>16,683,897</u>
<b>Total net assets.....</b>	<b>\$ <u>63,330,276</u></b>	<b>\$ <u>69,163,671</u></b>

Governmental net assets of \$52 million (82.2%) 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, \$2.1 million (3.4%), represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$9.1 million (14.4%), may be used to meet the government's ongoing obligations to citizens and creditors.

	<u>2010</u>	<u>2009</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 7,708,796	\$ 8,578,426
Operating grants and contributions.....	38,006,452	36,157,358
Capital grants and contributions.....	3,229,424	1,005,192
<b>General Revenues:</b>		
Real estate and personal property taxes.....	86,166,415	83,477,822
Tax liens.....	1,512,887	1,397,387
Motor vehicle and other excise taxes.....	5,310,951	5,210,684
Penalties and interest on taxes.....	455,925	413,732
Payments in Lieu of taxes.....	184,160	182,163
Nonrestricted grants.....	5,130,485	6,541,071
Unrestricted investment income.....	<u>215,087</u>	<u>544,041</u>
<b>Total revenues.....</b>	<b>147,920,582</b>	<b>143,507,876</b>
<b>Expenses:</b>		
General Government.....	6,847,284	7,221,022
Public Safety.....	24,146,414	22,906,825
Education.....	98,338,588	96,529,109
Public Works.....	9,637,540	10,141,412
Human Services.....	1,833,798	1,833,817
Culture and Recreation.....	4,146,799	4,150,088
Interest.....	<u>429,810</u>	<u>481,476</u>
<b>Total expenses.....</b>	<b>145,380,233</b>	<b>143,263,749</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>2,540,349</b>	<b>244,127</b>
<b>Transfers.....</b>	<b><u>(8,373,744)</u></b>	<b><u>(7,173,427)</u></b>
<b>Change in net assets.....</b>	<b>\$ <u><u>(5,833,395)</u></u></b>	<b>\$ <u><u>(6,929,300)</u></u></b>

Governmental activities decreased the Town's net assets by (\$5.8) million during the current fiscal year.

Total revenues increased by \$4.4 million. The main components of the increase were operating grant and capital grant income which increased by \$1.9 million and \$2.0 million, respectively.

The increase in operating grants is attributable to an increase of \$1.2 million relating to on-behalf payments recognized for the Town's share of teacher pension contributions and an increase of \$1.5 million in education funding provided by the Commonwealth.

The increase in capital grants is attributable to an increase in funds to reimbursements provided by the Commonwealth of Massachusetts School Building Authority for Parker School Construction

Expenses increased \$2.1 million mainly due to a \$418,000 increase in state and county charges that mainly affected amounts paid for charter school assessments. In addition, there was a \$1.5 million increase in pension, employee benefits and other post-employment benefit obligations that has been allocated across all functional categories. The remainder of the increase is attributable to charter school tuition that is billed by the Commonwealth of Massachusetts.

The governmental activities supported the operations of the water and sewer enterprise funds in the form of \$8 million in transfers to cover operating losses.

**Business-type Activities**

	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Current assets.....	\$ 12,359,544	\$ 17,057,711
Noncurrent assets (excluding capital).....	5,579,646	5,858,104
Capital assets not being depreciated.....	15,093,637	6,050,667
Capital assets, net of accumulated depreciation.....	<u>101,773,282</u>	<u>107,124,022</u>
<b>Total assets.....</b>	<b>134,806,109</b>	<b>136,090,504</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,922,061	3,421,194
Noncurrent liabilities (excluding debt).....	1,857,882	981,117
Current debt.....	8,637,693	6,165,618
Noncurrent debt.....	<u>59,695,577</u>	<u>64,873,302</u>
<b>Total liabilities.....</b>	<b>72,113,213</b>	<b>75,441,231</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	63,324,418	60,287,906
Unrestricted.....	<u>(631,522)</u>	<u>361,367</u>
<b>Total net assets.....</b>	<b>\$ <u>62,692,896</u></b>	<b>\$ <u>60,649,273</u></b>

Water and sewer business-type activities assets exceeded liabilities by \$62.7 million at the close of fiscal year 2010. Capital assets, net of related debt, were \$63.3 million while unrestricted net assets were \$(632,000).

	<u>2010</u>	<u>2009</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 6,416,455	\$ 6,614,727
Operating grants and contributions.....	799,569	833,404
Capital grants and contributions.....	<u>1,867,696</u>	<u>-</u>
<b>Total revenues.....</b>	<b>9,083,720</b>	<b>7,448,131</b>
<b>Expenses:</b>		
Water.....	7,622,355	8,222,763
Sewer.....	<u>7,791,486</u>	<u>6,952,543</u>
<b>Total expenses.....</b>	<b>15,413,841</b>	<b>15,175,306</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(6,330,121)</b>	<b>(7,727,175)</b>
<b>Transfers.....</b>	<b><u>8,373,744</u></b>	<b><u>7,173,427</u></b>
<b>Change in net assets.....</b>	<b>\$ <u>2,043,623</u></b>	<b>\$ <u>(553,748)</u></b>

During the current fiscal year the general fund transferred \$8 million of operating activity to the water and sewer funds.

The business-type activities show a (\$6.3) 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. The capital grants and contributions mainly relate to the Massachusetts Water Pollution Abatement Trust's (MWPAT) debt service forgiveness program for new debt taken out by the sewer fund.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16.7 million, a net increase of \$582,000 from the prior year. The increase is attributable to the general fund substantially breaking even for the year and the timing of collection of revenues compared to the actual expenditures of these revenues within the non-major governmental funds resulted in a net increase in fund balance.

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

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$8.2 million, while total fund balance was \$9.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 6.6% of total general fund expenditures, while total fund balance represents approximately 7.5% of that same amount.

Fund balance of the general fund decreased approximately (\$145,000). This decrease is attributable to expenditures using prior year reserves being offset by current year budgetary surpluses.

#### ***State Fiscal Stabilization Fund***

This fund presents activity relating to the Town's share of federal grants authorized under the American Reinvestment and Recovery Act of 2009 (ARRA). The off-setting revenue and expenditures represent funds that typically would have been recorded in the General Fund if ARRA had not been enacted. Please refer to Note 1 for further information concerning this fund.

## ***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 were less than budget by approximately \$120,000. Actual expenditures and carryovers were less than budgeted expenditures by approximately \$2.9 million. The Town has carried over approximately \$1.2 million in appropriations to FY2011.

## ***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 improvements to the sewer system. At fiscal year-end, approximately \$6.8 million of additions were capitalized. Total capital assets net of accumulated depreciation was approximately \$117 million at the end of FY2010.

The Town's governmental activities major capital activity related to approximately \$3.3 million of capitalized construction costs relative to the new Parker School building project and planned upgrades to HVAC systems and window replacements. Other governmental additions included approximately \$815,000 of Chapter 90 roadway construction costs school building and improvements to the Recreation Department tennis courts. The funding for these capital expenditures included the issuance of long-term bonds, interfund transfers, and capital grants from the Commonwealth.

Outstanding long-term debt, as of June 30, 2010, totaled approximately \$75.6 million, of which approximately \$64.9 million relates to various water and sewer projects, and approximately \$10.7 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, 2010

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 28,916,600	\$ 8,175,918	\$ 37,092,518
Investments.....	2,401,834	-	2,401,834
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,409,981	-	1,409,981
Tax liens.....	3,863,863	-	3,863,863
Motor vehicle and other excise taxes.....	450,437	-	450,437
Water fees.....	-	976,276	976,276
Sewer fees.....	-	695,348	695,348
Departmental and other.....	307,489	-	307,489
Intergovernmental.....	4,035,125	2,512,002	6,547,127
Working capital deposit.....	74,700	-	74,700
Tax foreclosures.....	1,936,210	-	1,936,210
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	5,579,646	5,579,646
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	22,933,225	15,093,637	38,026,862
Depreciable.....	41,969,354	101,773,282	143,742,636
<b>TOTAL ASSETS.....</b>	<b>108,298,818</b>	<b>134,806,109</b>	<b>243,104,927</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	731,437	738,496	1,469,933
Accrued payroll.....	648,665	110,142	758,807
Health claims payable.....	1,007,000	-	1,007,000
Tax refunds payable.....	1,045,000	-	1,045,000
Accrued interest.....	121,329	823,423	944,752
Other liabilities.....	154,001	-	154,001
Unearned revenue.....	163,730	-	163,730
Compensated absences.....	1,206,000	250,000	1,456,000
Bonds and notes payable.....	9,552,184	8,637,693	18,189,877
<b>NONCURRENT:</b>			
Compensated absences.....	1,677,000	261,000	1,938,000
Other postemployment benefits.....	19,456,671	1,596,882	21,053,553
Bonds and notes payable.....	9,205,525	59,695,577	68,901,102
<b>TOTAL LIABILITIES.....</b>	<b>44,968,542</b>	<b>72,113,213</b>	<b>117,081,755</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	52,044,870	63,324,418	115,369,288
Restricted for:			
Permanent funds:			
Expendable.....	39,823	-	39,823
Nonexpendable.....	1,371,760	-	1,371,760
Grants and gifts.....	735,233	-	735,233
Unrestricted.....	9,138,590	(631,522)	8,507,068
<b>TOTAL NET ASSETS.....</b>	<b>\$ 63,330,276</b>	<b>\$ 62,692,896</b>	<b>\$ 126,023,172</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

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.....	\$ 6,847,284	\$ 2,349,984	\$ 67,574	\$ -	\$ (4,429,726)
Public safety.....	24,146,414	949,429	212,933	20,457	(22,963,595)
Education.....	98,338,588	3,024,849	37,137,676	1,923,373	(56,252,690)
Public works.....	9,637,540	419,888	234,651	1,285,594	(7,697,407)
Human services.....	1,833,798	209,010	305,416	-	(1,319,372)
Culture and recreation.....	4,146,799	755,636	48,202	-	(3,342,961)
Interest.....	429,810	-	-	-	(429,810)
<b>Total Primary Government.....</b>	<b>145,380,233</b>	<b>7,708,796</b>	<b>38,006,452</b>	<b>3,229,424</b>	<b>(96,435,561)</b>
<i>Business-Type Activities:</i>					
Water.....	7,622,355	4,062,770	799,569	-	(2,760,016)
Sewer.....	7,791,486	2,353,685	-	1,867,696	(3,570,105)
<b>Total Business-Type Activities.....</b>	<b>15,413,841</b>	<b>6,416,455</b>	<b>799,569</b>	<b>1,867,696</b>	<b>(6,330,121)</b>
<b>Total Primary Government.....</b>	<b>\$ 160,794,074</b>	<b>\$ 14,125,251</b>	<b>\$ 38,806,021</b>	<b>\$ 5,097,120</b>	<b>\$ (102,765,682)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(96,435,561)</b>	\$ <b>(6,330,121)</b>	\$ <b>(102,765,682)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds.....	86,166,415	-	86,166,415
Tax liens.....	1,512,887	-	1,512,887
Motor vehicle and other excise taxes.....	5,310,951	-	5,310,951
Penalties and interest on taxes.....	455,925	-	455,925
Payments in lieu of taxes.....	184,160	-	184,160
Grants and contributions not restricted to specific programs.....	5,130,485	-	5,130,485
Unrestricted investment income.....	215,087	-	215,087
<i>Transfers, net</i> .....	<u>(8,373,744)</u>	<u>8,373,744</u>	<u>-</u>
Total general revenues and transfers.....	<u>90,602,166</u>	<u>8,373,744</u>	<u>98,975,910</u>
Change in net assets.....	(5,833,395)	2,043,623	(3,789,772)
<i>Net Assets:</i>			
Beginning of year.....	<u>69,163,671</u>	<u>60,649,273</u>	<u>129,812,944</u>
End of year.....	<u>\$ 63,330,276</u>	<u>\$ 62,692,896</u>	<u>\$ 126,023,172</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2010

<b>ASSETS</b>	General	MSBA Parker School	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 10,433,845	\$ 5,122,004	\$ 7,833,007	\$ 23,388,856
Investments.....	532,696	-	1,869,138	2,401,834
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,409,981	-	-	1,409,981
Tax liens.....	3,863,863	-	-	3,863,863
Motor vehicle and other excise taxes.....	450,437	-	-	450,437
Departmental and other.....	307,489	-	-	307,489
Intergovernmental.....	-	1,192,636	2,842,489	4,035,125
Tax foreclosures.....	1,936,210	-	-	1,936,210
<b>TOTAL ASSETS.....</b>	<b>\$ 18,934,521</b>	<b>\$ 6,314,640</b>	<b>\$ 12,544,634</b>	<b>\$ 37,793,795</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 316,797	\$ 414,640	\$ -	\$ 731,437
Accrued payroll.....	648,665	-	-	648,665
Tax refunds payable.....	1,045,000	-	-	1,045,000
Other liabilities.....	154,001	-	-	154,001
Deferred revenues and advance collections.....	7,373,015	-	3,006,219	10,379,234
Notes payable.....	-	5,900,000	2,161,000	8,061,000
<b>TOTAL LIABILITIES.....</b>	<b>9,537,478</b>	<b>6,314,640</b>	<b>5,167,219</b>	<b>21,019,337</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances and continuing appropriations.....	1,154,466	-	-	1,154,466
Perpetual permanent funds.....	-	-	1,371,760	1,371,760
Unreserved:				
Undesignated, reported in:				
General fund.....	8,242,577	-	-	8,242,577
Special revenue funds.....	-	-	9,242,224	9,242,224
Capital projects funds.....	-	-	(3,276,392)	(3,276,392)
Permanent funds.....	-	-	39,823	39,823
<b>TOTAL FUND BALANCES.....</b>	<b>9,397,043</b>	<b>-</b>	<b>7,377,415</b>	<b>16,774,458</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 18,934,521</b>	<b>\$ 6,314,640</b>	<b>\$ 12,544,634</b>	<b>\$ 37,793,795</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, 2010

Total governmental fund balances.....		\$ 16,774,458
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		64,902,579
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		10,215,504
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.....		4,595,444
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(121,329)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(10,696,709)	
Compensated absences.....	(2,883,000)	
Other post-employment benefits.....	<u>(19,456,671)</u>	
Net effect of reporting long-term liabilities.....		<u>(33,036,380)</u>
Net assets of governmental activities.....		<u>\$ 63,330,276</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	State Fiscal Stabilization Fund	MSBA Parker School	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 86,708,001	\$ -	\$ -	\$ -	\$ 86,708,001
Tax liens.....	1,277,202	-	-	-	1,277,202
Motor vehicle and other excise taxes.....	5,281,125	-	-	-	5,281,125
Charges for services.....	-	-	-	406,526	406,526
Intergovernmental.....	37,742,368	1,192,820	1,923,373	6,579,065	47,437,626
Departmental and other.....	3,196,369	-	-	3,777,536	6,973,905
Contributions.....	-	-	-	44,130	44,130
Investment income.....	81,189	-	-	129,161	210,350
<b>TOTAL REVENUES.....</b>	<b>134,286,254</b>	<b>1,192,820</b>	<b>1,923,373</b>	<b>10,936,418</b>	<b>148,338,865</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	3,835,059	-	-	546,052	4,381,111
Public safety.....	14,589,742	-	-	452,202	15,041,944
Education.....	56,158,705	1,192,820	1,923,373	7,238,214	66,513,112
Public works.....	6,748,884	-	-	884,768	7,633,652
Human services.....	1,110,534	-	-	306,260	1,416,794
Culture and recreation.....	1,655,703	-	-	1,553,229	3,208,932
Pension benefits.....	20,419,116	-	-	-	20,419,116
Employee benefits.....	13,101,028	-	-	-	13,101,028
Other.....	810,440	-	-	-	810,440
State and county charges.....	5,162,890	-	-	-	5,162,890
Debt service:					
Principal.....	1,246,569	-	-	-	1,246,569
Interest.....	447,736	-	-	-	447,736
<b>TOTAL EXPENDITURES.....</b>	<b>125,286,406</b>	<b>1,192,820</b>	<b>1,923,373</b>	<b>10,980,725</b>	<b>139,383,324</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>8,999,848</b>	<b>-</b>	<b>-</b>	<b>(44,307)</b>	<b>8,955,541</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating activity transferred out to enterprise funds.....	(7,973,744)	-	-	-	(7,973,744)
Transfers in.....	38,594	-	-	1,209,711	1,248,305
Transfers out.....	(1,209,711)	-	-	(438,594)	(1,648,305)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(9,144,861)</b>	<b>-</b>	<b>-</b>	<b>771,117</b>	<b>(8,373,744)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(145,013)</b>	<b>-</b>	<b>-</b>	<b>726,810</b>	<b>581,797</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>9,542,056</b>	<b>-</b>	<b>-</b>	<b>6,650,605</b>	<b>16,192,661</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 9,397,043</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,377,415</b>	<b>\$ 16,774,458</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, 2010

Net change in fund balances - total governmental funds.....	\$	581,797
<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.....		4,071,531
Depreciation expense.....		<u>(3,062,929)</u>
Net effect of reporting capital assets.....		1,008,602
<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>		
		(423,019)
<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>		
Debt service principal payments.....		<u>1,246,569</u>
Net effect of reporting long-term debt.....		1,246,569
<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.....		(10,179,043)
Net change in compensated absences accrual.....		(53,000)
Net change in accrued interest on long-term debt.....		17,926
Net change in accrual for court judgments.....		<u>50,000</u>
Net effect of recording long-term liabilities.....		(10,164,117)
<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>1,916,773</u>
Change in net assets of governmental activities.....	\$	<u><u>(5,833,395)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2010

	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.....	\$ 7,511,777	\$ 664,141	\$ 8,175,918	\$ 5,527,744
Receivables, net of allowance for uncollectibles:				
Water fees.....	976,276	-	976,276	-
Sewer fees.....	-	695,348	695,348	-
Intergovernmental.....	278,458	2,233,544	2,512,002	-
Working capital deposit.....	-	-	-	74,700
Total current assets.....	<u>8,766,511</u>	<u>3,593,033</u>	<u>12,359,544</u>	<u>5,602,444</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	5,579,646	-	5,579,646	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	65,957	15,027,680	15,093,637	-
Depreciable.....	<u>45,750,613</u>	<u>56,022,669</u>	<u>101,773,282</u>	<u>-</u>
Total noncurrent assets.....	<u>51,396,216</u>	<u>71,050,349</u>	<u>122,446,565</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u>60,162,727</u>	<u>74,643,382</u>	<u>134,806,109</u>	<u>5,602,444</u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	173,056	565,440	738,496	-
Accrued payroll.....	61,785	48,357	110,142	-
Health claims payable.....	-	-	-	1,007,000
Accrued interest.....	537,189	286,234	823,423	-
Compensated absences.....	121,000	129,000	250,000	-
Bonds and notes payable.....	<u>2,978,884</u>	<u>5,658,809</u>	<u>8,637,693</u>	<u>-</u>
Total current liabilities.....	<u>3,871,914</u>	<u>6,687,840</u>	<u>10,559,754</u>	<u>1,007,000</u>
<b>NONCURRENT:</b>				
Compensated absences.....	129,000	132,000	261,000	-
Other postemployment benefits.....	717,224	879,658	1,596,882	-
Bonds and notes payable.....	<u>28,453,098</u>	<u>31,242,479</u>	<u>59,695,577</u>	<u>-</u>
Total noncurrent liabilities.....	<u>29,299,322</u>	<u>32,254,137</u>	<u>61,553,459</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<u>33,171,236</u>	<u>38,941,977</u>	<u>72,113,213</u>	<u>1,007,000</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	27,314,033	36,010,385	63,324,418	-
Unrestricted.....	<u>(322,542)</u>	<u>(308,980)</u>	<u>(631,522)</u>	<u>4,595,444</u>
<b>TOTAL NET ASSETS.....</b>	<u>\$ 26,991,491</u>	<u>\$ 35,701,405</u>	<u>\$ 62,692,896</u>	<u>\$ 4,595,444</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	<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 .....	\$ -	\$ -	\$ -	\$ 3,891,282
Employer contributions .....	-	-	-	11,730,741
Charges for services .....	3,918,841	2,353,685	6,272,526	-
Other.....	143,929	-	143,929	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>4,062,770</b>	<b>2,353,685</b>	<b>6,416,455</b>	<b>15,622,023</b>
<b><u>OPERATING EXPENSES:</u></b>				
Cost of services and administration .....	4,869,598	4,761,955	9,631,553	-
Depreciation.....	1,292,458	1,848,652	3,141,110	-
Employee benefits .....	-	-	-	13,709,986
<b>TOTAL OPERATING EXPENSES .....</b>	<b>6,162,056</b>	<b>6,610,607</b>	<b>12,772,663</b>	<b>13,709,986</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(2,099,286)</b>	<b>(4,256,922)</b>	<b>(6,356,208)</b>	<b>1,912,037</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>				
Investment income.....	-	-	-	4,736
Interest expense.....	(1,460,299)	(1,180,879)	(2,641,178)	-
Intergovernmental.....	-	1,445,132	1,445,132	-
MWPAT interest subsidy.....	799,569	-	799,569	-
Other revenues.....	-	422,564	422,564	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(660,730)</b>	<b>686,817</b>	<b>26,087</b>	<b>4,736</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS.....</b>	<b>(2,760,016)</b>	<b>(3,570,105)</b>	<b>(6,330,121)</b>	<b>1,916,773</b>
<b>OPERATING CONTRIBUTIONS.....</b>	<b>3,065,036</b>	<b>4,908,708</b>	<b>7,973,744</b>	<b>-</b>
<b><u>TRANSFERS:</u></b>				
Transfers in.....	-	400,000	400,000	-
<b>TOTAL TRANSFERS.....</b>	<b>-</b>	<b>400,000</b>	<b>400,000</b>	<b>-</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>305,020</b>	<b>1,738,603</b>	<b>2,043,623</b>	<b>1,916,773</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>26,686,471</b>	<b>33,962,802</b>	<b>60,649,273</b>	<b>2,678,671</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 26,991,491</b>	<b>\$ 35,701,405</b>	<b>\$ 62,692,896</b>	<b>\$ 4,595,444</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water Enterprise	Sewer Enterprise	Total	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from customers and users.....	\$ 4,226,045	\$ 2,330,501	\$ 6,556,546	\$ -
Receipts from interfund services provided.....	-	-	-	15,622,023
Payments to vendors.....	(3,152,881)	(3,360,571)	(6,513,452)	-
Payments to employees.....	(1,190,674)	(830,648)	(2,021,322)	-
Payments for interfund services used.....	-	-	-	(13,742,902)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>(117,510)</b>	<b>(1,860,718)</b>	<b>(1,978,228)</b>	<b>1,879,121</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers in.....	-	400,000	400,000	-
Operating contributions.....	3,065,036	4,908,708	7,973,744	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>3,065,036</b>	<b>5,308,708</b>	<b>8,373,744</b>	<b>-</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
Proceeds from the issuance of bonds and notes.....	732,000	7,149,469	7,881,469	-
Acquisition and construction of capital assets.....	(656,121)	(5,511,023)	(6,167,144)	-
Principal payments on bonds and notes.....	(1,744,857)	(4,421,213)	(6,166,070)	-
Interest expense.....	(684,761)	(1,104,159)	(1,788,920)	-
Other capital construction funds.....	-	422,564	422,564	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(2,353,739)</b>	<b>(3,464,362)</b>	<b>(5,818,101)</b>	<b>-</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Investment income.....	-	-	-	4,736
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,736</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>593,787</b>	<b>(16,372)</b>	<b>577,415</b>	<b>1,883,857</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>6,917,990</b>	<b>680,513</b>	<b>7,598,503</b>	<b>3,643,887</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 7,511,777</b>	<b>\$ 664,141</b>	<b>\$ 8,175,918</b>	<b>\$ 5,527,744</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>				
Operating income (loss).....	\$ (2,099,286)	\$ (4,256,922)	\$ (6,356,208)	\$ 1,912,037
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,292,458	1,848,652	3,141,110	-
Changes in assets and liabilities:				
Water fees.....	163,275	-	163,275	-
Sewer fees.....	-	(23,184)	(23,184)	-
Working capital deposit.....	-	-	-	(23,916)
Warrants payable.....	122,850	125,882	248,732	-
Accrued payroll.....	29,919	(10,637)	19,282	-
Health claims payable.....	-	-	-	(9,000)
Accrued compensated absences.....	3,000	1,000	4,000	-
Other postemployment benefits.....	370,274	454,491	824,765	-
Total adjustments.....	1,981,776	2,396,204	4,377,980	(32,916)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ (117,510)</b>	<b>\$ (1,860,718)</b>	<b>\$ (1,978,228)</b>	<b>\$ 1,879,121</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 1,206,655	\$ 1,359,688
<b>LIABILITIES</b>		
Liabilities due depositors.....	-	1,359,688
<b>NET ASSETS</b>		
Held in trust for private purposes.....	\$ 1,206,655	\$ -

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>
<b><u>ADDITIONS:</u></b>	
Contributions:	
Private donations.....	\$ 23,119
Net investment income:	
Interest.....	<u>123,422</u>
TOTAL ADDITIONS.....	<u>146,541</u>
<b><u>DEDUCTIONS:</u></b>	
Educational scholarships.....	<u>171,140</u>
TOTAL DEDUCTIONS.....	<u>171,140</u>
CHANGE IN NET ASSETS.....	(24,599)
NET ASSETS AT BEGINNING OF YEAR.....	<u>1,231,254</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 1,206,655</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 *state fiscal stabilization fund* is used to account for the Town's use of the federally funded state fiscal stabilization program which was awarded to Governors to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services.

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 the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for 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.

#### 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. 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)*

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

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 2011.

### 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. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$31,754,416 and the bank balance totaled \$33,191,826. Of the bank balance, \$5,668,739 was covered by Federal Depository Insurance, \$1,079,944 was covered by Depositors Insurance Fund and Share Insurance Fund insurance, \$12,720,148 was collateralized, and \$13,722,995 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2010, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Under 1 Year</u>	<u>Maturity 1-5 Years</u>	<u>Rating</u>
<u>Debt Securities</u>				
U.S. Government Agencies.....	\$ 1,786,962	\$ -	\$ 1,786,962	AAA
Corporate Bonds.....	<u>614,872</u>	<u>201,842</u>	<u>413,030</u>	AAA
Total Debt Securities.....	2,401,834	<u>\$ 201,842</u>	<u>\$ 2,199,992</u>	
<u>Other Investments</u>				
Money Market Mutual Funds.....	7,850,024			
MMDT.....	<u>54,420</u>			
Total Investments.....	<u>\$ 10,306,278</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 \$1,786,962 in United States Government Enterprises, and \$614,872 in Corporate Bonds are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

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, 2010, the Town's did not maintain investments requiring concentration of credit risk disclosure.

**NOTE 3 – RECEIVABLES**

At June 30, 2010, 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.....	\$ 1,683,068	\$ (273,087)	\$ 1,409,981
Tax liens.....	3,863,863	-	3,863,863
Motor vehicle and other excise taxes.....	1,138,740	(688,303)	450,437
Departmental and other.....	645,489	(338,000)	307,489
Intergovernmental.....	4,035,125	-	4,035,125
 Total.....	 <u>\$ 11,366,285</u>	 <u>\$ (1,299,390)</u>	 <u>\$ 10,066,895</u>

At June 30, 2010, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 976,276	\$ -	\$ 976,276
Intergovernmental.....	8,091,648	-	8,091,648
Sewer fees.....	695,348	-	695,348
 Total.....	 <u>\$ 9,763,272</u>	 <u>\$ -</u>	 <u>\$ 9,763,272</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
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 815,016	\$ -	\$ 815,016
Tax liens.....	3,863,863	-	3,863,863
Motor vehicle and other excise taxes.....	450,437	-	450,437
Departmental and other.....	307,489	-	307,489
Intergovernmental.....	-	2,842,489	2,842,489
Advance collections.....	-	163,730	163,730
Tax foreclosures.....	1,936,210	-	1,936,210
 Total.....	 <u>\$ 7,373,015</u>	 <u>\$ 3,006,219</u>	 <u>\$ 10,379,234</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, 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	-	1,923,373
 Total capital assets not being depreciated.....	 21,009,852	 1,923,373	 -	 22,933,225
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,660,206	263,230	-	4,923,436
Buildings.....	53,142,236	1,333,054	-	54,475,290
Vehicles.....	7,691,731	-	-	7,691,731
Machinery and equipment.....	6,591,918	-	-	6,591,918
Infrastructure.....	36,576,491	551,874	-	37,128,365
 Total capital assets being depreciated.....	 108,662,582	 2,148,158	 -	 110,810,740
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,928,114)	(158,349)	-	(2,086,463)
Buildings.....	(30,540,014)	(1,035,912)	-	(31,575,926)
Vehicles.....	(5,912,749)	(374,539)	-	(6,287,288)
Machinery and equipment.....	(4,205,010)	(560,119)	-	(4,765,129)
Infrastructure.....	(23,192,570)	(934,010)	-	(24,126,580)
 Total accumulated depreciation.....	 (65,778,457)	 (3,062,929)	 -	 (68,841,386)
Total capital assets being depreciated, net.....	42,884,125	(914,771)	-	41,969,354
Total governmental activities capital assets, net.....	\$ 63,893,977	\$ 1,008,602	\$ -	\$ 64,902,579

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 65,957	\$ -	\$ -	\$ 65,957
Construction in progress.....	650,755	-	(650,755)	-
Total capital assets not being depreciated.....	<u>716,712</u>	<u>-</u>	<u>(650,755)</u>	<u>65,957</u>
<u>Capital assets being depreciated:</u>				
Vehicles.....	420,218	-	-	420,218
Machinery and equipment.....	155,100	10,129	-	165,229
Infrastructure.....	<u>58,178,382</u>	<u>743,195</u>	<u>-</u>	<u>58,921,577</u>
Total capital assets being depreciated.....	<u>58,753,700</u>	<u>753,324</u>	<u>-</u>	<u>59,507,024</u>
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(322,639)	(26,342)	-	(348,981)
Machinery and equipment.....	(67,082)	(16,258)	-	(83,340)
Infrastructure.....	<u>(12,074,232)</u>	<u>(1,249,858)</u>	<u>-</u>	<u>(13,324,090)</u>
Total accumulated depreciation.....	<u>(12,463,953)</u>	<u>(1,292,458)</u>	<u>-</u>	<u>(13,756,411)</u>
Total capital assets being depreciated, net.....	<u>46,289,747</u>	<u>(539,134)</u>	<u>-</u>	<u>45,750,613</u>
Total water capital assets, net.....	<u>\$ 47,006,459</u>	<u>\$ (539,134)</u>	<u>\$ (650,755)</u>	<u>\$ 45,816,570</u>

	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>7,646,845</u>	<u>6,730,771</u>	<u>-</u>	<u>14,377,616</u>
Total capital assets not being depreciated.....	<u>8,296,909</u>	<u>6,730,771</u>	<u>-</u>	<u>15,027,680</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	2,924,117	-	-	2,924,117
Machinery and equipment.....	343,850	-	-	343,850
Vehicles.....	888,882	-	-	888,882
Infrastructure.....	<u>81,510,373</u>	<u>-</u>	<u>-</u>	<u>81,510,373</u>
Total capital assets being depreciated.....	<u>85,667,222</u>	<u>-</u>	<u>-</u>	<u>85,667,222</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,425,507)	(73,103)	-	(1,498,610)
Machinery and equipment.....	(279,922)	(8,436)	-	(288,358)
Vehicles.....	(555,375)	(47,098)	-	(602,473)
Infrastructure.....	<u>(25,535,097)</u>	<u>(1,720,015)</u>	<u>-</u>	<u>(27,255,112)</u>
Total accumulated depreciation.....	<u>(27,795,901)</u>	<u>(1,848,652)</u>	<u>-</u>	<u>(29,644,553)</u>
Total capital assets being depreciated, net.....	<u>57,871,321</u>	<u>(1,848,652)</u>	<u>-</u>	<u>56,022,669</u>
Total sewer capital assets, net.....	<u>\$ 66,168,230</u>	<u>\$ 4,882,119</u>	<u>\$ -</u>	<u>\$ 71,050,349</u>

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

**Governmental Activities:**

General government.....	\$ 97,691
Public safety.....	386,799
Education.....	912,595
Public works.....	1,185,904
Human services.....	27,500
Culture and recreation.....	<u>452,440</u>
Total depreciation expense - governmental activities.....	<u>\$ 3,062,929</u>

**Business-Type Activities:**

Water.....	\$ 1,292,458
Sewer.....	<u>1,848,652</u>
Total depreciation expense - business-type activities.....	<u>\$ 3,141,110</u>

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

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Sewer Enterprise Fund	Nonmajor Governmental Funds	
General Fund.....	\$ -	\$ -	\$ 1,209,711	\$ 1,209,711 (1)
Nonmajor Governmental Funds.....	38,594	400,000	-	438,594 (2)
Total.....	<u>\$ 38,594</u>	<u>\$ 400,000</u>	<u>\$ 1,209,711</u>	<u>\$ 1,648,305</u>

1) Represents budgeted transfers to the Stabilization Fund, Town Capital Projects, and School Capital Projects.

2) Represents budgeted transfers to the general fund and the sewer enterprise fund.

In addition to the budgeted transfers detailed above, the Town transferred approximately \$8 million from the general fund to the water and sewer funds which represent operating and debt services activities originally recorded 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, 2010, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
BAN	School Remodeling & Equipment.....	1.50%	# 05/21/10	\$ 750,000	\$ -	\$ 750,000	\$ -
BAN	Town Hall Remodeling.....	1.50%	# 05/21/10	250,000	-	250,000	-
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
	Total Governmental Funds.....			<u>1,000,000</u>	<u>8,061,000</u>	<u>1,000,000</u>	<u>8,061,000</u>
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.....			<u>-</u>	<u>732,000</u>	<u>-</u>	<u>732,000</u>
BAN	Sewer Construction.....	3.50%	11/05/09	90,000	-	90,000	-
BAN	Brown Street Pump Station.....	1.50%	05/21/10	2,000,000	-	2,000,000	-
BAN	Sewer - Pump Station Rebuilds - Gorge Brown.....	1.50%	05/20/11	-	3,000,000	-	3,000,000
	Total Sewer Fund.....			<u>2,090,000</u>	<u>3,000,000</u>	<u>2,090,000</u>	<u>3,000,000</u>
	Total.....			<u>\$ 3,090,000</u>	<u>\$ 11,793,000</u>	<u>\$ 3,090,000</u>	<u>\$ 11,793,000</u>

#### 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, 2010, \$5,900,000 of bonds outstanding from the advance refunding transactions is considered defeased.

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

### Bond Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Reductions	Outstanding at June 30, 2010
School Construction.....	3.00 - 4.50%	\$ 3,520,000	\$ -	\$ 220,000	\$ 3,300,000
Building Remodeling - Library Refunding....	2.13 - 3.00%	1,566,923	-	191,154	1,375,769
Outdoor Recreational Facility.....	3.63%	98,550	-	12,350	86,200
Outdoor Recreational Facility.....	3.62%	52,750	-	6,750	46,000
Departmental Equipment - Fire.....	3.85%	75,055	-	6,315	68,740
Public Way.....	3.34%	405,000	-	135,000	270,000
Building Remodeling.....	3.97%	350,000	-	25,000	325,000
School Construction.....	2.38 - 4.38%	600,000	-	45,000	555,000
Building Remodeling - School.....	2.38 - 4.75%	1,025,000	-	70,000	955,000
Public Way.....	2.38 - 4.00%	2,190,000	-	305,000	1,885,000
Engineering Services.....	2.38 - 3.00%	640,000	-	50,000	590,000
Computer Hardware.....	2.38 - 4.00%	1,285,000	-	145,000	1,140,000
Computer Software.....	2.38 - 4.00%	135,000	-	35,000	100,000
Total Governmental.....		\$ 11,943,278	\$ -	\$ 1,246,569	\$ 10,696,709

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

Year	Principal	Interest	Total
2011.....	\$ 1,491,184	\$ 366,453	\$ 1,857,637
2012.....	1,470,800	321,667	1,792,467
2013.....	1,032,807	278,974	1,311,781
2014.....	1,005,115	244,102	1,249,217
2015.....	869,730	212,056	1,081,786
2016.....	862,038	181,377	1,043,415
2017.....	856,654	152,399	1,009,053
2018.....	774,981	122,170	897,151
2019.....	341,135	98,039	439,174
2020.....	341,135	84,301	425,436
2021.....	336,130	70,538	406,668
2022.....	330,000	56,706	386,706
2023.....	330,000	42,715	372,715
2024.....	265,000	29,071	294,071
2025.....	265,000	17,586	282,586
2026.....	45,000	5,881	50,881
2027.....	40,000	3,800	43,800
2028.....	40,000	1,900	41,900
Total.....	\$ 10,696,709	\$ 2,289,735	\$ 12,986,444

**Bond Payable Schedule – Water Enterprise Fund**

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Reductions	Outstanding at June 30, 2010
Water Treatment Facility.....	2.38 - 5.00%	\$ 3,258,645	\$ -	\$ 202,585	\$ 3,056,060
Water.....	3.90 - 5.11%	101,450	-	25,700	75,750
Surface Drain.....	3.31 - 3.90%	334,000	-	50,000	284,000
Water Pollution Abatement Trust.....	3.0 - 5.35%	25,027,851	-	1,526,473	23,501,378
Water Mains.....	2.38 - 4.75%	2,556,000	-	112,000	2,444,000
Water Departmental Equipment.....	2.38 - 4.75%	1,042,000	-	100,000	942,000
Engineering Services.....	2.50 - 3.00%	400,000	-	-	400,000
Total Water.....		<u>\$ 32,719,946</u>	<u>\$ -</u>	<u>\$ 2,016,758</u>	<u>\$ 30,703,188</u>

The difference between the debt outstanding per the schedule above and the total aggregate principle payments to be made per the schedule below relates to a deferred loss on a prior year debt refunding in the amount of \$3,206 that has been capitalized and is being amortized over the life of the new debt.

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
2011.....	\$ 2,246,884	\$ 1,370,287	\$ 3,617,171
2012.....	2,273,666	1,290,490	3,564,156
2013.....	2,323,621	1,194,392	3,518,013
2014.....	2,031,854	1,092,005	3,123,859
2015.....	1,900,324	1,016,893	2,917,217
2016.....	1,954,564	932,319	2,886,883
2017.....	2,004,564	834,455	2,839,019
2018.....	1,983,544	734,361	2,717,905
2019.....	2,003,544	634,048	2,637,592
2020.....	2,063,548	533,633	2,597,181
2021.....	2,118,870	431,990	2,550,860
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>\$ 30,699,982</u>	<u>\$ 10,848,609</u>	<u>\$ 41,548,591</u>

**Bond Payable Schedule – Sewer Enterprise Fund**

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Reductions	Outstanding at June 30, 2010
Sewer.....	3.00 - 5.37%	\$ 15,088,550	\$ -	\$ 1,169,300	\$ 13,919,250
Sewer Refunding.....	2.00 - 4.01%	5,133,077	-	918,846	4,214,231
MWPAT.....	2.00%	9,799,489	-	272,032	9,527,457
Sewer Treatment Facility.....	2.50 - 4.20%	<u>6,530,000</u>	-	-	<u>6,530,000</u>
Total Sewer.....		<u>\$ 36,551,116</u>	<u>\$ -</u>	<u>\$ 2,360,178</u>	<u>\$ 34,190,938</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 \$289,650 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:

Year	Principal	Interest	Total
2011.....	\$ 2,658,809	\$ 1,081,003	\$ 3,739,812
2012.....	2,629,966	992,443	3,622,409
2013.....	2,520,731	911,299	3,432,030
2014.....	2,511,908	829,440	3,341,348
2015.....	2,355,694	749,106	3,104,800
2016.....	2,346,958	672,300	3,019,258
2017.....	2,201,086	597,331	2,798,417
2018.....	2,017,700	524,851	2,542,551
2019.....	1,880,647	456,383	2,337,030
2020.....	1,884,932	389,015	2,273,947
2021.....	1,453,370	328,884	1,782,254
2022.....	1,463,034	276,574	1,739,608
2023.....	1,472,893	223,552	1,696,445
2024.....	1,107,952	174,075	1,282,027
2025.....	1,118,213	137,183	1,255,396
2026.....	853,682	106,540	960,222
2027.....	864,363	82,554	946,917
2028.....	875,259	58,347	933,606
2029.....	886,375	33,710	920,085
2030.....	<u>797,716</u>	<u>10,616</u>	<u>808,332</u>
Total.....	<u>\$ 33,901,288</u>	<u>\$ 8,635,206</u>	<u>\$ 42,536,494</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 \$5,858,104 have been recorded as an intergovernmental receivable in the water enterprise fund. Future interest subsidies total \$6,262,076 and will be recognized as revenue when received. During fiscal year 2010, the Town's principal and interest subsidy amounted to approximately \$1,071,000.

In the prior fiscal year, the Town entered into a long term loan agreement with MWPAT which is managed by the Commonwealth of Massachusetts. At that time, the Town recorded a loan amount net of an estimated grant that was funded by the federal government through the American Reinvestment and Recovery Act. During fiscal year 2010, the MWPAT increased its original estimated grant amount. This action resulted in the Town recognizing a reduction of the prior year loan amount by \$272,032. This amount has been recognized as an intergovernmental capital grant in the financial statements of the Sewer Enterprise Fund.

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. During FY2010 the Town received \$730,000 in construction grants and has requested an additional \$779,000 for construction costs incurred through June 30, 2010 for the Parker School project. The maximum grant for the Parker School is approximately \$19,000,000.

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, 2010, the Town had authorized and un-issued debt as follows:

Purpose	Date Authorized	Amount
Water treatment plant.....	05/03/01	\$ 711,738
Planning and land acquisition.....	05/25/06	1,000,000
Road reconstruction.....	05/25/06	500,000
Sewer.....	05/25/06	500,000
Sewer.....	05/17/08	9,000,000
School capital improvements.....	05/20/08	1,553,000
Town hall renovations.....	05/22/08	1,000,000
Sewer.....	05/22/08	3,000,000
Sewer.....	10/14/08	2,669,000
Tennis court.....	10/16/08	258,000
Water tank.....	10/21/08	685,000
Water.....	10/21/08	120,000
School feasibility.....	10/21/08	400,000
School building.....	10/06/09	<u>33,607,436</u>
Total.....		<u>\$ 55,004,174</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

<b>Governmental Activities</b>	Balance June 30, 2009	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2010	Current Portion
Long-Term Bonds and Notes.....	\$ 11,943,278	\$ -	\$ (1,246,569)	\$ -	\$ -	\$ 10,696,709	\$ 1,491,184
Court Judgments.....	50,000	-	-	-	(50,000)	-	-
Other Postemployment Benefits.....	9,277,628	-	-	17,280,352	(7,101,309)	19,456,671	-
Compensated Absences.....	2,830,000	-	-	53,000	-	2,883,000	1,206,000
<b>Total.....</b>	<b>\$ 24,100,906</b>	<b>\$ -</b>	<b>\$ (1,246,569)</b>	<b>\$ 17,333,352</b>	<b>\$ (7,151,309)</b>	<b>\$ 33,036,380</b>	<b>\$ 2,697,184</b>
<b>Business-Type Activities</b>	Balance June 30, 2009	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increase	Other Decrease	Balance June 30, 2010	Current Portion
Long-Term Bonds and Notes.....	\$ 69,271,062	\$ -	\$ (4,376,936)	\$ -	\$ -	\$ 64,894,126	\$ 4,905,693
Deferred Loss on Refunding.....	(322,142)	-	-	-	29,286	(292,856)	(29,286)
Other Postemployment Benefits.....	772,117	-	-	1,143,132	(318,367)	1,596,882	-
Compensated Absences.....	507,000	-	-	4,000	-	511,000	250,000
<b>Total.....</b>	<b>\$ 70,228,037</b>	<b>\$ -</b>	<b>\$ (4,376,936)</b>	<b>\$ 1,147,132</b>	<b>\$ (289,081)</b>	<b>\$ 66,709,152</b>	<b>\$ 5,126,407</b>

**NOTE 8 – 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 a two month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the \$100,000 coverage provided by the Town. At June 30, 2010, the amount of the liability for health insurance claims totaled \$1,007,000.

Changes in the reported liability since July 1, 2009, 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 2009.....	\$ 934,000	\$ (13,911,419)	\$ 13,993,419	\$ 1,016,000
Fiscal Year 2010.....	1,016,000	(13,718,986)	13,709,986	1,007,000

#### *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, 2010, and is therefore not reported.

#### **NOTE 9 – PENSION PLAN**

*Plan Description* - The Town contributes to the Middlesex Contributory 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 \$14,244,000 for the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008 were \$6,891,684, \$6,352,561, and \$5,667,863, 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 10 – 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, 2010, the Plan's membership consisted of the following:

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

Normal Cost.....	\$ 8,738,537
Amortization of unfunded actuarial accrued liability.....	9,640,539
Adjustments to annual required contribution.....	<u>44,408</u>
Annual OPEB cost (expense).....	18,423,484
Contributions made.....	<u>(7,419,676)</u>
Increase/(Decrease) in net OPEB obligation.....	11,003,808
Net OPEB obligation - beginning of year.....	<u>10,049,745</u>
Net OPEB obligation - end of year.....	<u><u>\$ 21,053,553</u></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 2010 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>
6/30/2010	\$ 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, 2010 is 28 years.

**NOTE 11 – COMMITMENTS**

The Town is currently committed to expend approximately \$2 million to complete the Wastewater Treatment Facility, \$1 million to complete various sewer projects, and \$34 million for the new Parker Elementary school and other educational needs.

**NOTE 12 – 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, 2010, 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

**NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2010, the following GASB pronouncements were implemented:

- GASB Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. Implementation of this pronouncement did not impact the basic financial statements.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #59, *Financial Statements Omnibus*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure relative to investments held by the Town.

# ***Required Supplementary Information***

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

FISCAL YEAR ENDED JUNE 30, 2010

	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.....	\$ 87,223,367	\$ 87,223,367	\$ 86,492,001	\$ -	\$ (731,366)
Tax liens.....	-	-	1,277,202	-	1,277,202
Motor vehicle and other excise .....	4,850,000	4,850,000	5,281,125	-	431,125
Charges for services.....	6,800,000	6,800,000	6,394,562	-	(405,438)
Intergovernmental.....	24,010,572	24,010,572	23,498,200	-	(512,372)
Departmental and other.....	3,153,000	3,153,000	3,222,661	-	69,661
Investment income.....	330,000	330,000	81,189	-	(248,811)
<b>TOTAL REVENUES.....</b>	<b>126,366,939</b>	<b>126,366,939</b>	<b>126,246,940</b>	<b>-</b>	<b>(119,999)</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	4,255,206	4,328,706	4,060,689	129,282	138,735
Public safety.....	15,328,126	15,328,126	14,589,742	64,142	674,242
Education.....	56,832,077	56,832,077	56,158,705	671,255	2,117
Public works.....	15,371,070	15,221,070	13,676,129	253,456	1,291,485
Human services.....	1,141,764	1,171,764	1,118,732	18,084	34,948
Culture and recreation.....	1,702,266	1,703,766	1,655,703	18,247	29,816
Pension benefits.....	6,891,684	6,891,684	6,891,684	-	-
Employee benefits.....	13,899,104	14,059,104	13,974,596	-	84,508
Other.....	1,034,426	919,426	862,162	-	57,264
State and county charges.....	5,492,073	5,492,073	5,162,890	-	329,183
Debt service:					
Principal.....	5,002,954	5,002,954	5,079,894	-	(76,940)
Interest.....	2,564,095	2,564,095	2,205,906	-	358,189
<b>TOTAL EXPENDITURES.....</b>	<b>129,514,845</b>	<b>129,514,845</b>	<b>125,436,832</b>	<b>1,154,466</b>	<b>2,923,547</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....</b>	<b>(3,147,906)</b>	<b>(3,147,906)</b>	<b>810,108</b>	<b>(1,154,466)</b>	<b>2,803,548</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	38,594	38,594	38,594	-	-
Transfers out.....	-	(1,209,711)	(1,209,711)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>38,594</b>	<b>(1,171,117)</b>	<b>(1,171,117)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(3,109,312)</b>	<b>(4,319,023)</b>	<b>(361,009)</b>	<b>(1,154,466)</b>	<b>2,803,548</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>10,208,052</b>	<b>10,208,052</b>	<b>10,208,052</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 7,098,740</b>	<b>\$ 5,889,029</b>	<b>\$ 9,847,043</b>	<b>\$ (1,154,466)</b>	<b>\$ 2,803,548</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)
1/1/08	\$ 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, 2008, is approximately \$73.5 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
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, 2010

**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
6/30/2010	\$ 18,423,484	\$ 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, 2010

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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.....	28 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 (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 2010 approved budget authorized approximately \$129.5 million in appropriations and other amounts to be raised. During fiscal year 2010, the original budget was increased by approximately \$1.2 million to fund repairs to the Marshall Middle School, underground storage tank removals, and a transfer to the Stabilization Fund.

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, 2010, is presented below:

Net change in fund balance - budgetary basis.....	\$	(361,009)
<u>Basis of accounting differences:</u>		
Increase in revenues due to on-behalf payments.....		14,244,168
Increase in expenditures due to on-behalf payments.....		(14,244,168)
Net change in revenues in recording 60 day receipts.....		360,000
Net change in recording tax refunds payable.....		<u>(144,004)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>(145,013)</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 as 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. Since this is the Town's initial year of implementation of GASB Statement 45, information for prior years is not available.

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.