

TOWN OF TEWKSBURY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF TEWKSBURY, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Tewksbury, 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 Tewksbury, Massachusetts, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Tewksbury, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, on our consideration of the Town of Tewksbury, 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 the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, retirement system schedule of employer contributions, retirement system schedule of funding progress, other postemployment benefits schedule of funding progress and employer contributions and other postemployment benefits actuarial methods and assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by 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.

January 13, 2012

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Tewksbury, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$111.8 million (net assets).
- The government's total net assets increased by \$3.7 million.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of (\$417,000), a decrease of \$11.3 million in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.3 million, or 3.9% percent of total government expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Tewksbury's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well

as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Proprietary funds. The Town of Tewksbury maintains two types of proprietary funds:

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health insurance activities and workers compensation benefits. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Government-wide Financial Analysis

As noted earlier net assets may serve, over time, as a useful indicator of a government's financial position. The assets of Town exceeded liabilities by \$111.8 million at the close of fiscal year 2011. Key components of the Town's governmental and business type financial position follow.

For the Town's governmental activities, assets exceeded liabilities by \$48.2 million at the close of fiscal 2011.

Governmental Activities:	Fiscal 2011	Fiscal 2010
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 32,298,829	\$ 32,166,002
Capital assets.....	81,647,539	62,869,585
Total assets.....	<u>113,946,368</u>	<u>95,035,587</u>
Liabilities:		
Current liabilities (excluding debt).....	44,046,157	21,379,144
Noncurrent liabilities (excluding debt).....	11,512,073	11,598,757
Current debt.....	1,347,080	8,126,830
Noncurrent debt.....	8,816,010	10,163,090
Total liabilities.....	<u>65,721,320</u>	<u>51,267,821</u>
Net Assets:		
Capital assets net of related debt.....	57,914,773	48,931,989
Restricted.....	772,279	1,156,100
Unrestricted.....	(10,462,004)	(6,320,323)
Total net assets.....	<u>\$ 48,225,048</u>	<u>\$ 43,767,766</u>

A significant portion of the Town's net assets, \$57.9 million, reflects its investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is 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 pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets \$772,000 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets resulted in a (\$10.5) million deficit mainly relating to the cumulative effect of recording \$19.6 million of other postemployment benefit liabilities through June 30, 2011.

For the Town's business type activities, assets exceeded liabilities by \$63.6 million at the close of fiscal 2011.

Business-type Activities:	Fiscal 2011	Fiscal 2010
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 11,803,114	\$ 15,786,225
Capital assets.....	165,153,423	166,762,687
Total assets.....	<u>176,956,537</u>	<u>182,548,912</u>
Liabilities:		
Current liabilities (excluding debt).....	3,196,285	2,650,037
Noncurrent liabilities (excluding debt).....	318,139	262,747
Current debt.....	4,951,260	5,420,137
Noncurrent debt.....	<u>104,932,624</u>	<u>109,883,884</u>
Total liabilities.....	<u>113,398,308</u>	<u>118,216,805</u>
Net Assets:		
Capital assets net of related debt.....	54,862,918	55,154,738
Unrestricted.....	<u>8,695,311</u>	<u>9,177,369</u>
Total net assets.....	<u>\$ 63,558,229</u>	<u>\$ 64,332,107</u>

Business type net assets of \$54.9 million (86%) represent investments in capital assets net of related debt. The remaining \$8.7 million (14%) is available to be used for the ongoing operation of the Town's sewer and water enterprises.

Revenues and Expenses

The governmental activities net assets increased by \$4.5 million during the current fiscal year. This was due to the receipt of \$10.8 million in capital grants from the Massachusetts School Building Authority for the construction of the new Tewksbury Memorial High School, offset by the recognition of an additional \$6.9 million in other postemployment benefit plan liability. Key elements of governmental activities are as follows:

Governmental Activities:	Fiscal 2011	Fiscal 2010
	<u> </u>	<u> </u>
Program revenues:		
Charges for services.....	\$ 7,258,920	\$ 7,601,565
Operating grants and contributions.....	26,744,728	25,971,742
Capital grants and contributions.....	10,867,322	-
General Revenues:		
Real estate and personal property taxes.....	54,957,581	52,707,798
Motor vehicle and other excise taxes.....	3,559,014	3,363,756
Nonrestricted grants.....	2,593,438	2,642,481
Unrestricted investment income.....	103,226	176,273
Other revenues.....	<u>1,670,434</u>	<u>858,295</u>
Total revenues.....	<u>\$ 107,754,663</u>	<u>\$ 93,321,910</u>

Governmental Activities:	Fiscal 2011	Fiscal 2010
Expenses:		
General government.....	\$ 4,071,695	\$ 3,955,879
Public safety.....	17,063,263	14,152,303
Education.....	71,595,583	68,229,637
Public works.....	4,260,927	4,083,624
Human services.....	803,274	717,495
Health and sanitation.....	2,421,048	2,563,401
Culture and recreation.....	2,276,134	2,133,422
Interest.....	505,481	691,937
Total expenses.....	102,997,405	96,527,698
Excess before transfers.....	4,757,258	(3,205,788)
Transfers.....	(299,976)	(302,898)
Change in net assets.....	\$ 4,457,282	\$ (3,508,686)

Governmental expenses totaled \$103 million of which \$44.9 million (44%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$62.9 million, primarily from property taxes, motor vehicle excise, lottery and other revenues.

Charges for services represent about 7% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by Town Meeting, the Board of Selectmen, Town boards and commissions, and the Town Manager are included in this category.

Operating grants and contributions account for 25% of the governmental activities resources. Most of these resources apply to education operations. These resources offset costs within the school department in addition to their general fund operating budget.

Capital grants and contributions account for 10% of the governmental activities resources. The majority being reimbursement from the Massachusetts School Business Authority for their portion of the costs associated with the construction of the new Tewksbury Memorial High School. The Town also receives state reimbursement for highway projects.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 51% of all resources.

Other taxes comprise 7% of the governmental activity's resources.

Education is by far the largest governmental activity of the Town. A total of \$71.6 million was expended for education, of which \$38.9 million was funded by program revenues. The remaining \$32.7 million was funded by taxes and other revenue.

Public safety is the second largest activity of the Town. \$15.1 million of general revenues were needed to cover fiscal year 2011 operating expenses.

Financial Summary

- Overall, general fund revenue increased 1% compared to fiscal year 2010. This increase is primarily due to an increase in taxes and user charges.
- Tax revenue continues to be the most significant revenue source for the Town, representing 63% of total general fund revenue. Tax revenue increased in accordance with the provisions of the Massachusetts law, which limits such increase to 2½% over the preceding year plus an allowance for new growth. Tax revenue increased by 3% in fiscal year 2011.
- Intergovernmental revenue represents 28% of total general fund revenues. This includes state aid as well as \$8.2 million in payments made by the State to the Massachusetts Teachers' Retirement Association for teachers' pension benefits. Intergovernmental revenue decreased by 0.5% from fiscal year 2011.
- Motor vehicle revenue represents 4% of the total general fund revenues. Motor vehicle revenue continued to be a strong source of revenue increased by 3% from fiscal year 2011.
- License and permit revenue totaled \$563,000, reflecting continuing home renovation and building activity in the Town.
- Expenditures in the general fund increased 3% as compared to fiscal year 2011 with education and pension and employee benefits being the primary contributors.
- Education continues to represent the largest category of general fund expenditures, approximating 65% in fiscal year 2011. The Town is committed to providing a high-quality education through its public schools.
- Public Safety and Public Works represent a combined 15% of general fund expenditures. This reflects the Town's commitment to providing a safe, secure environment and essential public services.
- Debt service costs in fiscal year 2011 were 2% of total general fund expenditures, reflecting the Town's ongoing commitment to its school building program, public safety facilities and recreation and cultural facilities.
- Employee benefits and pension costs increased from the prior year, continuing a trend of escalating costs.

General Fund Budgetary Highlights

There was a \$240,000 (0.3%) decrease from the original budget to the final amended budget. During the fall Special Town Meeting, the Board voted to rescind \$240,000 from the education appropriation for costs being funded through the state fiscal stabilization grant fund.

General Fund revenues came in approximately \$1.9 million more than budgeted. There were several factors that contributed to this increase. Licenses and permits had a surplus of \$130,000 due to more building permits being issued. Motor vehicle and other excise had a surplus of \$567,000 which was better than expected due to the economy.

Intergovernmental revenue came in \$324,000 more than budgeted due to surpluses of \$175,000 in Medicare Part D revenue and \$103,000 in Federal Emergency Management Agency (FEMA) grant funding.

General fund expenditures came in \$163,000 more than budgeted. Mostly all departments came in under budget. The exceptions were snow and ice, state and county charges, and debt service interest which exceeded appropriations by \$533,000, \$16,000 and \$45,000, respectively.

Capital Asset and Debt Administration

In conjunction with the annual operating budget the Town of Tewksbury 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.

Capital assets. The Town of Tewksbury’s investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$246.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer system improvements, machinery and equipment, library and school books, computer equipment park facilities, roads, highways, and bridges. The total increase in the Town’s investment in capital assets for the current year was \$17.2 million.

Capital Asset	Governmental Activities	Business Type Activities	Total
Land.....	\$ 1,845,881	\$ 204,000	\$ 2,049,881
Construction in progress.....	23,877,216	2,416,487	26,293,703
Artwork.....	896,500	-	896,500
Land improvements.....	428,362	-	428,362
Buildings.....	36,508,966	10,554,562	47,063,528
Buildings improvements.....	2,538,366	2,508,098	5,046,464
Machinery and equipment.....	2,405,757	2,520,396	4,926,153
Library and school books.....	268,771	-	268,771
Computer Software.....	48,925	-	48,925
Infrastructure.....	12,828,795	146,949,880	159,778,675
Total.....	\$ 81,647,539	\$ 165,153,423	\$ 246,800,962

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

- Construction on the new Tewksbury Memorial High School project is continuing with \$21.3 million expended in fiscal year 2011. The total project is approved for \$82 million.
- Continuing infrastructure improvements in the enterprise funds with \$3.2 million expended in the current fiscal year. Additionally, another \$321,000 was spent on machinery and equipment.

Debt Administration

The Town maintains an “AA-” bond rating from Standard & Poor’s. The Town continues to maintain strong market access for both note and bond sales. At the end of the fiscal year the Town had total bonded debt outstanding of \$120 million of which \$4 million is related to school projects, \$16 million is for water projects, \$93.9 million is

related to sewer projects, \$960,000 is related to the Town library, \$3.1 million is related to the Senior Center, and \$1.3 million relates to public safety projects, leaving a balance of \$714,000 for other CIP related projects. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the Town. The Town issued \$21.1 million and retired \$14.9 million in bond anticipation notes (BANS) during the year to continue the funding of the high school construction project and the master sewer project.

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Tewksbury'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 Director, Town Hall Annex, 11 Town Hall Avenue, Tewksbury, MA 01876.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 21,122,852	\$ 2,249,196	\$ 23,372,048
Investments.....	2,485,077	-	2,485,077
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	901,591	-	901,591
Tax liens.....	2,124,359	-	2,124,359
Motor vehicle and other excise taxes.....	362,082	-	362,082
Water fees.....	-	2,788,830	2,788,830
Sewer fees.....	-	6,713,013	6,713,013
Departmental and other.....	634,608	-	634,608
Intergovernmental.....	2,533,360	52,075	2,585,435
Working capital deposit.....	2,134,900	-	2,134,900
Total current assets.....	<u>32,298,829</u>	<u>11,803,114</u>	<u>44,101,943</u>
NONCURRENT:			
Capital assets, nondepreciable.....	26,619,597	2,620,487	29,240,084
Capital assets, net of accumulated depreciation.....	<u>55,027,942</u>	<u>162,532,936</u>	<u>217,560,878</u>
Total noncurrent assets.....	<u>81,647,539</u>	<u>165,153,423</u>	<u>246,800,962</u>
TOTAL ASSETS.....	<u>113,946,368</u>	<u>176,956,537</u>	<u>290,902,905</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	5,588,859	407,671	5,996,530
Accrued payroll.....	2,387,534	20,241	2,407,775
Health claims payable.....	1,390,858	-	1,390,858
Tax refunds payable.....	96,900	-	96,900
Accrued interest.....	140,961	1,748,327	1,889,288
Other liabilities.....	95,041	24,959	120,000
Capital lease obligations.....	348,604	56,652	405,256
Landfill closure.....	225,000	-	225,000
Compensated absences.....	1,299,000	162,400	1,461,400
Notes payable.....	12,875,000	400,000	13,275,000
Bonds payable.....	<u>1,347,080</u>	<u>4,951,260</u>	<u>6,298,340</u>
Total current liabilities.....	<u>25,794,837</u>	<u>7,771,510</u>	<u>33,566,347</u>
NONCURRENT:			
Capital lease obligations.....	688,219	93,539	781,758
Landfill closure.....	9,709,454	-	9,709,454
Compensated absences.....	1,114,400	224,600	1,339,000
Other postemployment benefits obligation.....	19,598,400	376,035	19,974,435
Bonds payable.....	<u>8,816,010</u>	<u>104,932,624</u>	<u>113,748,634</u>
Total noncurrent liabilities.....	<u>39,926,483</u>	<u>105,626,798</u>	<u>145,553,281</u>
TOTAL LIABILITIES.....	<u>65,721,320</u>	<u>113,398,308</u>	<u>179,119,628</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	57,914,773	54,862,918	112,777,691
Restricted for:			
Permanent funds:			
Expendable.....	47,659	-	47,659
Gifts and grants.....	724,620	-	724,620
Unrestricted.....	<u>(10,462,004)</u>	<u>8,695,311</u>	<u>(1,766,693)</u>
TOTAL NET ASSETS.....	<u>\$ 48,225,048</u>	<u>\$ 63,558,229</u>	<u>\$ 111,783,277</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 4,071,695	\$ 1,797,057	\$ 1,196,736	\$ -	\$ (1,077,902)
Public safety.....	17,063,263	1,564,416	418,030	-	(15,080,817)
Education.....	71,595,583	3,557,496	24,550,237	10,787,791	(32,700,059)
Public works.....	4,260,927	74,938	347,226	79,531	(3,759,232)
Human services.....	803,274	88,049	174,849	-	(540,376)
Health and sanitation.....	2,421,048	26,844	-	-	(2,394,204)
Culture and recreation.....	2,276,134	150,120	57,650	-	(2,068,364)
Interest.....	505,481	-	-	-	(505,481)
Total Governmental Activities.....	<u>102,997,405</u>	<u>7,258,920</u>	<u>26,744,728</u>	<u>10,867,322</u>	(58,126,435)
<i>Business-Type Activities:</i>					
Sewer.....	9,179,648	6,210,136	142,491	-	(2,827,021)
Water.....	6,920,164	8,666,901	-	-	1,746,737
Total Business-Type Activities.....	<u>16,099,812</u>	<u>14,877,037</u>	<u>142,491</u>	<u>-</u>	(1,080,284)
Total Primary Government.....	<u>\$ 119,097,217</u>	<u>\$ 22,135,957</u>	<u>\$ 26,887,219</u>	<u>\$ 10,867,322</u>	<u>\$ (59,206,719)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (58,126,435)	\$ (1,080,284)	\$ (59,206,719)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	54,957,581	-	54,957,581
Tax liens.....	809,721	-	809,721
Motor vehicle and other excise taxes.....	3,559,014	-	3,559,014
Hotel/motel tax.....	484,269	-	484,269
Penalties and interest on taxes.....	354,268	-	354,268
Payments in lieu of taxes.....	22,176	-	22,176
Grants and contributions not restricted to specific programs.....	2,593,438	-	2,593,438
Unrestricted investment income.....	103,226	6,430	109,656
<i>Transfers, net</i>	<u>(299,976)</u>	<u>299,976</u>	<u>-</u>
Total general revenues and transfers.....	<u>62,583,717</u>	<u>306,406</u>	<u>62,890,123</u>
Change in net assets.....	4,457,282	(773,878)	3,683,404
<i>Net Assets:</i>			
Beginning of year.....	<u>43,767,766</u>	<u>64,332,107</u>	<u>108,099,873</u>
End of year.....	\$ <u><u>48,225,048</u></u>	\$ <u><u>63,558,229</u></u>	\$ <u><u>111,783,277</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

ASSETS	General	High School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 8,884,790	\$ 2,419,032	\$ 6,279,632	\$ 17,583,454
Investments.....	198,932	-	2,286,145	2,485,077
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	901,591	-	-	901,591
Tax liens.....	2,116,067	-	8,292	2,124,359
Motor vehicle and other excise taxes.....	362,082	-	-	362,082
Departmental and other.....	553,692	-	-	553,692
Intergovernmental.....	-	2,092,999	440,361	2,533,360
TOTAL ASSETS.....	\$ 13,017,154	\$ 4,512,031	\$ 9,014,430	\$ 26,543,615
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 1,649,050	\$ 3,792,397	\$ 147,152	\$ 5,588,599
Accrued payroll.....	2,201,539	-	185,995	2,387,534
Tax refunds payable.....	96,900	-	-	96,900
Other liabilities.....	94,555	-	486	95,041
Deferred revenues.....	3,654,451	2,092,999	170,196	5,917,646
Notes payable.....	-	12,875,000	-	12,875,000
TOTAL LIABILITIES.....	7,696,495	18,760,396	503,829	26,960,720
FUND BALANCES:				
Restricted.....	-	-	8,628,979	8,628,979
Assigned.....	1,975,885	-	-	1,975,885
Unassigned.....	3,344,774	(14,248,365)	(118,378)	(11,021,969)
TOTAL FUND BALANCES.....	5,320,659	(14,248,365)	8,510,601	(417,105)
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 13,017,154	\$ 4,512,031	\$ 9,014,430	\$ 26,543,615

See notes to basic financial statements.

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

JUNE 30, 2011

Total governmental fund balances.....	\$	(417,105)
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		81,647,539
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		5,917,646
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.....		4,364,096
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(140,961)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(10,163,090)	
Capital lease obligations.....	(1,036,823)	
Landfill liability.....	(9,934,454)	
Compensated absences.....	(2,413,400)	
Other postemployment benefits obligation.....	<u>(19,598,400)</u>	
Net effect of reporting long-term liabilities.....		<u>(43,146,167)</u>
Net assets of governmental activities.....	\$	<u><u>48,225,048</u></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	High School Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 54,779,975	\$ -	\$ -	\$ 54,779,975
Tax liens.....	477,727	-	-	477,727
Motor vehicle and other excise taxes.....	3,417,953	-	-	3,417,953
Hotel/motel tax.....	484,269	-	-	484,269
Charges for services.....	860,642	-	883,447	1,744,089
Penalties and interest on taxes.....	354,268	-	-	354,268
Fees.....	603,534	-	1,392,372	1,995,906
Rentals.....	494,752	-	15,346	510,098
Payments in lieu of taxes.....	22,176	-	-	22,176
Licenses and permits.....	562,504	-	-	562,504
Fines and forfeitures.....	112,778	-	-	112,778
Intergovernmental.....	24,209,312	8,769,532	5,863,415	38,842,259
Departmental and other.....	94,465	-	1,337,023	1,431,488
Contributions.....	-	-	103,928	103,928
Investment income.....	49,386	-	53,840	103,226
TOTAL REVENUES.....	86,523,741	8,769,532	9,649,371	104,942,644
EXPENDITURES:				
Current:				
General government.....	2,408,409	-	435,062	2,843,471
Public safety.....	10,420,247	-	487,457	10,907,704
Education.....	55,862,115	21,256,821	6,717,494	83,836,430
Public works.....	2,349,332	-	690,055	3,039,387
Human services.....	444,398	-	125,806	570,204
Health and sanitation.....	2,343,273	-	-	2,343,273
Culture and recreation.....	1,170,503	-	207,851	1,378,354
Pension benefits.....	4,112,627	-	-	4,112,627
Employee benefits.....	4,334,619	-	-	4,334,619
State and county charges.....	1,170,946	-	-	1,170,946
Debt service:				
Principal.....	1,426,830	-	-	1,426,830
Interest.....	521,423	-	-	521,423
TOTAL EXPENDITURES.....	86,564,722	21,256,821	8,663,725	116,485,268
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(40,981)	(12,487,289)	985,646	(11,542,624)
OTHER FINANCING SOURCES (USES):				
Capital lease financing.....	555,000	-	-	555,000
Transfers in.....	148,621	25,000	1,546,580	1,720,201
Transfers out.....	(324,976)	-	(1,695,201)	(2,020,177)
TOTAL OTHER FINANCING SOURCES (USES).....	378,645	25,000	(148,621)	255,024
NET CHANGE IN FUND BALANCES.....	337,664	(12,462,289)	837,025	(11,287,600)
FUND BALANCES AT BEGINNING OF YEAR, (REVISED).....	4,982,995	(1,786,076)	7,673,576	10,870,495
FUND BALANCES AT END OF YEAR.....	\$ 5,320,659	\$ (14,248,365)	\$ 8,510,601	\$ (417,105)

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.....		\$ (11,287,600)
<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.....	22,088,924	
Depreciation expense.....	<u>(3,310,970)</u>	
Net effect of reporting capital assets.....		18,777,954
<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>		
		2,812,019
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital lease financing.....	(555,000)	
Debt service principal payments.....	1,426,830	
Principal payments on capital leases.....	<u>413,644</u>	
Net effect of reporting long-term debt.....		1,285,474
<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.....	109,751	
Net change in landfill liability.....	150,000	
Net change in accrued interest on long-term debt.....	15,942	
Net change in other postemployment benefits obligation.....	<u>(6,880,977)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(6,605,284)
<p>Internal service funds are used by management to account for health insurance.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>(525,281)</u>
Change in net assets of governmental activities.....		<u>\$ 4,457,282</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

	Sewer Enterprise	Water Enterprise	Total	Governmental Activities - Internal Service Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,257,503	\$ 991,693	\$ 2,249,196	\$ 3,539,398
Receivables, net of allowance for uncollectibles:				
Water fees.....	-	2,788,830	2,788,830	-
Sewer fees.....	6,713,013	-	6,713,013	-
Departmental and other.....	-	-	-	80,916
Intergovernmental.....	-	52,075	52,075	-
Working capital deposit.....	-	-	-	2,134,900
Total current assets.....	<u>7,970,516</u>	<u>3,832,598</u>	<u>11,803,114</u>	<u>5,755,214</u>
NONCURRENT:				
Capital assets, nondepreciable.....	-	2,620,487	2,620,487	-
Capital assets, depreciable.....	<u>119,622,675</u>	<u>42,910,261</u>	<u>162,532,936</u>	<u>-</u>
Total noncurrent assets.....	<u>119,622,675</u>	<u>45,530,748</u>	<u>165,153,423</u>	<u>-</u>
TOTAL ASSETS.....	<u>127,593,191</u>	<u>49,363,346</u>	<u>176,956,537</u>	<u>5,755,214</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	327,723	79,948	407,671	260
Accrued payroll.....	3,654	16,587	20,241	-
Health claims payable.....	-	-	-	1,390,858
Accrued interest.....	1,561,813	186,514	1,748,327	-
Other liabilities.....	24,959	-	24,959	-
Capital lease obligations.....	22,515	34,137	56,652	-
Compensated absences.....	27,800	134,600	162,400	-
Notes payable.....	400,000	-	400,000	-
Bonds payable.....	<u>3,303,123</u>	<u>1,648,137</u>	<u>4,951,260</u>	<u>-</u>
Total current liabilities.....	<u>5,671,587</u>	<u>2,099,923</u>	<u>7,771,510</u>	<u>1,391,118</u>
NONCURRENT:				
Capital lease obligations.....	40,843	52,696	93,539	-
Compensated absences.....	34,200	190,400	224,600	-
Other postemployment benefits obligation.....	48,057	327,978	376,035	-
Bonds and notes payable.....	<u>90,558,224</u>	<u>14,374,400</u>	<u>104,932,624</u>	<u>-</u>
Total noncurrent liabilities.....	<u>90,681,324</u>	<u>14,945,474</u>	<u>105,626,798</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>96,352,911</u>	<u>17,045,397</u>	<u>113,398,308</u>	<u>1,391,118</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	25,702,564	29,560,354	55,262,918	-
Unrestricted.....	<u>5,537,716</u>	<u>2,757,595</u>	<u>8,295,311</u>	<u>4,364,096</u>
TOTAL NET ASSETS.....	<u>\$ 31,240,280</u>	<u>\$ 32,317,949</u>	<u>\$ 63,558,229</u>	<u>\$ 4,364,096</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

	Sewer Enterprise	Water Enterprise	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES:				
Employee contributions	\$ -	\$ -	\$ -	\$ 2,652,691
Employer contributions	-	-	-	11,436,771
Charges for services	6,210,136	8,654,265	14,864,401	-
Other.....	-	12,636	12,636	231,959
TOTAL OPERATING REVENUES	6,210,136	8,666,901	14,877,037	14,321,421
OPERATING EXPENSES:				
Cost of services and administration	2,375,011	3,813,796	6,188,807	-
Depreciation.....	2,762,403	2,595,478	5,357,881	-
Employee benefits.....	-	-	-	14,846,702
TOTAL OPERATING EXPENSES	5,137,414	6,409,274	11,546,688	14,846,702
OPERATING INCOME (LOSS).....	1,072,722	2,257,627	3,330,349	(525,281)
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	5,262	1,168	6,430	-
Interest expense.....	(4,042,234)	(510,890)	(4,553,124)	-
Intergovernmental.....	142,491	-	142,491	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(3,894,481)	(509,722)	(4,404,203)	-
INCOME (LOSS) BEFORE TRANSFERS.....	(2,821,759)	1,747,905	(1,073,854)	(525,281)
TRANSFERS:				
Transfers in.....	299,976	-	299,976	-
CHANGE IN NET ASSETS.....	(2,521,783)	1,747,905	(773,878)	(525,281)
NET ASSETS AT BEGINNING OF YEAR.....	33,762,063	30,570,044	64,332,107	4,889,377
NET ASSETS AT END OF YEAR.....	\$ 31,240,280	\$ 32,317,949	\$ 63,558,229	\$ 4,364,096

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Sewer Enterprise	Water Enterprise	Total	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 8,503,153	\$ 7,364,588	\$ 15,867,741	\$ 2,652,691
Receipts from interfund services provided.....	-	-	-	11,783,224
Payments to vendors.....	(1,661,735)	(2,300,172)	(3,961,907)	(14,812,774)
Payments to employees.....	(520,972)	(1,420,238)	(1,941,210)	-
NET CASH FROM OPERATING ACTIVITIES.....	6,320,446	3,644,178	9,964,624	(376,859)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	299,976	-	299,976	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Capital leases.....	13,806	2,411	16,217	-
Acquisition and construction of capital assets.....	(3,167,639)	(580,978)	(3,748,617)	-
Principal payments on bonds and notes.....	(3,197,002)	(1,757,915)	(4,954,917)	-
Interest paid on capital debt.....	(4,040,518)	(535,602)	(4,576,120)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(10,391,353)	(2,872,084)	(13,263,437)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	5,262	1,168	6,430	-
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(3,765,669)	773,262	(2,992,407)	(376,859)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	5,023,172	218,431	5,241,603	3,916,257
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,257,503	\$ 991,693	\$ 2,249,196	\$ 3,539,398
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 1,072,722	\$ 2,257,627	\$ 3,330,349	\$ (525,281)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	2,762,403	2,595,478	5,357,881	-
Changes in assets and liabilities:				
Water fees.....	-	(1,302,313)	(1,302,313)	-
Sewer fees.....	2,293,017	-	2,293,017	-
Departmental and other.....	-	-	-	114,494
Working capital deposit.....	-	-	-	(149,200)
Warrants payable.....	173,275	(74,548)	98,727	(7,750)
Accrued payroll.....	(2,940)	(22,456)	(25,396)	-
Health claims payable.....	-	-	-	190,878
Other liabilities.....	2,317	-	2,317	-
Accrued compensated absences.....	2,779	75,237	78,016	-
Post employment benefits obligation.....	16,873	115,153	132,026	-
Total adjustments.....	5,247,724	1,386,551	6,634,275	148,422
NET CASH FROM OPERATING ACTIVITIES.....	\$ 6,320,446	\$ 3,644,178	\$ 9,964,624	\$ (376,859)
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Intergovernmental subsidy of principal and interest payments.....	\$ 142,491			

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 3,139	\$ 897,208
Investments.....	-	14,887
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	145,093
TOTAL ASSETS.....	3,139	1,057,188
LIABILITIES		
Warrants payable.....	-	1,150
Accrued payroll.....	-	20,620
Liabilities due depositors.....	-	906,637
Other liabilities.....	-	128,781
TOTAL LIABILITIES.....	-	1,057,188
NET ASSETS		
Held in trust.....	\$ <u>3,139</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Net investment income (loss):	
Interest.....	\$ <u>52</u>
NET ASSETS AT BEGINNING OF YEAR.....	<u>3,087</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>3,139</u></u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a Massachusetts municipal corporation that is governed by an elected Board of Selectmen and an appointed Town Manager.

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. It has been determined that there are no component units that meet the requirements for inclusion in the Town's basic financial statements.

Joint Venture – The Town has entered into a joint venture for the Shawsheen Valley Technical High School along with other municipalities to pool resources and share the costs, risk and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified recipients. The Town has no equity interest in this joint venture. As of June 30, 2011 the Town's annual assessment was \$5,077,953. Complete financial statements for the Shawsheen Valley Technical High School can be obtained by contacting their administrative offices at 100 Cook Street, Billerica, MA 01821.

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. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

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 are reported as separate columns in the fund financial statements. Nonmajor 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, 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 *high school construction fund* is used to account for the construction of the new Tewksbury Memorial High School.

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 nonoperating revenues and expenses.

The following proprietary fund types are reported:

The *sewer enterprise fund* accounts for the Town's sewer activities.

The *water enterprise fund* accounts for the Town's water 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 Town's health insurance and workers' compensation.

Fiduciary funds are used to account for financial resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those

funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The following fiduciary fund types are reported:

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

The *agency fund* is used to account for assets held in a purely custodial capacity, such as collection and payment of charges for special details, escrow accounts, deposits and deputy collector accounts.

Government-Wide and Fund Financial Statements

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

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 second and fourth quarter of every fiscal 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 for 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.

Sewer

Sewer user fees are levied semi-annually for individual and small commercial meter readings and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

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

Water

Water user fees are levied semi-annually for individual and small commercial meter readings and quarterly for large commercial meter readings. These fees are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in December of every year and included as a lien on the property owner's tax bill. Water charges and liens are recorded as receivables in the fiscal year of the levy.

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

Departmental and Other

Departmental and other receivables consist primarily of ambulance and Veteran's receivables which are recorded as receivables in the fiscal year accrued. The allowance of 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. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide 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 governmental 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.....	5-50
Buildings.....	5-50
Building improvements.....	5-50
Machinery and equipment.....	3-20
Library and school books.....	3-10
Computer software.....	5-10
Infrastructure.....	10-50

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets.

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.

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 reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program and the Massachusetts Water Pollution Abatement Trust's loan subsidy program is not considered to be capital related debt.

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

Net assets have been "restricted for" the following:

"Permanent funds – expendable" represents the endowment and the amount of realized and unrealized investment earnings of donor restricted trusts that support governmental programs.

"Gifts and grants" represents restrictions placed on assets from outside parties and consists primarily of gifts and federal and state grants.

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified 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.

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).

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.

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. Fund Deficits

The High School Construction capital project fund has a deficit fund balance of \$14,248,365. This deficit will be funded with future bond proceeds.

The Street Projects special revenue fund has a deficit fund balance of \$118,378. This deficit will be funded by state grants during fiscal year 2012.

Q. 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 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 deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$21,093,522 and the bank balance totaled \$22,774,536. Of the bank balance, \$7,365,737 was covered by Federal Depository Insurance and \$15,408,799 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

Investment Type	Fair Value	Maturity	
		Under 1 Year	1-5 Years
<u>Debt Securities:</u>			
Government Sponsored Enterprises..... \$	1,838,750	\$ -	\$ 1,838,750
Corporate Bonds.....	<u>342,779</u>	<u>101,577</u>	<u>241,202</u>
Total Debt Securities.....	2,181,529	<u>\$ 101,577</u>	<u>\$ 2,079,952</u>
<u>Other Investments:</u>			
Money Market Mutual Funds.....	2,761,013		
Equity Mutual Funds.....	318,435		
MMDT.....	<u>417,860</u>		
Total Investments.....	<u>\$ 5,678,837</u>		

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town’s investments are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form. The Town’s \$2,181,529 in debt securities are fully insured by Securities Investor Protector Corporation and are not exposed to custodial credit risk. The Town does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

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

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. All of the Town’s government sponsored enterprises of \$1,838,750 are rated AAA. Corporate bonds of \$209,972 are rated AA+, \$87,301 are rated A, and \$45,506 are rated BBB-.

Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. The Town did not have any securities exceeding 5 percent of their total investments.

NOTE 3 – RECEIVABLES

At June 30, 2011, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, 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.... \$	978,836	\$ (77,245)	\$ 901,591
Tax liens.....	2,124,359	-	2,124,359
Motor vehicle and other excise taxes.....	456,345	(94,263)	362,082
Departmental and other.....	1,023,858	(244,157)	779,701
Intergovernmental.....	<u>2,533,360</u>	<u>-</u>	<u>2,533,360</u>
Total.....	<u>\$ 7,116,758</u>	<u>\$ (415,665)</u>	<u>\$ 6,701,093</u>

At June 30, 2011, receivables for the sewer and water enterprise funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer fees..... \$	6,713,013	\$ -	\$ 6,713,013
Water fees.....	2,788,830	-	2,788,830
Intergovernmental.....	<u>52,075</u>	<u>-</u>	<u>52,075</u>
Total.....	<u>\$ 9,553,918</u>	<u>\$ -</u>	<u>\$ 9,553,918</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:

	General Fund	High School Construction	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes....	\$ 635,030	\$ -	\$ -	\$ 635,030
Tax liens.....	2,116,067	-	8,292	2,124,359
Motor vehicle and other excise taxes.....	362,082	-	-	362,082
Departmental and other.....	541,272	-	-	541,272
Intergovernmental.....	-	2,092,999	161,904	2,254,903
 Total.....	 \$ 3,654,451	 \$ 2,092,999	 \$ 170,196	 \$ 5,917,646

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the governmental activities 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.....	\$ 1,845,881	\$ -	\$ -	\$ 1,845,881
Construction in progress.....	3,365,278	21,378,017	(866,079)	23,877,216
Artwork.....	896,500	-	-	896,500
	<u>6,107,659</u>	<u>21,378,017</u>	<u>(866,079)</u>	<u>26,619,597</u>
Total capital assets not being depreciated.....				
<u>Capital assets being depreciated:</u>				
Land improvements.....	547,237	251,250	-	798,487
Buildings.....	53,979,504	-	-	53,979,504
Buildings improvements.....	11,518,727	478,769	-	11,997,496
Machinery and equipment.....	6,963,522	846,967	-	7,810,489
Library and school books.....	3,261,757	-	-	3,261,757
Computer software.....	220,770	-	-	220,770
Infrastructure.....	41,775,780	-	-	41,775,780
	<u>118,267,297</u>	<u>1,576,986</u>	<u>-</u>	<u>119,844,283</u>
Total capital assets being depreciated.....				
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(351,527)	(18,598)	-	(370,125)
Buildings.....	(16,122,876)	(1,347,662)	-	(17,470,538)
Buildings improvements.....	(9,099,453)	(359,677)	-	(9,459,130)
Machinery and equipment.....	(4,794,676)	(610,056)	-	(5,404,732)
Library and school books.....	(2,885,157)	(107,829)	-	(2,992,986)
Computer software.....	(152,275)	(19,570)	-	(171,845)
Infrastructure.....	(28,099,407)	(847,578)	-	(28,946,985)
	<u>(61,505,371)</u>	<u>(3,310,970)</u>	<u>-</u>	<u>(64,816,341)</u>
Total accumulated depreciation.....				
Total capital assets being depreciated, net.....	<u>56,761,926</u>	<u>(1,733,984)</u>	<u>-</u>	<u>55,027,942</u>
Total governmental activities capital assets, net.....	<u>\$ 62,869,585</u>	<u>\$ 19,644,033</u>	<u>\$ (866,079)</u>	<u>\$ 81,647,539</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 19,112,579	\$ -	\$ (19,112,579)	\$ -
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	154,094	30,000	-	184,094
Infrastructure.....	120,647,078	22,250,218	-	142,897,296
Total capital assets being depreciated.....	120,801,172	22,280,218	-	143,081,390
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(54,328)	(33,819)	-	(88,147)
Infrastructure.....	(20,641,984)	(2,728,584)	-	(23,370,568)
Total accumulated depreciation.....	(20,696,312)	(2,762,403)	-	(23,458,715)
Total sewer capital assets being depreciated, net.....	100,104,860	19,517,815	-	119,622,675
Total sewer capital assets, net.....	\$ 119,217,439	\$ 19,517,815	\$ (19,112,579)	\$ 119,622,675
Water Activities				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 204,000	\$ -	\$ -	\$ 204,000
Construction in progress.....	2,158,808	257,679	-	2,416,487
Total capital assets not being depreciated.....	2,362,808	257,679	-	2,620,487
<u>Capital assets being depreciated:</u>				
Buildings.....	22,455,883	-	-	22,455,883
Building improvements.....	4,339,085	-	-	4,339,085
Machinery and equipment.....	2,917,694	291,149	-	3,208,843
Infrastructure.....	68,945,188	32,150	-	68,977,338
Total capital assets being depreciated.....	98,657,850	323,299	-	98,981,149
<u>Less accumulated depreciation for:</u>				
Buildings.....	(11,213,708)	(687,613)	-	(11,901,321)
Building improvements.....	(1,644,910)	(186,077)	-	(1,830,987)
Machinery and equipment.....	(453,589)	(330,805)	-	(784,394)
Infrastructure.....	(40,163,203)	(1,390,983)	-	(41,554,186)
Total accumulated depreciation.....	(53,475,410)	(2,595,478)	-	(56,070,888)
Total water capital assets being depreciated, net.....	45,182,440	(2,272,179)	-	42,910,261
Total water capital assets, net.....	\$ 47,545,248	\$ (2,014,500)	\$ -	\$ 45,530,748

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

Governmental Activities:

General government.....	\$ 24,102
Public safety.....	412,494
Education.....	1,327,733
Public works.....	1,127,729
Health and human services.....	137,687
Culture and recreation.....	<u>281,225</u>

Total depreciation expense - governmental activities..... \$ 3,310,970

Business-Type Activities:

Sewer.....	\$ 2,762,403
Water.....	<u>2,595,478</u>

Total depreciation expense - business-type activities..... \$ 5,357,881

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:				Total
	General Fund	High School Construction	Nonmajor Governmental Funds	Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 25,000	\$ -	\$ 299,976	\$ 324,976 (1)
Nonmajor Governmental Funds.....	<u>148,621</u>	<u>-</u>	<u>1,546,580</u>	<u>-</u>	<u>1,695,201 (2)</u>
Total.....	<u>\$ 148,621</u>	<u>\$ 25,000</u>	<u>\$ 1,546,580</u>	<u>\$ 299,976</u>	<u>\$ 2,020,177</u>

- (1) Represents budgeted transfers from the general fund to the sewer enterprise fund. Also represents a transfer from the general fund to the High School Construction major fund.
- (2) Represents budgeted transfers from nonmajor governmental funds to the general fund. Also represents transfers between nonmajor governmental funds.

NOTE 6 – CAPITAL LEASES

The Town has entered into several lease agreements to finance the acquisition of machinery and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The Town has reported \$2,591,500 in governmental activities and \$279,000 in business-type activities for these assets acquired through capital lease agreements.

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2011, are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2012.....	\$ 387,474	\$ 61,654
2013.....	249,575	60,233
2014.....	223,902	13,279
2015.....	151,722	12,768
2016.....	<u>113,307</u>	<u>12,256</u>
 Total minimum lease payments.....	 1,125,980	 160,190
 Less: amounts representing interest.....	 <u>(89,157)</u>	 <u>(9,999)</u>
 Present value of minimum lease payments.....	 <u>\$ 1,036,823</u>	 <u>\$ 150,191</u>

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 water and sewer enterprise funds, respectively.

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
Governmental Funds							
BAN	School Feasibility Study.....	1.35	09/23/10	\$ 700,000	\$ -	\$ (700,000)	\$ -
BAN	School Construction.....	1.15	11/23/10	6,000,000	-	(6,000,000)	-
BAN	School Feasibility Study.....	1.35	11/23/10	-	700,000	(700,000)	-
BAN	School Feasibility Study.....	1.10	03/23/11	-	700,000	(700,000)	-
BAN	School Construction.....	1.10	03/23/11	-	6,000,000	(6,000,000)	-
BAN	School Feasibility Study.....	1.05	08/23/11	-	675,000	-	675,000
BAN	School Construction.....	1.05	08/23/11	-	6,000,000	-	6,000,000
BAN	School Construction.....	1.25	08/23/11	-	6,200,000	-	6,200,000
Total governmental funds.....				<u>\$ 6,700,000</u>	<u>\$ 20,275,000</u>	<u>\$ (14,100,000)</u>	<u>\$ 12,875,000</u>
Enterprise Funds							
BAN	Sewer Pump Station.....	1.15	11/23/10	\$ 400,000	\$ -	\$ (400,000)	\$ -
BAN	Sewer Pump Station.....	1.10	03/23/11	-	400,000	(400,000)	-
BAN	Sewer Pump Station.....	1.05	08/23/11	-	400,000	-	400,000
Total enterprise funds.....				<u>\$ 400,000</u>	<u>\$ 800,000</u>	<u>\$ (800,000)</u>	<u>\$ 400,000</u>

On August 23, 2011 the Town paid down \$25,000 and rolled the remaining balance of \$13,250,000 into a new BAN maturing on February 7, 2012, with an interest rate of 2.5%.

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".

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

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Schools.....	3.25-6.75	\$ 4,573,000	\$ -	\$ (537,000)	\$ 4,036,000
Fire.....	4.05-6.75	710,150	-	(96,750)	613,400
Library.....	4.10-6.00	1,125,000	-	(165,000)	960,000
Police.....	4.00-5.00	980,000	-	(255,000)	725,000
Town Hall/Annex.....	4.05-6.75	253,870	-	(42,430)	211,440
Public Works.....	4.20-5.00	270,000	-	(30,000)	240,000
Roofs.....	5.00-6.75	115,900	-	(11,650)	104,250
Recreation.....	4.05	10,000	-	(10,000)	-
Senior Center.....	3.00-4.25	3,340,000	-	(225,000)	3,115,000
Landfill.....	4.19-4.24	70,000	-	(10,000)	60,000
Sidewalks.....	3.00-4.25	142,000	-	(44,000)	98,000
Total governmental bonds and notes payable.....		\$ 11,589,920	\$ -	\$ (1,426,830)	\$ 10,163,090

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

Fiscal Year	Principal	Interest	Total
2012.....	\$ 1,347,080	\$ 410,169	\$ 1,757,249
2013.....	1,183,080	363,419	1,546,499
2014.....	1,183,080	320,215	1,503,295
2015.....	928,080	280,295	1,208,375
2016.....	903,080	239,412	1,142,492
2017.....	873,080	199,711	1,072,791
2018.....	773,080	165,040	938,120
2019.....	723,080	131,890	854,970
2020.....	569,450	101,543	670,993
2021.....	475,000	74,175	549,175
2022.....	475,000	52,413	527,413
2023.....	215,000	30,650	245,650
2024.....	215,000	21,760	236,760
2025.....	215,000	12,708	227,708
2026.....	85,000	3,613	88,613
Total.....	\$ 10,163,090	\$ 2,407,013	\$ 12,570,103

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Sewer.....	2.00-6.75	\$ 95,235,574	\$ -	\$ (3,015,475)	\$ 92,220,099
MWPAT-Sewer.....	-	1,887,995	-	(246,747)	1,641,248
Total sewer enterprise bonds and notes payable.....		\$ <u>97,123,569</u>	\$ <u>-</u>	\$ <u>(3,262,222)</u>	\$ <u>93,861,347</u>

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

Fiscal Year	Principal	Interest	Total
2012.....	\$ 3,303,123	\$ 3,934,605	\$ 7,237,728
2013.....	3,371,604	3,816,226	7,187,830
2014.....	3,429,305	3,692,794	7,122,099
2015.....	3,507,502	3,562,714	7,070,216
2016.....	3,586,018	3,418,042	7,004,060
2017.....	3,669,796	3,271,526	6,941,322
2018.....	4,120,350	3,129,432	7,249,782
2019.....	4,855,350	2,954,287	7,809,637
2020.....	5,470,299	2,738,233	8,208,532
2021.....	6,215,500	2,486,347	8,701,847
2022.....	6,425,500	2,222,236	8,647,736
2023.....	6,608,500	1,963,192	8,571,692
2024.....	6,828,500	1,690,730	8,519,230
2025.....	6,850,000	1,407,025	8,257,025
2026.....	6,685,000	1,114,856	7,799,856
2027.....	6,925,000	827,107	7,752,107
2028.....	5,015,000	526,756	5,541,756
2029.....	3,225,000	302,838	3,527,838
2030.....	1,890,000	162,100	2,052,100
2031.....	380,000	84,600	464,600
2032.....	375,000	67,500	442,500
2033.....	375,000	50,625	425,625
2034.....	375,000	33,750	408,750
2035.....	375,000	16,875	391,875
Total.....	\$ <u>93,861,347</u>	\$ <u>43,474,396</u>	\$ <u>137,335,743</u>

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Water.....	3.25-7.00	\$ 11,483,181	\$ -	\$ (1,443,770)	\$ 10,039,411
MWPAT-Water.....	2.00	6,297,271	-	(314,145)	5,983,126
Total water enterprise bonds and notes payable.....		\$ <u>17,780,452</u>	\$ <u>-</u>	\$ <u>(1,757,915)</u>	\$ <u>16,022,537</u>

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

Fiscal Year	Principal	Interest	Total
2012.....	\$ 1,648,137	\$ 471,461	\$ 2,119,598
2013.....	1,597,612	421,840	2,019,452
2014.....	1,424,217	371,868	1,796,085
2015.....	1,405,956	329,343	1,735,299
2016.....	1,407,831	286,507	1,694,338
2017.....	1,404,845	242,030	1,646,875
2018.....	1,232,001	198,012	1,430,013
2019.....	1,024,301	160,786	1,185,087
2020.....	751,354	130,617	881,971
2021.....	663,201	107,278	770,479
2022.....	665,953	87,656	753,609
2023.....	655,861	67,999	723,860
2024.....	663,929	49,088	713,017
2025.....	535,660	29,878	565,538
2026.....	479,056	16,406	495,462
2027.....	442,623	5,526	448,149
2028.....	10,000	800	10,800
2029.....	10,000	400	10,400
Total.....	\$ <u>16,022,537</u>	\$ <u>2,977,495</u>	\$ <u>19,000,032</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$467,752 and interest costs for \$233,681. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$1,362,857. The interest subsidies are guaranteed. The principal subsidies are supported through future investment income and are expected to be made, although not guaranteed. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2011 principal and interest subsidies totaled \$65,220 and \$77,271, respectively.

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:

Purpose	Amount
Sewer.....	\$ 800,000
Middlesex Retirement System.....	5,000,000
Water Meters.....	500,000
High School.....	82,376,069
Roads.....	3,581,000
Ames Hill Storage Tank.....	25,000
Senior Center.....	350,000
DPW Building.....	100,000
Water	445
Town Hall Annex.....	185,000
Bike Path.....	30,000
Town Hall Renovations.....	4,600,000
Total.....	\$ 97,547,514

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 and Notes.....	\$ 11,589,920	\$ -	\$ (1,426,830)	\$ 10,163,090	\$ 1,347,080
Capital Leases.....	895,467	619,447	(478,091)	1,036,823	348,604
Landfill Closure.....	10,084,454	-	(150,000)	9,934,454	225,000
Compensated Absences.....	2,523,151	1,166,473	(1,276,224)	2,413,400	1,299,000
Other Postemployment Benefits.....	12,717,423	11,081,530	(4,200,553)	19,598,400	-
Total.....	\$ 37,810,415	\$ 12,867,450	\$ (7,531,698)	\$ 43,146,167	\$ 3,219,684
Business-Type Activities:					
Long-Term Bonds and Notes.....	\$ 114,904,021	\$ -	\$ (5,020,137)	\$ 109,883,884	\$ 4,951,260
Capital Leases.....	133,974	59,148	(42,931)	150,191	56,652
Compensated Absences.....	308,984	215,296	(137,280)	387,000	162,400
Other Postemployment Benefits.....	244,009	212,622	(80,596)	376,035	-
Total.....	\$ 115,590,988	\$ 487,066	\$ (5,280,944)	\$ 110,797,110	\$ 5,170,312

Compensated absence liabilities related to governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. With the exception of compensated absence liabilities, the governmental long-term liabilities are generally liquidated by the general fund.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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.

In accordance with Statement No. 54, the stabilization fund has been reported in the general fund, and accordingly, the general fund and nonmajor governmental fund beginning balances have been restated from \$4,471,855 to \$4,982,995 and from \$8,184,716 to \$7,673,576, 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.

At year end the unassigned balance of the general fund includes \$526,000 of stabilization fund.

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

	<u>General</u>	<u>High School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:				
Restricted for:				
Town grant funds.....	\$ -	\$ -	\$ 130,401	\$ 130,401
Town revolving funds.....	-	-	1,994,927	1,994,927
Town gift funds.....	-	-	434,038	434,038
Town receipts reserved.....	-	-	1,252	1,252
Town other funds.....	-	-	297,082	297,082
Town special articles.....	-	-	13,911	13,911
School grant funds.....	-	-	137,458	137,458
School revolving funds.....	-	-	1,226,017	1,226,017
School gift funds.....	-	-	22,723	22,723
School receipts reserved.....	-	-	9,318	9,318
School other funds.....	-	-	3,084	3,084
Restricted funds.....	-	-	2,595,597	2,595,597
Town capital projects.....	-	-	1,715,512	1,715,512
Foster trust fund.....	-	-	24,691	24,691
Cemetery perpetual care.....	-	-	22,968	22,968
Assigned to:				
General government.....	98,150	-	-	98,150
Public safety.....	46,119	-	-	46,119
Education.....	383,366	-	-	383,366
Public works.....	43,571	-	-	43,571
Health and sanitation.....	10,545	-	-	10,545
Human services.....	617	-	-	617
Culture and recreation.....	20,248	-	-	20,248
Employee benefits.....	7,269	-	-	7,269
Balance the FY12 operating budget.....	1,366,000	-	-	1,366,000
Unassigned.....	<u>3,344,774</u>	<u>(14,248,365)</u>	<u>(118,378)</u>	<u>(11,021,969)</u>
TOTAL FUND BALANCES (DEFICIT).....	\$ <u>5,320,659</u>	\$ <u>(14,248,365)</u>	\$ <u>8,510,601</u>	\$ <u>(417,105)</u>

NOTE 10 – RISK FINANCING

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. In addition, the Town is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town is self-insured for its health insurance and workers' compensation activities. The health insurance and workers' compensation activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Incurred But Not Reported claims for workers' compensation are immaterial and therefore not reported.

Health Insurance

The estimate of Incurred But Not Reported (IBNR) claims is based on a one and one half-month claims paid average. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$100,000 per claim.

This liability is the best estimate based on available information. 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 2010.....	\$ 1,312,000	\$ (12,922,823)	\$ 12,810,803	\$ 1,199,980
Fiscal Year 2011.....	\$ 1,199,980	\$ (14,655,824)	\$ 14,846,702	\$ 1,390,858

NOTE 11 – PENSION PLAN

Plan Description - The Town contributes to the Middlesex Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement Board (the Board). Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the 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 approximately \$8,183,000 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 25 Linnell Circle, Billerica, MA 01821.

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. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town’s contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,723,975, \$5,703,735, and \$5,426,876, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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. For fiscal year 2011, the Town contributed \$4.3 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.....	\$ 11,243,039
Interest on net OPEB obligation.....	453,650
Adjustments to annual required contribution.....	<u>(402,537)</u>
Annual OPEB cost (expense).....	11,294,152
Contributions made.....	<u>(4,281,149)</u>
Increase in net OPEB obligation.....	7,013,003
Net OPEB obligation - beginning of year.....	<u>12,961,432</u>
Net OPEB obligation - end of year.....	<u>\$ 19,974,435</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	\$ 11,294,152	38%	\$ 19,974,435
6/30/2010	10,744,238	39%	12,961,432
6/30/2009	10,225,416	38%	6,384,543

Funded Status and Funding Progress – As of June 30, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$160.2 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$38.5 million, and the ratio of the UAAL to the covered payroll was 417.5 percent.

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 June 30, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 3.5% 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 cost trend rate of 8% initially, graded to 5% over 6 years and included a 4% inflation assumption. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4% per year. The remaining amortization period at June 30, 2010 is 30 years.

NOTE 13 – LANDFILL

In August 2009 the Town entered into a consent decree related to an environmental case associated with the Sutton Brook landfill. The consent decree, among other matters, obligated the Town to contribute \$10,159,454, over a 30 year period ending in fiscal 2040, into a trust established to remedy the environmental impact created by the landfill. Through fiscal 2011, the Town has paid \$225,000. Payments for fiscal years 2012, 2013 and 2014 will be \$225,000, \$300,000 and \$375,000, respectively. Thereafter, the payment will equal \$347,479 per year.

NOTE 14 – COMMITMENTS

The Town continued its Master Sewer Project whose purpose is to provide sewer services to the remaining 60% of the Town. The total cost of the project is expected to be funded through the issuance of approximately \$99,000,000 in debt that will be self-supported through user fees. As of June 30, 2011 the Town has completed this project.

The Town continued the construction of the new Tewksbury Memorial High School. The total cost of the project was approved for approximately \$82,376,000 of which 60.06% will be reimbursed by the Massachusetts School Building Authority and the remainder to be funded through the issuance of debt. As of June 30, 2011, the Town has expended approximately \$23,615,000 on this project.

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.

NOTE 16 – 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.
- GASB Statement #59, *Financial Instruments Omnibus*, was implemented in fiscal year 2011 and did not impact the financial statements.

Future implementation of GASB pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that 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's current assessment is that this pronouncement will not require additional disclosure or impact the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

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	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 55,117,269	\$ 55,117,269	\$ 54,877,591
Motor vehicle and other excise taxes.....	-	2,851,000	2,851,000	2,851,000
Hotel/motel tax.....	-	478,000	478,000	478,000
Charges for services.....	-	690,552	690,552	690,552
Penalties and interest on taxes.....	-	293,000	293,000	293,000
Fees.....	-	533,690	533,690	533,690
Rentals.....	-	480,000	480,000	480,000
Payments in lieu of taxes.....	-	20,000	20,000	20,000
Licenses and permits.....	-	432,700	432,700	432,700
Fines and forfeitures.....	-	84,000	84,000	84,000
Intergovernmental.....	-	15,701,594	15,701,594	15,701,594
Departmental and other.....	-	104,574	104,574	104,574
Investment income.....	-	60,000	60,000	60,000
TOTAL REVENUES.....	-	76,846,379	76,846,379	76,606,701
EXPENDITURES:				
Current:				
General Government.....	54,061	2,640,830	2,694,891	2,621,286
Public Safety.....	63,591	10,011,806	10,075,397	10,142,158
Education.....	347,678	48,080,623	48,428,301	48,188,503
Public Works.....	64,455	1,723,031	1,787,486	1,754,487
Health and Sanitation.....	2,285	2,387,101	2,389,386	2,371,279
Human Services.....	3,641	379,180	382,821	461,901
Culture and Recreation.....	3,907	1,167,497	1,171,404	1,211,274
Pension benefits.....	-	4,112,627	4,112,627	4,112,627
Employee benefits.....	-	4,407,045	4,407,045	4,351,780
State and county charges.....	-	1,155,290	1,155,290	1,155,290
Debt service:				
Principal.....	-	1,426,830	1,426,830	1,426,830
Interest.....	-	481,948	481,948	476,213
TOTAL EXPENDITURES.....	539,618	77,973,808	78,513,426	78,273,628
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(539,618)	(1,127,429)	(1,667,047)	(1,666,927)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	75,000	75,000	75,000
Transfers out.....	-	(299,976)	(299,976)	(299,976)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(224,976)	(224,976)	(224,976)
NET CHANGE IN FUND BALANCE.....	(539,618)	(1,352,405)	(1,892,023)	(1,891,903)
BUDGETARY FUND BALANCE, Beginning of year.....	4,149,092	4,149,092	4,149,092	4,149,092
BUDGETARY FUND BALANCE, End of year.....	\$ 3,609,474	\$ 2,796,687	\$ 2,257,069	\$ 2,257,189

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	55,410,802	\$ -	\$ 533,211
	3,417,953	-	566,953
	484,269	-	6,269
	860,642	-	170,090
	354,268	-	61,268
	603,534	-	69,844
	494,752	-	14,752
	22,176	-	2,176
	562,504	-	129,804
	112,778	-	28,778
	16,026,040	-	324,446
	94,465	-	(10,109)
	34,246	-	(25,754)
	<u>78,478,429</u>	<u>-</u>	<u>1,871,728</u>
	2,408,409	98,150	114,727
	9,970,247	46,119	125,792
	47,678,843	383,366	126,294
	2,244,332	43,571	(533,416)
	2,343,273	10,545	17,461
	444,398	617	16,886
	1,170,503	20,248	20,523
	4,112,627	-	-
	4,334,619	7,269	9,892
	1,170,946	-	(15,656)
	1,426,830	-	-
	<u>521,423</u>	<u>-</u>	<u>(45,210)</u>
	<u>77,826,450</u>	<u>609,885</u>	<u>(162,707)</u>
	<u>651,979</u>	<u>(609,885)</u>	<u>1,709,021</u>
	148,621	-	73,621
	<u>(324,976)</u>	<u>-</u>	<u>(25,000)</u>
	<u>(176,355)</u>	<u>-</u>	<u>48,621</u>
	475,624	(609,885)	1,757,642
	<u>4,149,092</u>	<u>-</u>	<u>-</u>
\$	<u><u>4,624,716</u></u>	<u><u>(609,885)</u></u>	<u><u>1,757,642</u></u>

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

**MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 819,987,914	\$ 1,743,581,707	\$ 923,593,793	47.0%	\$ 384,933,571	239.9%
01/01/09	774,863,669	1,529,806,307	754,942,638	50.7%	360,206,302	209.6%
01/01/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
01/01/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
01/01/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%
01/01/00	570,263,467	905,280,472	335,017,005	63.0%	253,228,818	132.3%
01/01/98	476,708,969	763,093,878	286,384,909	62.5%	215,380,186	133.0%
01/01/96	373,750,361	634,920,488	261,170,127	58.9%	218,345,024	119.6%

The Town's share of the UAAL, as of January 1, 2011, is approximately 7.66%.

See notes to required supplementary information.

**MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Plan Year Ended December 31	System Wide			Town of Tewksbury	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2011	\$ 74,773,596	\$ 74,773,596	100%	\$ 5,723,975	7.66%
2010	74,126,190	74,126,190	100%	5,703,735	7.69%
2009	71,233,749	71,233,749	100%	5,426,876	7.62%
2008	64,053,064	64,053,064	100%	4,912,106	7.67%
2007	64,664,829	64,664,829	100%	4,289,132	6.63%
2006	60,169,717	60,169,717	100%	3,799,131	6.31%
2005	52,298,150	52,298,150	100%	3,052,839	5.84%
2004	52,902,366	52,902,366	100%	2,566,931	4.85%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2010	\$ -	\$ 160,622,133	\$ 160,622,133	0%	\$ 38,468,604	417.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2011	\$ 11,243,039	\$ 4,281,149	38%
6/30/2010	10,719,061	4,167,349	39%
6/30/2009	10,225,416	3,840,873	38%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	June 30, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4%, closed
Remaining amortization period.....	30 years as of June 30, 2010

Actuarial Assumptions:

Investment rate of return.....	3.5%, pay-as-you-go
Medical/drug cost trend rate.....	8% graded to 5% over 6 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	679
Current active members.....	<u>638</u>
 Total	 <u><u>1,317</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is reviewed by the Finance Committee (Committee). The Committee presents the annual budget to the open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. 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 less than \$1,500 within budget classifications require department and Town Manager approval while changes greater than \$1,500 require the additional approval of the Finance Committee. Increases or decreases between budget classifications subsequent to the approval of the annual budget requires majority vote at a Special Town Meeting.

The majority of appropriations are non-continuing and 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 majority vote at a Special 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, including amounts carried forward from the prior fiscal years authorized approximately \$78,274,000 in appropriations and other amounts to be raised. There was a \$240,000 decrease from the original budget to the final amended budget. This was the result of Board vote to rescind \$240,000 from the education appropriation for costs being funded through the state fiscal stabilization grant fund.

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

2. 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 as follows:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 475,624
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	15,140
<u>Basis of accounting differences:</u>	
Net change in revenues in recording 60 day receipts.....	(98,500)
Net change in revenues in recording tax refunds payable.....	(54,600)
Increase in revenues due to on-behalf payments.....	8,183,272
Increase in expenditures due to on-behalf payments.....	<u>(8,183,272)</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 337,664</u>

3. Appropriation Deficits

During fiscal year 2011, actual expenditures and encumbrances exceeded appropriations for public works snow and ice, state and county charges, and debt service interest. These over expenditures will be funded by via the tax levy, available funds and grants during fiscal year 2012.

NOTE B – PENSION PLAN

The Town contributes to the Middlesex Contributory Retirement System (the "System"), a cost-sharing, multiple-employer defined benefit pension plan (the "Plan") administered by the Middlesex Retirement Board (the Board). The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of MGL assigns authority to establish and amend benefit provisions of the Plan. 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 actuarially determined contribution which is apportioned among the employers based on active current payroll.

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

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

Valuation Date.....	1/1/2010
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Level dollar for the 2002 and 2003 ERIs and increasing for the remaining unfunded liability
Remaining Amortization Period.....	As of July 1, 2010, 9 years remaining for 2002 ERI liability; 10 years remaining for 2003 ERI liability and 25 years for remaining unfunded liability
Asset Valuation Method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a 5 year period as described by Revenue Procedure 2000-40

Actuarial Assumptions:

Investment rate of return.....	8.125%
Projected salary increases.....	4.75% for the next 2 years; then 4.75% for Group 1 and 5.25% for Group 4
Cost of living adjustments.....	3.00% of first \$12,000 of retirement income, increasing \$13,000 on July 1, 2011 and to \$14,000 on July 1, 2012

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	4,833
Terminated participants entitled to a return of their employee contributions.....	3,147
Terminated participants with a vested right to a deferred or immediate benefit....	283
Active participants.....	<u>9,093</u>
Total.....	<u><u>17,356</u></u>

NOTE C – OTHER POST EMPLOYMENT BENEFITS

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

The Town currently finances its other post employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which 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 multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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 Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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