

TOWN OF BELMONT, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF BELMONT, MASSACHUSETTS

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JUNE 30, 2011

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Belmont, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of and for the fiscal year ended June 30, 2011 (except for the Belmont Contributory Retirement System and Municipal Light Enterprise which are as of December 31, 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 Belmont, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Belmont Municipal Light Department, a major enterprise fund, which represents 31% and 65%, respectively, of the assets and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Belmont Municipal Light Department, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, Massachusetts, as of June 30, 2011 (except for the Belmont Contributory Retirement System and Municipal Light Enterprise which are as of December 31, 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 December 7, 2011 on our consideration of the Town of Belmont, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Powers & Sullivan LLC". The signature is written in a cursive, flowing style.

December 7, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Belmont, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011.

The Town provides general government services for the territory within its boundaries, including police and fire protection, public education, water and sewer maintenance, trash disposal, electricity transmission and parks and recreational facilities.

Financial Highlights

- The Town's assets exceeded its liabilities at the close of fiscal year 2011 by \$124.3 million.
- The Town's total net assets increased by \$4.1 million.
- At the end of fiscal year 2011, unassigned fund balance for the general fund was \$9.1 million or 10.3% of total general fund expenditures.
- This is the third year since the Town implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which resulted in the recognition of a postemployment benefit (OPEB) liability totaling \$33.4 million. See note 13 in the financial statements for further details.
- The Town established an Other Postemployment Benefits Trust Fund (OPEB) to account for funds set aside to help offset future post-retirement benefit costs for retirees, as a result of the implementation of GASB Statement #45. \$200,000 was transferred to the fund during fiscal year 2011 bringing the balance to \$1.2 million.
- At fiscal year end the Town's Internal Service fund balance was \$4.1 million after taking into consideration \$1.9 million of "Incurred but not Reported" liability.

Overview of the Financial Statements

Our discussion and analysis of the Town is intended to serve as an introduction to the Town of Belmont's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This analysis also contains other required 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 the Town's finances, in a manner similar to private-sector business.

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

The *statement of activities* presents information showing how the Town'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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation time).

Both of the government-wide financial statements distinguish functions of the Town 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 of the Town include general administration, public safety, education, public works, human services, and cultural development. The business-type activities of the Town include water and sewer systems and electricity transmission activities.

The government-wide financial statements include not only the Town of Belmont itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Belmont is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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 of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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 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*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Reserve for Appropriation Fund and the Wellington School Construction Fund which are the Town's major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

The Town of Belmont adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as Required Supplementary Information for the general fund to demonstrate compliance with this budget.

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 systems and electricity transmission activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems, the electricity transmission activities, and the internal service fund all of which are considered to be major funds of the Town.

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.

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: a pension trust fund and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency fund accounts for primarily police off-duty details and school activity funds.

The Town is the trustee, or fiduciary, for its employees' pension plan. The Town's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

The Town established an Other Postemployment Benefits Trust Fund (OPEB) to account for funds set aside to help offset future post-retirement benefits for retirees. The Town contributed \$200,000 to the fund during fiscal year 2011. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

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.

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As noted below, assets exceeded liabilities by \$88.1 million at the close of the most recent fiscal year.

Governmental Financial Highlights

	FY2011 Governmental Activities	FY2010 Governmental Activities
	<u> </u>	<u> </u>
Assets:		
Current assets..... \$	49,515,903	\$ 60,787,777
Noncurrent assets (excluding capital).....	1,223,440	1,716,143
Capital assets.....	131,773,712	111,632,768
Total assets.....	<u>182,513,055</u>	<u>174,136,688</u>
Liabilities:		
Current liabilities (excluding debt).....	7,302,277	7,532,885
Noncurrent liabilities (excluding debt).....	37,295,376	27,682,726
Current debt.....	3,553,191	3,898,191
Noncurrent debt.....	46,285,244	49,838,435
Total liabilities.....	<u>94,436,088</u>	<u>88,952,237</u>
Net Assets:		
Capital assets net of related debt.....	92,482,345	83,587,466
Restricted.....	3,839,341	3,591,351
Unrestricted.....	(8,244,719)	(1,994,366)
Total net assets..... \$	<u>88,076,967</u>	<u>\$ 85,184,451</u>

A significant portion of the Town's net assets, \$92.5 million (104.6%), reflects 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 Town's 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 Town's net assets, \$3.8 million (4.3%), represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of *unrestricted net assets*, of (\$8.2) million (-9.4%) is due to the recognition of the liability associated with GASB Statement #45. It indicates that the Town does not have enough reserves to meet its ongoing short-term and long-term obligation to its citizens and creditors.

The governmental activities net assets increased by \$2.9 million during the current fiscal year. This was primarily due to the recognition capital grants related to the Wellington and Chenery School Projects of \$6.6 million, the Senior Center Project of \$133 thousand and Mass Highway Chapter 90 grants of \$532 thousand. Other attributes of this increase related to an operating surplus in the internal service fund of \$1.2 million, a decrease in the Appellate Tax Board liability of \$128 thousand, an overall positive budgetary surplus of \$1.4 million, and the Town's ability to fund capital additions from current year revenues.

These increases were offset by the increase in the liability related to GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement requires a systematic, accrual-basis measurement and recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. In fiscal year 2011 the Town, based on its actuarial valuation, recognized an accrual of \$30.7 million for its portion of the liability that was not paid; this represented an increase of \$9.5 million over the prior year, an increase in the landfill liability of \$349 thousand, and the fact that depreciation exceeded principal payments by \$462 thousand. Key elements of change in net assets are as follows:

	<u>FY2011</u> <u>Governmental</u> <u>Activities</u>	<u>FY2010</u> <u>Governmental</u> <u>Activities</u>
Program revenues:		
Charges for services.....	\$ 5,860,861	\$ 5,320,226
Operating grants and contributions.....	18,033,114	18,869,554
Capital grants and contributions.....	7,266,789	2,000,418
General Revenues:		
Real estate and personal property taxes.....	67,564,177	63,702,342
Tax liens.....	50,077	327,824
Motor vehicle and other excise taxes.....	2,824,685	2,532,627
Nonrestricted grants.....	2,238,188	2,359,596
Penalties and interest on taxes.....	211,690	176,854
Unrestricted investment income.....	596,843	754,426
Gain/(loss) on disposal of capital assets.....	-	(1,573,103)
Total revenues.....	<u>104,646,424</u>	<u>94,470,764</u>
Expenses:		
General government.....	6,048,360	5,881,488
Public safety.....	17,059,919	17,521,871
Education.....	63,632,283	60,117,403
Public works.....	10,028,115	10,070,559
Human services.....	1,151,671	1,296,132
Culture and recreation.....	2,911,249	3,387,139
Interest.....	1,920,184	1,626,386
Total expenses.....	<u>102,751,781</u>	<u>99,900,978</u>
Transfers.....	997,873	1,298,604
Change in net assets.....	<u>\$ 2,892,516</u>	<u>\$ (4,131,610)</u>

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2 % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2% taxing limitations can be overridden by Town-wide referendum vote. The Town has taken advantage of this override capability to increase operating budgets and so-called "debt exclusions" that are not subject to the Proposition 2-1/2% limitations.

The Town collects 99.3% of its property tax billings in the year billed. Property taxes billed were \$67.7 million in fiscal year 2011. \$1.525 million of this increase was the allowable increase under Proposition 2 ½. \$512 thousand of this increase is the product of the certified new growth of the Town. Within this levy approximately \$4.817 million of previous debt exclusions were paid off.

Business-type activities

Combined business-type activities net assets increased by \$1.2 million in the current year. The following table identifies key elements of the enterprise operations:

	<u>FY2011 Business-type Activities</u>	<u>FY2010 Business-type Activities</u>
Assets:		
Current assets.....	\$ 18,320,524	\$ 18,195,670
Capital assets.....	37,905,709	30,790,988
Total assets.....	<u>56,226,233</u>	<u>48,986,658</u>
Liabilities:		
Current liabilities (excluding debt).....	4,468,048	5,211,001
Noncurrent liabilities (excluding debt).....	2,766,729	2,131,580
Current debt.....	978,270	1,985,587
Noncurrent debt.....	11,769,746	4,532,564
Total liabilities.....	<u>19,982,793</u>	<u>13,860,732</u>
Net Assets:		
Capital assets net of related debt.....	25,157,693	24,272,837
Restricted.....	60,000	120,000
Unrestricted.....	11,025,747	10,733,089
Total net assets.....	<u>36,243,440</u>	<u>35,125,926</u>
Program revenues:		
Charges for services.....	35,190,566	32,677,779
Capital grants and contributions.....	56,580	959,483
General Revenues:		
Unrestricted investment income.....	63,604	107,556
Total revenues.....	<u>35,310,750</u>	<u>33,744,818</u>
Expenses:		
Water.....	4,587,649	3,993,848
Sewer.....	6,460,665	6,080,967
Light.....	22,035,799	20,587,388
Total expenses.....	<u>33,084,113</u>	<u>30,662,203</u>
Transfers.....	<u>(997,873)</u>	<u>(932,873)</u>
Change in net assets.....	<u>\$ 1,228,764</u>	<u>\$ 2,149,742</u>

Financial Analysis of the Town's Governmental Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$30.9 million. Of this amount \$15.7 million relates to the general fund, \$4.6 million relates to the Wellington School Construction fund, \$3.5 million relates to receipts reserved for appropriation, and \$7.1 million for nonmajor governmental funds. Overall fund balance decreased by \$13.3 million in fiscal year 2011. This was primarily due to \$21.8 million of expenditures related to the Wellington School project, offset by the receipt of \$6.3 million from the Massachusetts School Building Authority, a general fund surplus of \$1.6 million and the timing of grant and capital project expenditures (i.e. the expenditures occurred in the prior year).

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9.1 million, while total fund balance was \$15.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10.3% of total general fund expenditures, while total fund balance represents 17.8% of that same amount. During fiscal year 2011, the fund balance of the general fund increased by approximately \$1.6 million. The increase was due to better than expected revenue collections combined with the Town's ability to control budgetary spending, offset by the use of reserves to fund current year capital projects.

The Wellington School construction fund is used to account for the activities related to the construction of the new school building. During fiscal year 2011, the Town received \$6.3 million of Massachusetts School Building Authority reimbursements and spent \$21.8 million on the project. At June 30, 2011, the fund has a balance of \$4.6 million.

The receipts reserved for appropriation had an ending fund balance of approximately \$3.5 million, a decrease of \$900,000 over the prior year. The decrease is primarily due to the net effect of contributions and investment income offset by transfers to other funds.

The internal service fund had an ending fund balance of \$4.1 million. Contributions to the fund exceeded claim payments by \$1.2 million and the fund earned \$18.1 thousand in investment earnings.

Financial Analysis of Proprietary Funds

The Water, Sewer and Light activities funds maintained positive results of operations and demonstrated the ability to recover all costs from rates.

The net assets of the water, sewer and electric light funds increased \$1.2 million in fiscal year 2011. This performance was primarily the result of an increase in water rates of an average of 9.1% and increase in sewer rates of an average of 3.5%. The light department experienced an overall 5.5% increase in revenue derived from the sale of electricity due to the warmer summer weather which was offset by a \$797 thousand charge to operations for the abandonment of construction in progress.

General Fund Budgetary Highlights

There was a change of approximately \$362 thousand between the original and final adopted budgets. Increases in public safety, education and public works were offset by decreases in general government, employee benefits and interest expense.

Capital Asset and Debt Administration

Capital Asset Administration

The Town of Belmont's investment in capital assets for its governmental and business type activities as of June 30, 2011 amounted to \$169.7 million (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, vehicles, roads, sidewalks, bridges and water and sewer lines.

The Town's major capital projects relate to the Wellington School project, a MWPAT Sewer project and various other infrastructure projects.

In conjunction with the operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The Town annually budgets over \$2.0 million per year from current-year appropriations for capital projects.

Debt Administration

Outstanding governmental long-term debt, as of June 30, 2011, totaled \$49.8 million of which \$30.7 million relates to various School construction projects, \$7.2 million relates to the Town Hall renovation project, \$2.9 million relates to the senior center project and \$8 million relates to the Fire Station construction, leaving a balance of \$1 million for other CIP projects.

The enterprise funds have \$3.3 million in water debt, \$9.4 million in sewer debt and \$60,000 in light debt, all of which are fully supported by the rates.

The Town has a "AAA" rating from Moody's for general obligation debt.

Please refer to notes 4, 7, and 8 for further discussion of the major capital and debt activity.

Economic Factors and Next Year's Budget

The Town continues to experience growth in residential renovation and development. In fiscal year 2011, 788 building permits were issued, resulting in \$36.5 million in taxable value. This is a slight decrease in the number of permits issued however it resulted in an overall increase in taxable value from the 2010 value levels, which generated 894 permits resulting in \$33.8 million in value. This activity has produced new growth tax revenue, which is exempt from the limitation imposed by Proposition 2 1/2. For fiscal year 2011, the Town realized \$512,519 in new taxes from this source.

The unemployment rate for Belmont as of September 2011 was 5.3% compared to the state figure of 7.2% and the nationwide figure of 9.2%. The Town collected 99.3% of all tax billings by year end.

Requests for Information

This financial report is designed to provide a general overview of the Town of Belmont'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 Finance Department, Town Hall, 19 Moore Street, Belmont, MA 02478.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 36,436,916	\$ 9,179,220	\$ 45,616,136
Investments.....	5,948,293	-	5,948,293
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	746,783	-	746,783
Real estate tax deferrals.....	641,750	-	641,750
Tax liens.....	680,099	91,189	771,288
Motor vehicle excise taxes.....	119,043	-	119,043
User fees.....	-	5,132,811	5,132,811
Departmental and other.....	580,819	-	580,819
Intergovernmental.....	4,206,546	301,630	4,508,176
Inventory.....	126,542	459,469	586,011
Prepaid expenses.....	-	22,910	22,910
Purchased power advanced deposits.....	-	1,651,424	1,651,424
Unamortized bond issue costs.....	29,112	-	29,112
NONCURRENT:			
Restricted cash and cash equivalents.....	-	1,481,871	1,481,871
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	930,000	-	930,000
Unamortized bond issue costs.....	293,440	-	293,440
Capital assets, non depreciable.....	45,067,075	2,330,356	47,397,431
Capital assets, depreciable.....	86,706,637	35,575,353	122,281,990
TOTAL ASSETS.....	182,513,055	56,226,233	238,739,288
LIABILITIES			
CURRENT:			
Warrants payable.....	3,862,625	3,057,082	6,919,707
Accrued liabilities.....	-	16,619	16,619
Health claims payable.....	1,900,000	-	1,900,000
Tax refunds payable.....	166,000	-	166,000
Accrued interest.....	643,465	69,753	713,218
Other liabilities.....	440,942	1,120,078	1,561,020
Capital lease obligations.....	165,793	-	165,793
Compensated absences.....	73,402	204,516	277,918
Unamortized premium on bonds payable.....	50,050	-	50,050
Bonds payable.....	3,553,191	978,270	4,531,461
NONCURRENT:			
Capital lease obligations.....	819,844	-	819,844
Landfill closure.....	3,704,000	-	3,704,000
Compensated absences.....	1,394,644	121,456	1,516,100
Unamortized premium on bonds payable.....	666,342	-	666,342
Other postemployment benefits.....	30,710,546	2,645,273	33,355,819
Bonds payable.....	46,285,244	11,769,746	58,054,990
TOTAL LIABILITIES.....	94,436,088	19,982,793	114,418,881
NET ASSETS			
Invested in capital assets, net of related debt.....	92,482,345	25,157,693	117,640,038
Restricted for:			
Debt service.....	-	60,000	60,000
Permanent funds:			
Expendable.....	708,394	-	708,394
Nonexpendable.....	2,083,618	-	2,083,618
Other purposes.....	1,047,329	-	1,047,329
Unrestricted.....	(8,244,719)	11,025,747	2,781,028
TOTAL NET ASSETS.....	\$ 88,076,967	\$ 36,243,440	\$ 124,320,407

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 6,048,360	\$ 628,931	\$ 36,020	\$ 3,189	\$ (5,380,220)
Public safety.....	17,059,919	637,967	196,146	-	(16,225,806)
Education.....	63,632,283	2,709,299	17,471,273	6,597,859	(36,853,852)
Public works.....	10,028,115	911,438	71,208	532,535	(8,512,934)
Human services.....	1,151,671	194,262	133,571	-	(823,838)
Culture and recreation.....	2,911,249	778,964	52,896	133,206	(1,946,183)
Interest.....	1,920,184	-	72,000	-	(1,848,184)
Total Governmental Activities.....	102,751,781	5,860,861	18,033,114	7,266,789	(71,591,017)
<i>Business-Type Activities:</i>					
Water.....	4,587,649	5,284,310	-	-	696,661
Sewer.....	6,460,665	6,893,573	-	56,580	489,488
Light.....	22,035,799	23,012,683	-	-	976,884
Total Business-Type Activities.....	33,084,113	35,190,566	-	56,580	2,163,033
Total Primary Government.....	\$ 135,835,894	\$ 41,051,427	\$ 18,033,114	\$ 7,323,369	\$ (69,427,984)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (71,591,017)	\$ 2,163,033	\$ (69,427,984)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	67,564,177	-	67,564,177
Tax liens.....	50,077	-	50,077
Motor vehicle and other excise taxes.....	2,824,685	-	2,824,685
Penalties and interest on taxes.....	211,690	-	211,690
Grants and contributions not restricted to specific programs.....	2,238,188	-	2,238,188
Unrestricted investment income.....	596,843	63,604	660,447
<i>Transfers, net</i>	997,873	(997,873)	-
Total general revenues and transfers.....	<u>74,483,533</u>	<u>(934,269)</u>	<u>73,549,264</u>
Change in net assets.....	2,892,516	1,228,764	4,121,280
<i>Net Assets:</i>			
Beginning of year (as restated).....	<u>85,184,451</u>	<u>35,014,676</u>	<u>120,199,127</u>
End of year.....	\$ <u><u>88,076,967</u></u>	\$ <u><u>36,243,440</u></u>	\$ <u><u>124,320,407</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

ASSETS	General	Wellington School Construction	Reserved for Appropriation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 18,198,060	\$ 7,684,961	\$ 411,617	\$ 4,187,791	\$ 30,482,429
Investments.....	6,604	-	3,096,997	2,844,692	5,948,293
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	746,783	-	-	-	746,783
Real estate tax deferrals.....	641,750	-	-	-	641,750
Tax liens.....	680,099	-	-	-	680,099
Motor vehicle excise taxes.....	119,043	-	-	-	119,043
Departmental and other.....	570,644	-	-	10,175	580,819
Intergovernmental.....	3,426,000	-	-	1,710,546	5,136,546
TOTAL ASSETS.....	\$ 24,388,983	\$ 7,684,961	\$ 3,508,614	\$ 8,753,204	\$ 44,335,762
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 720,639	\$ 3,094,949	\$ -	\$ 60,161	\$ 3,875,749
Tax refunds payable.....	166,000	-	-	-	166,000
Other liabilities.....	440,942	-	-	-	440,942
Deferred revenues.....	7,356,550	-	-	1,588,974	8,945,524
TOTAL LIABILITIES.....	8,684,131	3,094,949	-	1,649,135	13,428,215
FUND BALANCES:					
Nonspendable.....	-	-	-	2,083,618	2,083,618
Restricted.....	-	4,590,012	3,508,614	5,020,451	13,119,077
Committed.....	4,126,817	-	-	-	4,126,817
Assigned.....	2,497,571	-	-	-	2,497,571
Unassigned.....	9,080,464	-	-	-	9,080,464
TOTAL FUND BALANCES.....	15,704,852	4,590,012	3,508,614	7,104,069	30,907,547
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 24,388,983	\$ 7,684,961	\$ 3,508,614	\$ 8,753,204	\$ 44,335,762

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

Total governmental fund balances.....	\$	30,907,547
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		131,773,712
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		8,945,524
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.....		4,067,611
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(643,465)
Inventory is capitalized in the Statement of Activities.....		126,542
Bond issue costs are capitalized in the Statement of Activities.....		322,552
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.....	(49,838,435)	
Capital lease obligations.....	(985,637)	
Landfill closure.....	(3,704,000)	
Unamortized premium on bonds payable.....	(716,392)	
Other postemployment benefits payable.....	(30,710,546)	
Compensated absences.....	<u>(1,468,046)</u>	
Net effect of reporting long-term liabilities.....		<u>(87,423,056)</u>
Net assets of governmental activities.....	\$	<u>88,076,967</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	General	Wellington School Construction	Reserved for Appropriation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 67,603,489	\$ -	\$ -	\$ -	\$ 67,603,489
Tax liens.....	73,475	-	-	-	73,475
Motor vehicle and other excise taxes.....	2,857,672	-	-	-	2,857,672
Charges for services.....	1,678,182	-	-	-	1,678,182
Penalties and interest on taxes.....	211,690	-	-	-	211,690
Licenses and permits.....	923,263	-	-	-	923,263
Fines and forfeitures.....	201,055	-	-	-	201,055
Intergovernmental.....	16,636,864	6,311,161	-	3,601,991	26,550,016
Departmental and other.....	-	-	224,347	2,927,683	3,152,030
Contributions.....	-	-	-	348,847	348,847
Investment income (loss).....	248,098	-	287,586	43,053	578,737
Miscellaneous.....	-	-	-	1,367	1,367
TOTAL REVENUES.....	90,433,788	6,311,161	511,933	6,922,941	104,179,823
EXPENDITURES:					
Current:					
General government.....	2,890,449	-	-	275,126	3,165,575
Public safety.....	11,079,614	-	-	292,779	11,372,393
Education.....	49,005,115	21,751,798	-	6,264,694	77,021,607
Public works.....	8,358,084	-	-	1,581,130	9,939,214
Human services.....	704,218	-	-	94,892	799,110
Culture and recreation.....	2,392,439	-	-	175,529	2,567,968
Pension benefits.....	4,564,181	-	-	-	4,564,181
Employee benefits.....	1,638,551	-	-	-	1,638,551
State and county charges.....	1,488,230	-	-	-	1,488,230
Debt service:					
Principal.....	3,898,191	-	-	-	3,898,191
Interest.....	1,994,214	-	-	-	1,994,214
TOTAL EXPENDITURES.....	88,013,286	21,751,798	-	8,684,150	118,449,234
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	2,420,502	(15,440,637)	511,933	(1,761,209)	(14,269,411)
OTHER FINANCING SOURCES (USES):					
Transfers in.....	1,390,337	-	29,143	2,544,966	3,964,446
Transfers out.....	(2,217,200)	-	(550,000)	(199,373)	(2,966,573)
TOTAL OTHER FINANCING SOURCES (USES).....	(826,863)	-	(520,857)	2,345,593	997,873
NET CHANGE IN FUND BALANCES.....	1,593,639	(15,440,637)	(8,924)	584,384	(13,271,538)
FUND BALANCES AT BEGINNING OF YEAR (AS REVISED).....	14,111,213	20,030,649	3,517,538	6,519,685	44,179,085
FUND BALANCES AT END OF YEAR.....	\$ 15,704,852	\$ 4,590,012	\$ 3,508,614	\$ 7,104,069	\$ 30,907,547

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds.....		\$ (13,271,538)
<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.....	24,525,397	
Depreciation expense.....	<u>(4,359,750)</u>	
Net effect of reporting capital assets.....		20,165,647
<p>In the Statement of Activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.....</p>		
		(24,703)
<p>Governmental funds report inventories as expenditures. However in the Statement of Activities the cost of those assets is capitalized and expensed when depleted.....</p>		
		53,114
<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>		
		448,495
<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 Activities.</p>		
Amortization of issuance costs.....	(2,675)	
Amortization of bond premiums.....	50,050	
Capital lease financing.....	160,258	
Debt service principal payments.....	<u>3,898,191</u>	
Net effect of reporting long-term debt.....		4,105,824
<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 compensated absences accrual.....	(5,133)	
Net change in accrued interest on long-term debt.....	53,092	
Net change in landfill closure accrual.....	(349,000)	
Net change in other postemployment benefits.....	<u>(9,499,252)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(9,800,293)
<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>1,215,970</u>
Change in net assets of governmental activities.....		<u>\$ 2,892,516</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2010)	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 2,795,060	\$ 3,365,593	\$ 3,018,567	\$ 9,179,220	\$ 5,954,487
Receivables, net of allowance for uncollectibles:					
Tax liens.....	31,094	60,095	-	91,189	-
User fees.....	1,382,929	1,723,279	2,026,603	5,132,811	-
Intergovernmental.....	-	301,630	-	301,630	-
Inventory.....	119,881	11,379	328,209	459,469	-
Other assets.....	-	-	-	-	13,124
Prepaid expenses.....	-	-	22,910	22,910	-
Purchased power advanced deposits.....	-	-	1,651,424	1,651,424	-
Total current assets.....	<u>4,328,964</u>	<u>5,461,976</u>	<u>7,047,713</u>	<u>16,838,653</u>	<u>5,967,611</u>
NONCURRENT:					
Restricted cash and cash equivalents.....	-	-	1,481,871	1,481,871	-
Capital assets, non depreciable.....	3,138	1,319,451	1,007,767	2,330,356	-
Capital assets, depreciable.....	9,837,559	17,927,881	7,809,913	35,575,353	-
Total noncurrent assets.....	<u>9,840,697</u>	<u>19,247,332</u>	<u>10,299,551</u>	<u>39,387,580</u>	<u>-</u>
TOTAL ASSETS.....	<u><u>14,169,661</u></u>	<u><u>24,709,308</u></u>	<u><u>17,347,264</u></u>	<u><u>56,226,233</u></u>	<u><u>5,967,611</u></u>
LIABILITIES					
CURRENT:					
Warrants payable.....	36,672	1,369,339	1,651,071	3,057,082	-
Accrued liabilities.....	-	-	16,619	16,619	-
Health claims payable.....	-	-	-	-	1,900,000
Accrued interest.....	-	69,753	-	69,753	-
Compensated absences.....	2,673	3,169	198,674	204,516	-
Bonds payable.....	421,356	496,914	60,000	978,270	-
Total current liabilities.....	<u>460,701</u>	<u>1,939,175</u>	<u>1,926,364</u>	<u>4,326,240</u>	<u>1,900,000</u>
NONCURRENT:					
Compensated absences.....	50,796	60,203	10,457	121,456	-
Other liabilities.....	-	-	1,120,078	1,120,078	-
Other postemployment benefits.....	698,947	433,163	1,513,163	2,645,273	-
Bonds payable.....	2,849,735	8,920,011	-	11,769,746	-
Total noncurrent liabilities.....	<u>3,599,478</u>	<u>9,413,377</u>	<u>2,643,698</u>	<u>15,656,553</u>	<u>-</u>
TOTAL LIABILITIES.....	<u><u>4,060,179</u></u>	<u><u>11,352,552</u></u>	<u><u>4,570,062</u></u>	<u><u>19,982,793</u></u>	<u><u>1,900,000</u></u>
NET ASSETS					
Invested in capital assets, net of related debt.....	6,569,606	9,830,407	8,757,680	25,157,693	-
Restricted for:					
Debt service.....	-	-	60,000	60,000	-
Unrestricted.....	3,539,876	3,526,349	3,959,522	11,025,747	4,067,611
TOTAL NET ASSETS.....	<u><u>\$ 10,109,482</u></u>	<u><u>\$ 13,356,756</u></u>	<u><u>\$ 12,777,202</u></u>	<u><u>\$ 36,243,440</u></u>	<u><u>\$ 4,067,611</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2010)	Total	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 3,261,509
Employer contributions	-	-	-	-	9,787,953
Charges for services	5,281,500	6,893,573	22,719,196	34,894,269	-
Other	2,810	-	293,487	296,297	368,368
TOTAL OPERATING REVENUES	5,284,310	6,893,573	23,012,683	35,190,566	13,417,830
OPERATING EXPENSES:					
Cost of services and administration	4,313,775	5,905,004	19,891,283	30,110,062	-
Depreciation	273,874	315,783	1,342,360	1,932,017	-
Employee benefits	-	-	-	-	12,219,966
TOTAL OPERATING EXPENSES	4,587,649	6,220,787	21,233,643	32,042,079	12,219,966
OPERATING INCOME (LOSS)	696,661	672,786	1,779,040	3,148,487	1,197,864
NONOPERATING REVENUES (EXPENSES):					
Investment income	31,314	28,151	4,139	63,604	18,106
Interest expense	-	(239,878)	(4,391)	(244,269)	-
Intergovernmental	-	56,580	-	56,580	-
Other expenses	-	-	(797,765)	(797,765)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	31,314	(155,147)	(798,017)	(921,850)	18,106
INCOME (LOSS) BEFORE OPERATING TRANSFERS	727,975	517,639	981,023	2,226,637	1,215,970
TRANSFERS:					
Transfers out	(157,873)	(125,000)	(715,000)	(997,873)	-
CHANGE IN NET ASSETS	570,102	392,639	266,023	1,228,764	1,215,970
NET ASSETS AT BEGINNING OF YEAR (AS RESTATED)	9,539,380	12,964,117	12,511,179	35,014,676	2,851,641
NET ASSETS AT END OF YEAR	\$ 10,109,482	\$ 13,356,756	\$ 12,777,202	\$ 36,243,440	\$ 4,067,611

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2010)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 5,015,724	\$ 6,665,388	\$ 22,289,587	\$ 33,970,699	\$ -
Receipts from interfund services provided.....	-	-	-	-	13,417,830
Claims and judgments.....	-	-	-	-	-
Payments to vendors.....	(2,786,255)	(4,729,488)	(16,199,277)	(23,715,020)	-
Payments to employees.....	(1,222,784)	(1,069,567)	(3,713,233)	(6,005,584)	-
Payments for interfund services used.....	-	-	-	-	(12,222,947)
NET CASH FROM OPERATING ACTIVITIES.....	1,006,685	866,333	2,377,077	4,250,095	1,194,883
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	(157,873)	(125,000)	(715,000)	(997,873)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	988,785	7,226,667	-	8,215,452	-
Acquisition and construction of capital assets.....	(2,143,571)	(6,177,036)	(1,779,023)	(10,099,630)	-
Principal payments on bonds and notes.....	(322,479)	(1,603,108)	(60,000)	(1,985,587)	-
Interest expense.....	-	(173,904)	(6,225)	(180,129)	-
Intergovernmental.....	-	56,580	-	56,580	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,477,265)	(670,801)	(1,845,248)	(3,993,314)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Rate stabilization reserve.....	-	-	3,059	3,059	-
Investment income.....	31,314	28,151	4,139	63,604	18,106
NET CASH FROM INVESTING ACTIVITIES.....	31,314	28,151	7,198	66,663	18,106
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(597,139)	98,683	(175,973)	(674,429)	1,212,989
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (AS RESTATED).....	3,392,199	3,266,910	4,676,411	11,335,520	4,741,498
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,795,060	\$ 3,365,593	\$ 4,500,438	\$ 10,661,091	\$ 5,954,487
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 696,661	\$ 672,786	\$ 1,779,040	\$ 3,148,487	\$ 1,197,864
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	273,874	315,783	1,342,359	1,932,016	-
Changes in assets and liabilities:					
Tax liens.....	(19,709)	(42,450)	-	(62,159)	-
User fees.....	(248,877)	115,895	(688,433)	(821,415)	-
Intergovernmental.....	-	(301,630)	-	(301,630)	-
Inventory.....	119,412	582	(47,318)	72,676	-
Other assets.....	-	-	43,369	43,369	10,143
Prepaid expenses.....	-	-	240	240	-
Purchased power advance deposits.....	-	-	20,376	20,376	-
Other postemployment benefits obligation.....	225,503	162,712	581,420	969,635	-
Warrants payable.....	(49,380)	(65,959)	(154,381)	(269,720)	(13,124)
Accrued liabilities.....	-	-	(19,865)	(19,865)	-
Customer deposits.....	-	-	4,832	4,832	-
Other liabilities.....	-	-	(484,562)	(484,562)	-
Accrued compensated absences.....	9,201	8,614	-	17,815	-
Total adjustments.....	310,024	193,547	598,037	1,101,608	(2,981)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,006,685	\$ 866,333	\$ 2,377,077	\$ 4,250,095	\$ 1,194,883

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Trust	Private Purpose Trust Funds	Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 592,905	\$ 1,213,166	\$ 308,920	\$ 209,895
Investments.....	61,999,641	-	484,191	-
Interest and dividends.....	93	-	-	-
Due from general fund.....	<u>2,776,202</u>	<u>-</u>	<u>-</u>	<u>91,013</u>
TOTAL ASSETS.....	<u>65,368,841</u>	<u>1,213,166</u>	<u>793,111</u>	<u>300,908</u>
LIABILITIES				
Warrants payable.....	62,108	-	-	16,933
Liabilities due depositors.....	-	-	-	192,962
Deferred revenue.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,013</u>
TOTAL LIABILITIES.....	<u>62,108</u>	<u>-</u>	<u>-</u>	<u>300,908</u>
NET ASSETS				
Held in trust for retirement, OPEB benefits, and other purposes.....	<u><u>\$ 65,306,733</u></u>	<u><u>\$ 1,213,166</u></u>	<u><u>\$ 793,111</u></u>	<u><u>\$ -</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Trust	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 5,525,388	\$ 200,000	\$ -
Employee.....	2,077,640	-	-
Miscellaneous.....	-	-	44,797
Total contributions.....	7,603,028	200,000	44,797
Net investment income (loss):			
Net change in fair value of investments.....	5,830,592	-	-
Interest.....	1,742,386	3,272	13,335
Total investment income (loss).....	7,572,978	3,272	13,335
Less: investment expense.....	(363,801)	-	-
Net investment income (loss).....	7,209,177	3,272	13,335
Intergovernmental.....	184,343	-	-
Transfers from other systems.....	200,575	-	-
TOTAL ADDITIONS.....	15,197,123	203,272	58,132
DEDUCTIONS:			
Administration.....	180,434	-	-
Transfers to other systems.....	266,958	-	-
Retirement benefits and refunds.....	8,920,777	-	-
Educational scholarships.....	-	-	59,398
TOTAL DEDUCTIONS.....	9,368,169	-	59,398
CHANGE IN NET ASSETS.....	5,828,954	203,272	(1,266)
NET ASSETS AT BEGINNING OF YEAR.....	59,477,779	1,009,894	794,377
NET ASSETS AT END OF YEAR.....	\$ 65,306,733	\$ 1,213,166	\$ 793,111

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Belmont, Massachusetts 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 Belmont, Massachusetts (Town) is a municipal corporation that is governed by an elected three member Board of Selectmen. They in turn appoint a Town Administrator who has general supervision of and control over the Town's boards, commissions, officers and departments. The legislative body of the Town is the elected Town Meeting members which consist of 288 members elected for a three-year term in addition to some ex-officio members.

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. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Blended Component Units – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Belmont Contributory Retirement System (the System) was established to provide retirement benefits to Town employees and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Board of Selectmen and one members appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at Town Hall, 455 Concord Ave, Belmont, MA 02478.

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 funds 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 unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and 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 *Wellington School Construction Fund* accounts for activity related to the construction of the new Wellington School.

The *Reserved for Appropriation Fund* accounts for specific revenue sources that by law must be accounted for separately and spent by appropriation.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor 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 that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *light enterprise fund* is used to account for the Town's electric light department activities.

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 by the Town for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* is a new fund established under special legislation to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

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 used to account for assets held in a purely custodial capacity by the Town.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

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

Real estate tax liens are processed during the year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

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

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

Water and Sewer

User fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed every year and included as a lien on the property owner's tax bill. Water and 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 uncollectibles.

Departmental and Other

Departmental and other receivables are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

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 uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase in the fund financial statements. Such inventories are capitalized in the government-wide financial statements. Inventories of the Light Fund are carried at average cost.

G. Capital Assets

Government-Wide and Proprietary Fund 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 \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings.....	40-50
Machinery and equipment.....	5-20
Infrastructure.....	15-100

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.

The fixed assets of the municipal light enterprise fund are capitalized upon purchase and depreciated at a rate of 3% of the cost of plant in service at the beginning of the calendar year, exclusive of land and land rights. The municipal light enterprise fund charges maintenance to expense when incurred. Replacements and betterments are charged to fixed assets.

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 funds 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 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 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:

“Debt service” – represents amounts held for the payment of debt service principal and interest.

“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 that support governmental programs.

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Other purposes” represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund 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 nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds, trust funds, and internal service funds is retained within the respective 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 and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred. Sick leave though accrued is expensed as incurred. There is no obligation to pay for sick time upon termination of employment.

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. 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.

P. Individual Fund Deficits

Various fund deficits exist within the Capital Projects Non-Major Governmental Fund. These deficits are expected to be funded through the issuance of long term debt or available funds appropriated at Town Meeting.

Q. Restatement

The Belmont Electric Light financial statements were restated due to 1) a customer being over billed in a previous period in which the Light Department had recorded a receivable and revenue in error and 2) a modification to the calculation of its OPEB liability. This resulted in a decrease of \$111,250 in beginning net assets.

R. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

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 combined balance sheet as "Cash and cash equivalents". The deposits and investments 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 formal policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$31,275,372 and the bank balance totaled \$34,670,149. Of the bank balance, \$2,025,299 was covered by Federal Depository Insurance, \$7,001,217 was covered by the Depositors Insurance Fund, \$4,968,225 was collateralized and \$20,675,408 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2010, the carrying amount of the Retirement System's deposits totaled \$153,885 and the bank balance totaled \$197,615. All of the bank balance was covered by Federal Depository Insurance.

Investments

Listed below are the investments of the Town as of June 30, 2011 and the Retirement System as of December 31, 2010.

Town's investment balances at June 30, 2011:

Investment Type	Fair Value	Maturity			Quality Rating
		Under 1 Year	1-5 Years	6-10 Years	
Debt Securities					
U.S. Treasury Note.....	\$ 721,063	\$ -	\$ 622,700	\$ 98,363	AAA
Corporate Bonds.....	499,067	-	499,067	-	A/AA/NR
Federal Home Loan Banks.....	600,456	600,456	-	-	AAA
Federal National Mortgage Association.....	216,605	-	216,605	-	AAA
Federal Home Loan Mortgage Corp.....	109,940	-	1,434	108,506	AAA
Total Debt Securities.....	2,147,131	\$ 600,456	\$ 1,339,806	\$ 206,869	
Other Investments					
Equity Securities.....	1,262,703				
Negotiable Certificates of Deposit.....	1,909,361				
Mutual Funds.....	1,113,289				
Money Market Mutual Funds.....	987,711				
MMDT.....	16,566,905				
Total Investments.....	\$ 23,987,100				

Retirement System's investment balances at December 31, 2010:

Investment Type	Fair Value	Maturity		Quality Rating
		1-5 Years	6-10 Years	
Debt Securities				
Frontegra Total Return Bond Fund.....	\$ 11,811,890	\$ 11,811,890	\$ -	AA
Delaware Pooled Global Fixed Income Fund.....	2,319,999	-	2,319,999	AA
Total Debt Securities.....	14,131,889	\$ 11,811,890	\$ 2,319,999	
Other Investments				
Equity Mutual Funds.....	9,507,367			
Equity Securities.....	17,053,103			
International Equity Mutual Funds.....	7,614,347			
PRIT Hedge Fund Account.....	6,369,841			
PRIT Alternative Fund.....	1,904,357			
Short Term Investment Fund.....	439,020			
PRIT Real Estate Fund.....	4,015,388			
PRIT Fund.....	1,403,349			
Total Investments.....	\$ 62,438,661			

* Duration of underlying holdings in Frontegra Total Return Bond Fund is 4.6 years and Delaware Pooled Global Fixed Income Fund is 5.4 years.

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 possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Of the Town's investments in U.S. Treasury Notes, U.S. Government Securities, corporate bonds, asset backed securities, and equity securities, as detailed above, the Town has a custodial credit risk exposure of \$3,409,834 because the related securities are uninsured, unregistered and held by the counterparty.

The Town's investment policy states that before conducting any business with a brokerage house that the Town obtain a copy of their latest audited financial statement, proof of National Association of Security Dealers certification, and proof of credit worthiness, which the Town defines as at least five years in operation and minimum capital of \$10 million.

The Retirement System has custodial credit risk exposure of \$17,053,103 because the related equity securities are uninsured, unregistered and held by the counterparty.

The Retirement System limits its custodial credit risk by utilizing an institutional custodial bank, currently State Street Bank, to custody all separately held securities which are registered under a nominee name that is specific to the Retirement System. Assets held in commingled fund accounts are also held in a similar fashion, with individual fund securities held in the fund's name at their custodian bank. A small percentage of the Retirement System's assets (typically less than 5%) may be held from time to time in commingled cash equivalent vehicles where the assets are subject to counterparty risk.

Interest Rate Risk

The Town's investment policy states that safety of principal is the foremost objective, followed by liquidity and then yield. Investments shall be made to achieve the best rate of return, taking into account safety and liquidity constraints, as well as, legal requirements while not explicitly limiting the maturities of allowable investments.

The Retirement System's fixed income assets are held in professionally managed, institutional commingled funds. The Retirement System limits its effective exposure to interest rate risk by benchmarking its commingled fixed income investment accounts to an intermediate duration benchmark (LB Aggregate) with a duration of 4-5 years. Further, the Retirement System's current fixed income investments are diversified by sector (corporate, government, asset-backed, mortgage, non-US dollar) to provide additional protection in various interest rate environments.

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 11.6 years.

Credit Risk

The Town's investment policy seeks to lessen the credit risk associated with certain through diversification and prudent selection of investments in line with MGL CH 44 Sec. 55B.

The Retirement System has a policy that states no more than 20% of the fixed income assets may be invested in below investment grade securities (rated BBB by Standard & Poor’s) and the average duration of the fixed income portfolio cannot be more than 20% higher than the market as measured by Lehman Aggregate Index.

Concentration of Credit Risk

The Town places a limit of 10% on the amount the Town may invest in any one issuer. The Town does not have more than 10% of its investments with any one issuer as of June 30, 2011.

For the Retirement System, no fixed income security, except issues of the U. S. Government, can comprise more than 5% of the Retirement Systems assets, measured at market; and no individual portfolio can hold more than 5% of its assets in securities of any single entity, except issues of the U. S. Government. Further, no equity security can comprise more than 5% of the equity portfolio measured at book value. The Retirement System does have investments in individual commingled mutual funds and trusts that represent more than 5% of the Retirement System’s assets, but in each case these investments are in institutional commingled funds that are invested in diversified portfolios of between 50 and 200 individual securities.

Foreign Currency Risk

The Retirement System’s exposure to foreign currency risk is attributable to its investments in individual commingled mutual funds and trusts that are invested in diversified (by country and security) portfolios on international stocks and bonds that are denominated in foreign currencies. The Retirement System’s combined policy target allocation to all non-US securities is currently 20% of the Retirement System’s total assets (12% international equities and 8% international bonds).

NOTE 3 – RECEIVABLES

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 749,661	\$ (2,878)	\$ 746,783
Real estate tax deferrals.....	641,750	-	641,750
Tax liens.....	680,099		680,099
Motor vehicle and other excise taxes.....	328,363	(209,320)	119,043
Departmental and other.....	772,387	(191,568)	580,819
Intergovernmental.....	<u>5,136,546</u>	<u>-</u>	<u>5,136,546</u>
	<u>\$ 8,308,806</u>	<u>\$ (403,766)</u>	<u>\$ 7,905,040</u>

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water user fees.....	\$ 1,382,929	\$ -	\$ 1,382,929
Water enterprise tax liens.....	31,094	-	31,094
Sewer user fees.....	1,723,279	-	1,723,279
Sewer enterprise tax liens.....	60,095	-	60,095
Light user fees.....	<u>2,026,603</u>	<u>-</u>	<u>2,026,603</u>
	<u>\$ 5,224,000</u>	<u>\$ -</u>	<u>\$ 5,224,000</u>

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Receivable and other asset type:</u>			
Real estate, personal property and tax deferrals....	\$ 2,560,764	\$ -	\$ 2,560,764
Tax liens.....	680,099	-	680,099
Motor vehicle and other excise.....	119,043	-	119,043
Intergovernmental.....	3,426,000	1,578,799	5,004,799
Departmental.....	<u>570,644</u>	<u>10,175</u>	<u>580,819</u>
	<u>\$ 7,356,550</u>	<u>\$ 1,588,974</u>	<u>\$ 8,945,524</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 16,194,930	\$ -	\$ -	\$ 16,194,930
Construction in progress.....	7,120,256	21,751,889	-	28,872,145
Total capital assets not being depreciated.....	23,315,186	21,751,889	-	45,067,075
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,461,002	67,979	-	3,528,981
Buildings.....	93,584,976	146,681	-	93,731,657
Machinery and equipment.....	11,155,824	768,674	-	11,924,498
Vehicles.....	4,361,007	60,719	(146,509)	4,275,217
Infrastructure.....	29,362,120	1,729,455	-	31,091,575
Total capital assets being depreciated.....	141,924,929	2,773,508	(146,509)	144,551,928
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,021,267)	(104,133)	-	(2,125,400)
Buildings.....	(35,403,174)	(1,842,024)	-	(37,245,198)
Machinery and equipment.....	(5,745,420)	(1,643,330)	-	(7,388,750)
Vehicles.....	(2,904,750)	(263,822)	121,806	(3,046,766)
Infrastructure.....	(7,532,736)	(506,441)	-	(8,039,177)
Total accumulated depreciation.....	(53,607,347)	(4,359,750)	121,806	(57,845,291)
Total capital assets being depreciated, net.....	88,317,582	(1,586,242)	(24,703)	86,706,637
Total governmental activities capital assets, net.....	\$ 111,632,768	\$ 20,165,647	\$ (24,703)	\$ 131,773,712

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,138	\$ -	\$ -	\$ 3,138
Construction in progress.....	225,050	-	(225,050)	-
Total capital assets not being depreciated.....	228,188	-	(225,050)	3,138
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,822	-	-	7,822
Buildings.....	182,487	305,336	-	487,823
Machinery and equipment.....	432,716	4,000	-	436,716
Vehicles.....	792,718	74,210	-	866,928
Infrastructure.....	25,617,667	1,760,025	-	27,377,692
Total capital assets being depreciated.....	27,033,410	2,143,571	-	29,176,981
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,822)	-	-	(7,822)
Buildings.....	(136,152)	(3,800)	-	(139,952)
Machinery and equipment.....	(282,249)	(63,768)	-	(346,017)
Vehicles.....	(486,313)	(68,501)	-	(554,814)
Infrastructure.....	(18,153,012)	(137,805)	-	(18,290,817)
Total accumulated depreciation.....	(19,065,548)	(273,874)	-	(19,339,422)
Total capital assets being depreciated, net.....	7,967,862	1,869,697	-	9,837,559
Total business-type activities capital assets, net.....	\$ 8,196,050	\$ 1,869,697	\$ (225,050)	\$ 9,840,697

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 1,349,529	\$ 1,319,451	\$ (1,349,529)	\$ 1,319,451
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	944,659	-	-	944,659
Vehicles.....	177,083	210,284	-	387,367
Infrastructure.....	13,731,256	5,966,752	-	19,698,008
Total capital assets being depreciated.....	14,852,998	6,177,036	-	21,030,034
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(524,583)	(128,252.4)	-	(652,835)
Infrastructure.....	(2,261,787)	(187,531.0)	-	(2,449,318)
Total accumulated depreciation.....	(2,786,370)	(315,783)	-	(3,102,153)
Total capital assets being depreciated, net.....	12,066,628	5,861,253	-	17,927,881
Total business-type activities capital assets, net.....	\$ 13,416,157	\$ 7,180,704	\$ (1,349,529)	\$ 19,247,332
	Beginning Balance	Increases	Decreases	Ending Balance
Light:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,045,661	\$ 759,871	\$ (797,765)	\$ 1,007,767
<u>Capital assets being depreciated:</u>				
Distribution Plant.....	18,593,640	552,855	(2,508,580)	16,637,915
General Plant.....	7,776,131	466,297	(485,330)	7,757,098
Total capital assets being depreciated.....	26,369,771	1,019,152	(2,993,910)	24,395,013
<u>Less accumulated depreciation for:</u>				
Distribution Plant.....	(14,177,568)	(953,552)	2,508,580	(12,622,540)
General Plant.....	(4,059,083)	(388,807)	485,330	(3,962,560)
Total accumulated depreciation.....	(18,236,651)	(1,342,359)	2,993,910	(16,585,100)
Total capital assets being depreciated, net.....	8,133,120	(323,207)	-	7,809,913
Total business-type activities capital assets, net.....	\$ 9,178,781	\$ 436,664	\$ (797,765)	\$ 8,817,680

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

Governmental Activities:	
General government.....	\$ 734,808
Public safety.....	701,996
Education.....	2,238,680
Public works.....	546,672
Human services.....	24,100
Culture and recreation.....	<u>113,494</u>
 Total depreciation expense - governmental activities.....	 \$ <u>4,359,750</u>
 Business-Type Activities:	
Water.....	\$ 273,874
Sewer.....	315,783
Light.....	<u>1,342,359</u>
 Total depreciation expense - business-type activities.....	 \$ <u>1,932,016</u>

NOTE 5 – CAPITAL LEASES

During fiscal year 2007, the Town entered into a lease agreement to finance the acquisition of energy conservation equipment. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The following identifies the asset value acquired through the capital lease agreement:

	<u>Governmental</u>
	<u>Activities</u>
<u>Asset:</u>	
Machinery and equipment.....	\$ 1,693,000
Less: accumulated depreciation.....	<u>(761,850)</u>
 Total.....	 \$ <u>931,150</u>

The future minimum lease obligation and the net present value of the minimum lease payment at June 30, 2011, follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2012.....	\$ 198,138
2013.....	198,138
2014.....	198,138
2015.....	198,138
2016 - 2017	<u>297,207</u>
 Total minimum lease payments.....	 1,089,759
 Less: amounts representing interest.....	 <u>(104,122)</u>
 Present value of minimum lease payments.....	 <u>\$ 985,637</u>

NOTE 6 – INTERFUND TRANSFERS

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

<u>Transfers Out:</u>	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Reserved for Appropriation</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ -	\$ 2,217,200	\$ 2,217,200
Reserved for Appropriation.....	225,000	-	325,000	550,000
Nonmajor Governmental Funds....	167,464	29,143	2,766	199,373
Water Enterprise Fund.....	157,873	-	-	157,873
Sewer Enterprise Fund.....	125,000	-	-	125,000
Light Enterprise Fund.....	715,000	-	-	715,000
	<u>\$ 1,390,337</u>	<u>\$ 29,143</u>	<u>\$ 2,544,966</u>	<u>\$ 3,964,446</u>

Transfers represent amounts voted to fund the fiscal year 2011 operating budget and also amounts transferred to fund various capital projects.

NOTE 7 – 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 and enterprise funds.

The Town had the following short-term debt activity in fiscal year 2011:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
BAN	MWPAT- Interim Loan.....	2.00	12/31/10	\$ 1,384,272	\$ -	\$ 1,384,272	\$ -

NOTE 8 - 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 previous fiscal years, certain general obligation bonds were defeased by placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2011, \$1,090,000 of Governmental Fund bonds outstanding from the advance refunding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2011, and the debt service requirements follow.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Septic Loan 97-2002.....	0.00	\$ 31,626	\$ -	\$ 3,191	\$ 28,435
Town Hall Renovations.....	4.20-4.65	200,000	-	200,000	-
Town Hall Renovation.....	3.00-4.75	7,750,000	-	600,000	7,150,000
Outdoor Athletic Facility.....	3.00-3.75	660,000	-	220,000	440,000
Fire Station Construction.....	3.00-5.00	5,950,000	-	425,000	5,525,000
Fire Land Acquisition.....	3.00-5.00	1,050,000	-	75,000	975,000
Communications Tower.....	3.00-5.00	40,000	-	10,000	30,000
Fire Station Construction.....	4.00-6.00	1,610,000	-	105,000	1,505,000
Land Acquisition.....	4.00-6.00	600,000	-	40,000	560,000
Skating Rink.....	4.00-6.00	35,000	-	35,000	-
Computer Software.....	5.00	160,000	-	160,000	-
Senior Center.....	3.50	3,115,000	-	195,000	2,920,000
High School HVAC.....	2.70	480,000	-	120,000	360,000
FY10 Refunding.....	2.00-3.00	5,355,000	-	1,025,000	4,330,000
Wellington Elementary School..	3.00-4.00	26,700,000	-	685,000	26,015,000
Total.....		\$ 53,736,626	\$ -	\$ 3,898,191	\$ 49,838,435

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 3,553,191	\$ 2,085,841	\$ 5,639,032
2013.....	3,593,191	1,920,883	5,514,074
2014.....	3,408,191	1,745,478	5,153,669
2015.....	3,293,191	1,593,483	4,886,674
2016.....	2,208,134	1,431,992	3,640,126
2017.....	2,233,134	1,341,587	3,574,721
2018.....	2,258,134	1,251,419	3,509,553
2019.....	2,293,134	1,165,594	3,458,728
2020.....	2,318,135	1,075,194	3,393,329
2021.....	2,345,000	978,102	3,323,102
2022.....	2,395,000	887,556	3,282,556
2023.....	2,445,000	792,582	3,237,582
2024.....	1,890,000	699,451	2,589,451
2025.....	1,435,000	618,851	2,053,851
2026.....	1,435,000	561,275	1,996,275
2027.....	1,190,000	509,400	1,699,400
2028.....	1,240,000	461,800	1,701,800
2029.....	1,290,000	412,200	1,702,200
2030.....	1,345,000	360,600	1,705,600
2031.....	1,400,000	306,800	1,706,800
2032.....	1,465,000	250,800	1,715,800
2033.....	1,530,000	192,200	1,722,200
2034.....	1,600,000	131,000	1,731,000
2035.....	1,675,000	67,000	1,742,000
	<u>\$ 49,838,435</u>	<u>\$ 20,841,089</u>	<u>\$ 70,679,524</u>

Bonds and Notes Payable Schedule – Enterprise Funds

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2011</u>
MWRA Water Main.....	0.00	\$ 260,000	\$ -	\$ 65,000	\$ 195,000
MWRA Water.....	0.00	571,200	-	71,400	499,800
MWRA Water.....	0.00	784,800	-	87,200	697,600
MWRA Water.....	0.00	988,785	988,785	98,879	1,878,691
MWRA Sewer.....	0.00	13,750	-	13,750	-
MWRA Sewer.....	0.00	300,344	-	75,086	225,258
Sewer & Surface Drains.....	4.10-5.00	2,095,000	-	130,000	1,965,000
MWPAT Sewer.....	0.02	-	7,226,667	-	7,226,667
Light Bond.....	4.20-4.60	120,000	-	60,000	60,000
Total.....		<u>\$ 5,133,879</u>	<u>\$ 8,215,452</u>	<u>\$ 601,315</u>	<u>\$ 12,748,016</u>

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

Water Enterprise

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 421,356	\$ -	\$ 421,356
2013.....	421,358	-	421,358
2014.....	421,356	-	421,356
2015.....	356,358	-	356,358
2016.....	356,356	-	356,356
2017.....	356,358	-	356,358
2018.....	356,356	-	356,356
2019.....	284,958	-	284,958
2020.....	197,756	-	197,756
2021.....	98,879	-	98,879
Total.....	\$ <u>3,271,091</u>	\$ <u>-</u>	\$ <u>3,271,091</u>

Sewer Enterprise

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 496,914	\$ 225,765	\$ 722,679
2013.....	502,911	214,612	717,523
2014.....	509,028	203,339	712,367
2015.....	440,183	191,942	632,125
2016.....	446,551	180,419	626,970
2017.....	453,047	167,672	620,719
2018.....	459,674	154,794	614,468
2019.....	466,435	142,876	609,311
2020.....	473,333	130,855	604,188
2021.....	480,370	118,662	599,032
2022.....	487,549	106,232	593,781
2023.....	494,873	93,596	588,469
2024.....	502,345	80,810	583,155
2025.....	504,969	67,874	572,843
2026.....	512,746	54,997	567,743
2027.....	500,680	41,963	542,643
2028.....	408,774	29,618	438,392
2029.....	417,033	21,360	438,393
2030.....	425,457	12,936	438,393
2031.....	434,053	4,341	438,394
Totals.....	\$ <u>9,416,925</u>	\$ <u>2,244,663</u>	\$ <u>11,661,588</u>

Light Enterprise

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ <u>60,000</u>	\$ <u>2,750</u>	\$ <u>62,750</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2011, approximately \$6,689,000 of such assistance was received. Approximately \$3,644,000 million will be received in future fiscal years. Of this amount, approximately \$218,000 represents reimbursement of long-term interest costs, and approximately \$1,400,000 million represents reimbursement of approved construction costs. Accordingly, a \$3,426,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2011, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Wellington School.....	\$ 5,049,432
Fire Station.....	115,398
Water.....	559,406
Sewer	3,477,000
Sewer surface drain.....	<u>3,421,870</u>
Total.....	\$ <u>12,623,106</u>

Changes in Long-Term Liabilities

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 53,736,626	\$ -	\$ (3,898,191)	\$ 49,838,435	\$ 3,553,191
Other Postemployment Benefits.....	21,211,294	16,554,476	(7,055,224)	30,710,546	-
Landfill Closure.....	3,355,000	349,000		3,704,000	-
Compensated Absences.....	1,462,913	78,279	(73,146)	1,468,046	73,402
Unamortized Premium on Bonds ...	792,447	-	(76,055)	716,392	50,050
Capital Leases.....	1,145,895	-	(160,258)	985,637	165,793
Total governmental activity long-term liabilities.....	<u>\$ 81,704,175</u>	<u>\$ 16,981,755</u>	<u>\$ (11,262,874)</u>	<u>\$ 87,423,056</u>	<u>\$ 3,842,436</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 5,133,879	\$ 8,215,452	\$ (601,315)	\$ 12,748,016	\$ 978,270
Other Postemployment Benefits.....	1,675,637	1,302,150	(332,514)	2,645,273	-
Compensated Absences.....	334,664	8,041	(16,733)	325,972	204,516
Total business type activity long-term liabilities.....	<u>\$ 7,144,180</u>	<u>\$ 9,525,643</u>	<u>\$ (950,562)</u>	<u>\$ 15,719,261</u>	<u>\$ 1,182,786</u>

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as part of its fiscal year 2011 reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end the balance of the General Stabilization Fund is \$6,604 and is reported as unassigned fund balance within the General Fund; the balance of the Ash Landfill Stabilization Fund is \$4,126,817 and is reported as committed fund balance within the General Fund.

In accordance with Statement No. 54, the Stabilization Fund has been reported in the General Fund, and accordingly, the General Fund and reserved for appropriations funds beginning balances have been revised and total \$14,111,213 and \$3,517,538 from \$9,990,470 and \$7,638,281, respectively.

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

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

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

The Town has classified its fund balances with the following hierarchy.

	GOVERNMENTAL FUNDS				
	General	Wellington School Construction	Reserved for Appropriation	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 1,747,394	\$ 1,747,394
Restricted for:					
Wellington school construction.....	-	4,590,012	-	-	4,590,012
Reserved for appropriation.....	-	-	3,508,614	-	3,508,614
Nonmajor governmental funds.....	-	-	-	5,356,675	5,356,675
Committed to:					
Ash Landfill Stabilization Fund.....	4,126,817	-	-	-	4,126,817
Assigned to:					
General government.....	2,500	-	-	-	2,500
Public safety.....	1,969	-	-	-	1,969
Education.....	51,982	-	-	-	51,982
Public works.....	31,558	-	-	-	31,558
Culture and recreation.....	1,470	-	-	-	1,470
Property and liability insurance.....	55,000	-	-	-	55,000
Free cash used to offset fiscal 2012 property tax debt exclusion.....	60,628	-	-	-	60,628
Free cash used for fiscal 2012 capital purchases.....	167,464	-	-	-	167,464
Free cash used for fiscal 2012 employee benefits....	2,000,000	-	-	-	2,000,000
Free cash used for fiscal 2012 Assessor's Budget....	125,000	-	-	-	125,000
Unassigned to:					
Kendall School Fire.....	3,042,955	-	-	-	3,042,955
Other unassigned.....	6,037,509	-	-	-	6,037,509
TOTAL FUND BALANCES.....	\$ 15,704,852	\$ 4,590,012	\$ 3,508,614	\$ 7,104,069	\$ 30,907,547

NOTE 10 – LANDFILL CLOSURE

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$3.7 million as the estimate of the landfill closure liability at June 30, 2011. This amount is based on estimates of what it would cost to perform all future closure and post closure care in fiscal year 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Town meeting has voted a special purpose stabilization fund for this liability, which had a balance of \$4.1 million at fiscal year end.

NOTE 11 – RISK FINANCING

The Town is self-insured for its health insurance activities. The health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

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.

Health Insurance

The Town estimates Incurred But Not Reported (IBNR) claims based on an approximate 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, 2011, the amount of the liability for health insurance claims totaled \$1,900,000.

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 2011..... \$	1,900,000	\$ 12,219,966	\$ (12,219,966)	\$ 1,900,000
Fiscal Year 2010.....	1,800,000	12,733,943	(12,633,943)	1,900,000

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.

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 firefighters workers compensation is not material at June 30, 2011, and is therefore not reported.

General Liability

The Town is self insured for its general liability insurance. MGL Chapter 258 limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain, and breach of contract.

NOTE 12 - PENSION PLAN

Plan Description - The Town contributes to the Belmont Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Belmont Contributory Retirement Board. All employees working twenty five or more hours a week are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers 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 \$8,499,996 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension 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 Belmont Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC, as well as, an audited financial report. Both of these reports may be obtained by contacting the System located at Town Hall, 455 Concord Ave., Belmont, Massachusetts 02478.

At December 31, 2010, the System's membership consists of the following:

	<u>2010</u>
Active members.....	454
Inactive members.....	131
Disabled members.....	45
Retirees and beneficiaries currently receiving benefits.....	<u>312</u>
Total.....	<u><u>942</u></u>

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 current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute approximately 98%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were approximately \$5,525,000, \$5,283,000, and \$4,979,000, respectively, which equaled its required contribution for each fiscal year. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.75% investment rate of return and projected salary increases of 4.75% - 7% per year for non-public safety

employees and 5.25% - 8% per year for fire and police employees; and annual cost of living adjustments of 3%. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2010, was 17 years.

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)
1/1/2010	\$ 63,499,612	\$ 123,684,550	\$ 60,184,938	51.3%	\$ 180,889,933	33.3%
1/1/2008	61,969,418	112,124,213	50,154,795	55.3%	181,335,100	27.7%
1/1/2006	53,736,253	101,659,952	47,923,699	52.9%	164,549,300	29.1%
1/1/2004	53,364,538	94,947,822	41,583,284	56.2%	146,655,300	28.4%
1/1/2002	52,838,407	87,176,074	34,337,667	60.6%	131,319,000	26.1%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The Town is responsible for approximately 98.65% of the unfunded liability.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Belmont 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 group health and life insurance plans, which cover 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.

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. Retired plan members and beneficiaries currently receiving benefits are required to contribute 20% of the costs of benefits for the HMO and 50% of cost of benefits for the PPO plans if they are not participating in the Medicare Plan. Medicare eligible retirees and their spouses contribute 50% of the cost of the Medicare Enhance Supplement plan and the First Seniority. For fiscal year 2011, the Town contributed \$7.4 million to the plan.

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

Annual required contribution.....	\$ 18,153,513
Interest on net OPEB obligation.....	1,131,558
Adjustment to annual required contribution.....	<u>(1,428,445)</u>
Annual OPEB cost (expense).....	17,856,626
Contributions made.....	<u>(7,387,738)</u>
Increase in net OPEB obligation.....	10,468,888
Net OPEB obligation - beginning of year.....	<u>22,886,931</u>
Net OPEB obligation - end of year.....	<u>\$ 33,355,819</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 17,856,626	\$ 41%	\$ 33,355,819
6/30/2010	16,632,877	42%	22,886,931
6/30/2009	16,827,151	20%	13,433,342

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$185 million, of which was the Town has funded approximately \$1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$39.8 million, and the ratio of the UAAL to the covered payroll was 462%.

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 July 1, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5% 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 10% initially, graded to 5% over 5 years. The UAAL is being amortized using level dollar method over the maximum acceptable period of 30 years. The remaining amortization period at June 30, 2011 is 27 years.

NOTE 14 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts totaling approximately \$12.6 million related to water and sewer infrastructure upgrades, for sewer surface drain projects, and for construction of the new Wellington School.

NOTE 15 - CONTINGENCIES

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

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

NOTE 16 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. Financial statements changes include new fund balance designations and the reclassification of stabilization funds from the special revenue fund to the general fund. Notes to the basic financial statements were changed to provide additional disclosure on the new designations of fund balance.
- 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.

Future GASB Pronouncements:

- The GASB issued Statement #60, Accounting and Financial Reporting for Service Concession Arrangements, which is required to be implemented in fiscal year 2013. Management expects that the implementation of this pronouncement will have an impact on the basic financial statements.
- The GASB issued Statement #61, The Financial Reporting Entity: Omnibus, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.
- The GASB issued Statement #64, Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 67,089,377	\$ 67,089,377
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	2,575,544	2,575,544
Charges for services.....	-	1,481,794	1,481,794
Penalties and interest on taxes.....	-	150,000	150,000
Licenses and permits.....	-	625,000	625,000
Fines and forfeitures.....	-	160,000	160,000
Intergovernmental.....	-	7,929,039	7,929,039
Investment income.....	-	330,000	330,000
TOTAL REVENUES.....	-	80,340,754	80,340,754
EXPENDITURES:			
Current:			
General government.....	17,042	3,579,133	3,415,769
Public safety.....	390	11,294,908	11,394,906
Education.....	113,217	40,567,098	40,603,408
Public works.....	110,266	8,684,272	9,073,271
Human services.....	-	776,270	776,270
Culture and recreation.....	600	2,439,277	2,446,304
Pension benefits.....	-	4,567,332	4,567,332
Employee benefits.....	65,000	1,884,593	1,877,566
State and county charges.....	-	1,493,489	1,493,489
Debt service:			
Principal.....	-	3,898,191	3,898,191
Interest.....	-	2,176,068	2,018,868
TOTAL EXPENDITURES.....	306,515	81,360,631	81,565,374
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES....	(306,515)	(1,019,877)	(1,224,620)
OTHER FINANCING SOURCES (USES):			
Transfers in.....	-	1,222,873	1,222,873
Transfers out.....	-	(2,060,000)	(2,217,200)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(837,127)	(994,327)
NET CHANGE IN FUND BALANCE.....	(306,515)	(1,857,004)	(2,218,947)
BUDGETARY FUND BALANCE, Beginning of year.....	-	7,092,449	7,092,449
BUDGETARY FUND BALANCE, End of year.....	\$ (306,515)	\$ 5,235,445	\$ 4,873,502

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 67,438,564	\$ -	\$ 349,187
73,475	-	73,475
2,857,672	-	282,128
1,678,182	-	196,388
211,690	-	61,690
923,263	-	298,263
201,055	-	41,055
8,136,868	-	207,829
235,420	-	(94,580)
<u>81,756,189</u>	<u>-</u>	<u>1,415,435</u>
2,890,449	2,500	522,820
11,079,614	1,969	313,323
40,505,119	51,982	46,307
8,358,084	31,558	683,629
704,218	-	72,052
2,392,439	1,470	52,395
4,564,181	-	3,151
1,638,551	55,000	184,015
1,488,230	-	5,259
3,898,191	-	-
1,994,214	-	24,654
<u>79,513,290</u>	<u>144,479</u>	<u>1,907,605</u>
<u>2,242,899</u>	<u>(144,479)</u>	<u>3,323,040</u>
1,390,337	-	167,464
(2,217,200)	-	-
<u>(826,863)</u>	<u>-</u>	<u>167,464</u>
1,416,036	(144,479)	3,490,504
<u>7,092,449</u>	<u>-</u>	<u>-</u>
<u>\$ 8,508,485</u>	<u>\$ (144,479)</u>	<u>\$ 3,490,504</u>

Other Postemployment Benefit 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, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2011

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)
7/1/2010	\$ 1,009,894	\$ 184,907,102	\$ 183,897,208	0.55%	\$ 39,766,311	462.4%
7/1/2008	501,409	166,550,323	166,048,914	0.30%	33,252,323	499.4%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2011	\$ 18,153,513	\$ 7,387,738	41%
2010	16,797,954	7,041,276	42%
2009	16,827,151	3,393,809	20%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2011

Actuarial Methods:

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	27 Years as of June 30, 2011
Asset valuation method	Market

Actuarial Assumptions:

Investment rate of return	5%
Medical/drug cost trend rate	10% graded to 5% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents	512
Current active members	<u>750</u>
Total	<u><u>1,262</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (the "Board"). The Board presents an annual budget to the representative Town meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The representative town meeting, 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 voted functions subsequent to the approval of the annual budget, requires a vote at a special Town meeting.

The majority of 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 payment of debt service is statutorily required, 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 two-thirds majority vote of the Town meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2011 approved budget authorized approximately \$83.8 million in appropriations and other amounts to be raised.

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

B. Budgetary - GAAP Reconciliation

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

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,416,036
<u>Perspective difference:</u>	
Activity of the Stabilization Funds recorded in the General Fund for GAAP.....	12,678
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	128,000
Net change in recording 60-day receipts accrual.....	36,925
Recognition of revenue for on-behalf payments.....	8,499,996
Recognition of expenditures for on-behalf payments.....	<u>(8,499,996)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 1,593,639</u>

NOTE B – OTHER POSTEMPLOYMENT 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 group health and life insurance plans, which cover both active and retired members.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis, but has established an Other Postemployment Benefit Trust fund to accumulate assets to help mitigate the costs of these benefits. As of the most recent actuarial report dated July 1, 2008, the Town had contributed approximately \$501 thousand to the fund. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is .30%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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 actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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