

TOWN OF BRAINTREE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF BRAINTREE, MASSACHUSETTS

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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 Mayor and the Town Council
Town of Braintree, 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 Braintree, Massachusetts, as of and for the fiscal year ended June 30, 2011 (except for the Braintree Contributory Retirement System and the Braintree Electric Light Department which are as of and for the year ended December 31, 2010), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Braintree, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Braintree Electric Light Department as of December 31, 2010. The Braintree Electric Light Department is a major fund and reflects approximately 78% of the total assets, 64% of the net assets, and approximately 84% of the total revenues of the business-type activities. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the Braintree Electric Light Department, is based solely on the report of another auditor.

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 and the report of another auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of another auditor, the financial statements referred to previously 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 Braintree, Massachusetts, as of June 30, 2011 (except for the Braintree Contributory Retirement System and the Braintree Electric Light Department which are as of December 31, 2010), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011 on our consideration of the Town of Braintree, 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 funding progress, retirement system schedule of employer contributions, other postemployment benefits schedule of funding progress and schedule of employer contributions, and other postemployment benefit plan actuarial methods and assumptions, located after the notes to the basic financial statements are not a required part of the basic financial statements but 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.

Powers + Juliani, LLC

Wakefield, Massachusetts
November 29, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Braintree, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

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

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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 Braintree adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund is shown separately and the remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains two types of propriety funds.

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

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 and municipal building insurance activities.

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

The other postemployment benefits fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

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

Financial Highlights.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Braintree's governmental assets exceeded liabilities for governmental activities by \$52.7 million and the business-type activities assets exceeded liabilities by \$91.8 million at the close of the most recent fiscal year. Key components of the Town's activities are presented below.

Governmental Activities

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets.....	\$ 54,844,125	\$ 47,165,819
Noncurrent assets (excluding capital).....	2,507,881	2,506,133
Capital assets.....	<u>61,671,109</u>	<u>57,530,175</u>
Total assets.....	119,023,115	107,202,127
Liabilities:		
Current liabilities (excluding debt).....	10,022,691	10,623,910
Noncurrent liabilities (excluding debt).....	37,091,036	26,590,972
Current debt.....	2,285,878	2,513,532
Noncurrent debt.....	<u>16,880,000</u>	<u>13,065,878</u>
Total liabilities.....	66,279,605	52,794,292
Net Assets:		
Invested in capital assets, net of related debt.....	47,910,553	44,776,089
Restricted.....	18,984,718	17,909,375
Unrestricted.....	<u>(14,151,761)</u>	<u>(8,277,629)</u>
Total net assets.....	\$ <u>52,743,510</u>	\$ <u>54,407,835</u>

Invested in capital assets, net of related debt of \$48 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$19 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net* assets resulted in a (\$14.2) million deficit mainly relating to the cumulative effect of recording \$35.3 million of other postemployment benefit liabilities through June 30, 2011.

	2011	2010
Program revenues:		
Charges for services.....	\$ 7,629,799	\$ 7,536,716
Operating grants and contributions.....	33,221,854	30,924,968
Capital grants and contributions.....	3,793,516	1,127,450
General Revenues:		
Real estate and personal property taxes.....	68,085,843	65,822,590
Motor vehicle and other excise taxes.....	5,003,077	4,812,393
Nonrestricted grants.....	4,949,885	5,072,674
Affordable housing development fees.....	-	1,800,000
Unrestricted investment income.....	267,612	486,914
Other revenues.....	1,162,109	1,147,147
Total revenues.....	124,113,695	118,730,852
Expenses:		
General government.....	6,219,480	6,252,243
Public safety.....	22,731,221	22,398,364
Education.....	85,120,589	82,719,562
Public works.....	7,075,816	6,004,346
Sanitation.....	1,421,972	1,531,123
Community preservation.....	76,049	41,392
Human services.....	1,064,014	980,215
Culture and recreation.....	3,733,359	3,504,511
Interest.....	620,316	543,891
Total expenses.....	128,062,816	123,975,647
Excess (Deficiency) before transfers.....	(3,949,121)	(5,244,795)
Transfers.....	2,284,796	2,291,230
Change in net assets.....	\$ (1,664,325)	\$ (2,953,565)

The governmental net assets decreased by \$1.7 million during the current fiscal year as compared to a decrease of \$3.0 million in the prior year. This was primarily due to the recognition of an additional \$10.4 million for the other postemployment benefit plan liability offset with an increase in revenues of \$5.4 million. Expenses increased approximately 3.4% mainly in the areas of education and public works.

Business-type Activities. Business-type activities increased the Town’s net assets by \$1.8 million compared to an increase of \$2.1 million in the prior year.

Electric Activities

Electric business-type activities assets exceeded liabilities by \$59.1 million at December 31, 2010. Invested in capital assets, net of related debt were \$47.3 million (80%) and unrestricted net assets were \$11.8 million (20%). There was an increase of \$1.7 million in net assets compared to an increase of \$2.1 in the prior year.

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets.....	\$ 36,800,630	\$ 42,967,899
Noncurrent assets (excluding capital).....	842,884	671,680
Capital assets.....	<u>155,707,289</u>	<u>156,148,908</u>
Total assets.....	<u>193,350,803</u>	<u>199,788,487</u>
Liabilities:		
Current liabilities (excluding debt).....	7,761,981	13,287,162
Non-current liabilities (excluding debt).....	11,912,381	9,431,100
Current debt.....	5,443,861	5,278,153
Noncurrent debt.....	<u>109,142,118</u>	<u>114,386,399</u>
Total liabilities.....	<u>134,260,341</u>	<u>142,382,814</u>
Net Assets:		
Invested in capital assets, net of related debt.....	47,263,517	50,756,956
Unrestricted.....	<u>11,826,945</u>	<u>6,648,717</u>
Total net assets.....	<u>\$ 59,090,462</u>	<u>\$ 57,405,673</u>
	<u>2010</u>	<u>2009</u>
Program revenues:		
Charges for services.....	\$ 75,896,314	\$ 73,443,746
General Revenues:		
Unrestricted investment income.....	<u>243,008</u>	<u>49,204</u>
Total revenues.....	<u>76,139,322</u>	<u>73,492,950</u>
Expenses:		
Electric Light.....	<u>72,454,533</u>	<u>69,421,238</u>
Excess before transfers.....	3,684,789	4,071,712
Transfers.....	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Change in net assets.....	<u>\$ 1,684,789</u>	<u>\$ 2,071,712</u>

Water and Sewer Activities

Water and sewer business-type activities assets exceeded liabilities by \$31.9 million at the close of fiscal year 2011. Invested in capital assets, net of related debt were \$20.7 million (65%) while unrestricted net assets were \$11.2 million (35%). There was an increase of \$131,000 in net assets compared to a decrease of \$20,000 in the prior year.

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets.....	\$ 12,694,331	\$ 12,051,952
Capital assets.....	<u>41,760,514</u>	<u>40,957,311</u>
Total assets.....	<u>54,454,845</u>	<u>53,009,263</u>
Liabilities:		
Current liabilities (excluding debt).....	1,017,259	357,146
Non-current liabilities (excluding debt).....	526,334	385,627
Current debt.....	1,948,187	1,867,187
Noncurrent debt.....	<u>19,067,179</u>	<u>18,634,366</u>
Total liabilities.....	<u>22,558,959</u>	<u>21,244,326</u>
Net Assets:		
Invested in capital assets, net of related debt.....	20,745,148	20,455,758
Unrestricted.....	<u>11,150,738</u>	<u>11,309,179</u>
Total net assets.....	<u>\$ 31,895,886</u>	<u>\$ 31,764,937</u>
	<u>2011</u>	<u>2010</u>
Program revenues:		
Charges for services.....	\$ 13,208,817	\$ 12,561,820
Operating grants and contributions.....	154,419	-
General Revenues:		
Unrestricted investment income.....	<u>1,771</u>	<u>2,533</u>
Total revenues.....	<u>13,365,007</u>	<u>12,564,353</u>
Expenses:		
Water and sewer.....	<u>12,992,288</u>	<u>12,357,150</u>
Excess before transfers.....	372,719	207,203
Transfers.....	<u>(241,770)</u>	<u>(227,156)</u>
Change in net assets.....	<u>\$ 130,949</u>	<u>\$ (19,953)</u>

Golf Course Activities

Golf Course business-type activities assets exceeded liabilities by \$846,000 at the close of fiscal year 2011. Invested in capital assets, net of related debt was \$1 million while unrestricted net assets were in a deficit in the amount of \$169,000. There was a decrease of \$53,000 in net assets compared to an increase of \$2,900 in the prior year.

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets.....	\$ 200,542	\$ 172,120
Capital assets.....	<u>1,014,185</u>	<u>1,074,488</u>
Total assets.....	<u>1,214,727</u>	<u>1,246,608</u>
Liabilities:		
Current liabilities (excluding debt).....	256,508	237,993
Non-current liabilities (excluding debt).....	<u>147,086</u>	<u>109,639</u>
Total liabilities.....	<u>403,594</u>	<u>347,632</u>
Net Assets:		
Invested in capital assets, net of related debt.....	1,014,185	1,074,488
Unrestricted.....	<u>(168,511)</u>	<u>(175,512)</u>
Total net assets.....	<u>\$ 845,674</u>	<u>\$ 898,976</u>
	<u>2011</u>	<u>2010</u>
Program revenues:		
Charges for services.....	\$ 1,329,340	\$ 1,172,533
Operating grants and contributions.....	<u>61,364</u>	<u>-</u>
Total revenues.....	<u>1,390,704</u>	<u>1,172,533</u>
Expenses:		
Golf.....	<u>1,400,980</u>	<u>1,105,535</u>
Excess (Deficiency) before transfers.....	(10,276)	66,998
Transfers.....	<u>(43,026)</u>	<u>(64,074)</u>
Change in net assets.....	<u>\$ (53,302)</u>	<u>\$ 2,924</u>

Financial Analysis of the Government's Funds

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$38.6 million, which represents an increase of \$5.8 million from the prior year. The general fund increased by \$2.3 million and the nonmajor funds increased by \$3.5 million.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13.2 million, while total fund balance was \$14.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12.2% of total general fund expenditures, while total fund balance represents 13.3% of that same amount.

General Fund Budgetary Highlights

The Town of Braintree adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Actual revenues exceeded budgeted amounts by approximately \$1.1 million, while actual expenditures were less than budgeted amounts (including carryovers) by approximately \$2 million.

Capital Asset and Debt Administration

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

During fiscal year 2011 the Town expended \$6.8 million on governmental activities capital assets consisting mainly of building and roadway improvements. The business type activities expended \$9.7 million during 2011. This consisted mainly of \$7.5 million on the new power plant at the electric light plant and \$2.2 million water mains in the water and sewer fund.

Outstanding long-term debt of the general government, as of June 30, 2011, totaled \$19.1 million, of which \$12 million is related to public building construction, \$5.4 million relates to road construction, and \$1.7 million relates to land acquisition.

The enterprise fund has \$20.3 million in water and sewer enterprise debt and \$106.4 million in Electric Light debt that is fully supported by the rates and do not rely on a general fund subsidy.

During fiscal year 2011 the Town issued long-term general obligation bonds in the amounts of \$6.1 million for governmental funds, and \$5.9 million for the water and sewer enterprise fund.

Please refer to Notes 4, 6, 7, and 8 of the notes to the financial statements for further discussion of the major capital and debt activity, respectively.

Requests for Information

This financial report is designed to provide a general overview of the Town of Braintree'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, One JFK Memorial Drive, Braintree, Massachusetts 02184.

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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.....	\$ 43,389,495	\$ 33,245,144	\$ 76,634,639
Investments.....	2,434,565	-	2,434,565
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,890,281	-	1,890,281
Tax liens.....	681,081	56,513	737,594
Motor vehicle and other excise taxes.....	566,508	-	566,508
User fees.....	-	10,641,244	10,641,244
Departmental and other.....	470,934	482,670	953,604
Intergovernmental.....	4,428,980	-	4,428,980
Tax foreclosures.....	78,281	-	78,281
Inventory.....	-	3,703,918	3,703,918
Working capital deposit.....	904,000	-	904,000
Prepaid expenses.....	-	299,250	299,250
Purchased power advanced deposits.....	-	1,301,305	1,301,305
NONCURRENT:			
Restricted assets:			
Investments.....	2,507,881	-	2,507,881
Investment in Hydro Quebec.....	-	58,286	58,286
Investment in Energy New England.....	-	647,598	647,598
Other assets.....	-	137,000	137,000
Capital assets, net of accumulated depreciation.....	61,671,109	198,481,988	260,153,097
TOTAL ASSETS.....	119,023,115	249,054,916	368,078,031
LIABILITIES			
CURRENT:			
Warrants payable.....	1,432,844	6,386,275	7,819,119
Accrued payroll.....	3,613,366	34,265	3,647,631
Health claims payable.....	881,903	-	881,903
Tax refunds payable.....	1,287,000	-	1,287,000
Accrued interest.....	96,038	116,489	212,527
Other liabilities.....	9,934	-	9,934
Unearned revenue.....	873,270	344,670	1,217,940
Capital lease obligations.....	85,878	106,734	192,612
Compensated absences.....	1,578,254	321,133	1,899,387
Workers' compensation.....	250,082	-	250,082
Bonds payable.....	2,200,000	7,285,314	9,485,314
NONCURRENT:			
Capital lease obligations.....	-	166,946	166,946
Customer deposits payable.....	-	2,374,342	2,374,342
Compensated absences.....	1,532,722	59,480	1,592,202
Workers' compensation.....	286,487	-	286,487
Unearned revenue.....	-	7,806,882	7,806,882
Other postemployment benefits.....	35,271,827	4,178,013	39,449,840
Bonds payable.....	16,880,000	128,042,351	144,922,351
TOTAL LIABILITIES.....	66,279,605	157,222,894	223,502,499
NET ASSETS			
Invested in capital assets, net of related debt.....	47,910,553	69,022,850	116,933,403
Restricted for:			
Permanent funds:			
Expendable.....	8,332,604	-	8,332,604
Nonexpendable.....	2,507,881	-	2,507,881
Grants and gifts.....	3,476,210	-	3,476,210
Community preservation.....	4,668,023	-	4,668,023
Unrestricted.....	(14,151,761)	22,809,172	8,657,411
TOTAL NET ASSETS.....	\$ 52,743,510	\$ 91,832,022	\$ 144,575,532

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 6,219,480	\$ 517,136	\$ 1,527,891	\$ -	\$ (4,174,453)
Public safety.....	22,731,221	2,280,546	178,455	-	(20,272,220)
Education.....	85,120,589	2,368,875	31,163,643	1,237,408	(50,350,663)
Public works.....	7,075,816	471,878	82,042	2,443,484	(4,078,412)
Sanitation.....	1,421,972	1,568,749	-	-	146,777
Community preservation.....	76,049	-	-	112,624	36,575
Human services.....	1,064,014	25,792	215,793	-	(822,429)
Culture and recreation.....	3,733,359	396,823	54,030	-	(3,282,506)
Interest.....	620,316	-	-	-	(620,316)
Total Governmental Activities.....	128,062,816	7,629,799	33,221,854	3,793,516	(83,417,647)
<i>Business-Type Activities:</i>					
Water and Sewer.....	12,992,288	13,208,817	154,419	-	370,948
Golf.....	1,400,980	1,329,340	61,364	-	(10,276)
Electric.....	72,454,533	75,896,314	-	-	3,441,781
Total Business-Type Activities.....	86,847,801	90,434,471	215,783	-	3,802,453
Total Primary Government.....	\$ 214,910,617	\$ 98,064,270	\$ 33,437,637	\$ 3,793,516	\$ (79,615,194)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (83,417,647)	\$ 3,802,453	\$ (79,615,194)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	68,085,843	-	68,085,843
Motor vehicle and other excise taxes.....	4,284,625	-	4,284,625
Hotel/motel tax.....	718,452	-	718,452
Community preservation tax.....	558,590	-	558,590
Penalties and interest on taxes.....	417,749	-	417,749
Payments in lieu of taxes.....	116,425	-	116,425
Grants and contributions not restricted to specific programs.....	4,949,885	-	4,949,885
Unrestricted investment income.....	267,612	244,779	512,391
Miscellaneous.....	69,345	-	69,345
<i>Transfers, net</i>	2,284,796	(2,284,796)	-
Total general revenues and transfers.....	81,753,322	(2,040,017)	79,713,305
Change in net assets.....	(1,664,325)	1,762,436	98,111
<i>Net Assets:</i>			
Beginning of year.....	54,407,835	90,069,586	144,477,421
End of year.....	\$ 52,743,510	\$ 91,832,022	\$ 144,575,532

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 20,850,144	\$ 18,290,672	\$ 39,140,816
Investments.....	-	2,068,741	2,068,741
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	1,890,281	-	1,890,281
Tax liens.....	679,160	1,921	681,081
Motor vehicle and other excise taxes.....	566,508	-	566,508
Departmental and other.....	137,127	9,916	147,043
Intergovernmental.....	149,477	4,279,503	4,428,980
Tax foreclosures.....	78,281	-	78,281
Restricted assets:			
Investments.....	-	2,507,881	2,507,881
TOTAL ASSETS.....	\$ 24,350,978	\$ 27,158,634	\$ 51,509,612
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 1,241,225	\$ 22,435	\$ 1,263,660
Accrued payroll.....	3,584,460	28,906	3,613,366
Tax refunds payable.....	1,287,000	-	1,287,000
Deferred revenues.....	3,817,529	2,873,229	6,690,758
Other liabilities.....	9,934	-	9,934
TOTAL LIABILITIES.....	9,940,148	2,924,570	12,864,718
FUND BALANCES:			
Nonspendable.....	-	2,507,881	2,507,881
Restricted.....	-	21,726,183	21,726,183
Assigned.....	1,250,576	-	1,250,576
Unassigned.....	13,160,254	-	13,160,254
TOTAL FUND BALANCES.....	14,410,830	24,234,064	38,644,894
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 24,350,978	\$ 27,158,634	\$ 51,509,612

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.....		\$ 38,644,894
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		61,671,109
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		5,817,488
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.....		4,791,307
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(96,038)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(19,080,000)	
Other postemployment benefits.....	(35,271,827)	
Capital lease obligations.....	(85,878)	
Worker' compensation.....	(536,569)	
Compensated absences.....	<u>(3,110,976)</u>	
Net effect of reporting long-term liabilities.....		<u>(58,085,250)</u>
Net assets of governmental activities.....		<u>\$ 52,743,510</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	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 67,862,201	\$ -	\$ 67,862,201
Tax liens.....	81,120	-	81,120
Motor vehicle and other excise taxes.....	4,306,011	-	4,306,011
Hotel/motel tax.....	718,452	-	718,452
Penalties and interest on taxes.....	417,749	-	417,749
Payments in lieu of taxes.....	116,425	-	116,425
Intergovernmental.....	29,377,288	9,622,687	38,999,975
Departmental and other.....	4,542,950	3,245,186	7,788,136
Community preservation.....	-	558,590	558,590
Contributions.....	-	364,569	364,569
Investment income.....	200,061	1,125,926	1,325,987
Miscellaneous.....	-	49,524	49,524
TOTAL REVENUES.....	107,622,257	14,966,482	122,588,739
EXPENDITURES:			
Current:			
General government.....	3,168,011	1,181,137	4,349,148
Public safety.....	14,757,900	422,596	15,180,496
Education.....	48,600,906	11,404,041	60,004,947
Public works.....	4,435,849	3,551,030	7,986,879
Sanitation.....	1,412,691	-	1,412,691
Community development.....	-	76,049	76,049
Human services.....	662,735	129,591	792,326
Culture and recreation.....	2,169,586	457,210	2,626,796
Pension benefits-Town.....	4,808,035	-	4,808,035
Pension benefits-Teachers.....	12,219,339	-	12,219,339
Property and liability insurance.....	368,027	-	368,027
Employee benefits.....	8,459,804	-	8,459,804
State and county charges.....	3,883,609	-	3,883,609
Debt service:			
Principal.....	2,432,000	-	2,432,000
Interest.....	590,897	-	590,897
TOTAL EXPENDITURES.....	107,969,389	17,221,654	125,191,043
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(347,132)	(2,255,172)	(2,602,304)
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt.....	-	6,100,000	6,100,000
Transfers in.....	2,601,096	334,430	2,935,526
Transfers out.....	-	(650,730)	(650,730)
TOTAL OTHER FINANCING SOURCES (USES).....	2,601,096	5,783,700	8,384,796
NET CHANGE IN FUND BALANCES.....	2,253,964	3,528,528	5,782,492
FUND BALANCES AT BEGINNING OF YEAR, AS REVISED	12,156,866	20,705,536	32,862,402
FUND BALANCES AT END OF YEAR.....	\$ 14,410,830	\$ 24,234,064	\$ 38,644,894

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.....	\$	5,782,492
<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.....		6,842,862
Depreciation expense.....		<u>(2,701,928)</u>
Net effect of reporting capital assets.....		4,140,934
<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>		
		1,194,979
<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>		
Principal payments on capital leases.....		81,532
Proceeds from bonds and notes.....		(6,100,000)
Debt service principal payments.....		<u>2,432,000</u>
Net effect of reporting long-term debt.....		(3,586,468)
<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.....		(207,217)
Net change in accrued interest on long-term debt.....		(29,419)
Net change in other postemployment benefits accrual.....		(10,434,486)
Net change in workers' compensation accrual.....		<u>28,641</u>
Net effect of recording long-term liabilities.....		(10,642,481)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>1,446,219</u>
Change in net assets of governmental activities.....	\$	<u><u>(1,664,325)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2010	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 9,760,715	\$ 200,542	\$ 23,283,887	\$ 33,245,144	\$ 4,248,679
Investments.....	-	-	-	-	365,824
Receivables, net of allowance for uncollectibles:					
User fees.....	2,877,103	-	7,764,141	10,641,244	-
Water and sewer liens.....	56,513	-	-	56,513	-
Departmental and other.....	-	-	482,670	482,670	323,891
Inventory.....	-	34,541	3,669,377	3,703,918	-
Working capital deposit.....	-	-	-	-	904,000
Prepaid expenses.....	-	-	299,250	299,250	-
Purchased power advanced deposits.....	-	-	1,301,305	1,301,305	-
Total current assets.....	12,694,331	235,083	36,800,630	49,730,044	5,842,394
NONCURRENT:					
Investment in Hydro Quebec.....	-	-	58,286	58,286	-
Investment in Energy New England.....	-	-	647,598	647,598	-
Other assets.....	-	-	137,000	137,000	-
Capital assets, net of accumulated depreciation.....	41,760,514	1,014,185	155,707,289	198,481,988	-
Total noncurrent assets.....	41,760,514	1,014,185	156,550,173	199,324,872	-
TOTAL ASSETS.....	54,454,845	1,249,268	193,350,803	249,054,916	5,842,394
LIABILITIES					
CURRENT:					
Warrants payable.....	795,620	37,610	4,876,574	5,709,804	169,184
Accrued liabilities.....	-	-	676,471	676,471	-
Accrued payroll.....	19,619	14,646	-	34,265	-
Health claims payable.....	-	-	-	-	881,903
Accrued interest.....	116,489	-	-	116,489	-
Participant advances and reserves.....	-	-	1,832,916	1,832,916	-
Unearned revenue.....	-	152,670	192,000	344,670	-
Capital lease obligations.....	-	-	106,734	106,734	-
Compensated absences.....	85,531	51,582	184,020	321,133	-
Bonds payable.....	1,948,187	-	5,337,127	7,285,314	-
Total current liabilities.....	2,965,446	256,508	13,205,842	16,427,796	1,051,087
NONCURRENT:					
Capital lease obligations.....	-	-	166,946	166,946	-
Customer deposits payable.....	-	2,150	539,276	541,426	-
Compensated absences.....	32,728	26,752	-	59,480	-
Unearned revenue.....	-	-	7,806,882	7,806,882	-
Other postemployment benefits.....	493,606	118,184	3,566,223	4,178,013	-
Bonds payable.....	19,067,179	-	108,975,172	128,042,351	-
Total noncurrent liabilities.....	19,593,513	147,086	121,054,499	140,795,098	-
TOTAL LIABILITIES.....	22,558,959	403,594	134,260,341	157,222,894	1,051,087
NET ASSETS					
Invested in capital assets, net of related debt.....	20,745,148	1,014,185	47,263,517	69,022,850	-
Unrestricted.....	11,150,738	(168,511)	11,826,945	22,809,172	4,791,307
TOTAL NET ASSETS.....	\$ 31,895,886	\$ 845,674	\$ 59,090,462	\$ 91,832,022	\$ 4,791,307

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2010	Total	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 5,847,015
Employer contributions	-	-	-	-	8,499,804
Charges for services	13,201,588	1,329,340	-	14,530,928	-
Sales to ultimate customers.....	-	-	60,149,112	60,149,112	-
Sales for resale.....	-	-	14,348,222	14,348,222	-
Other operating revenues.....	-	-	1,398,980	1,398,980	-
Utility liens.....	7,229	-	-	7,229	-
Intergovernmental.....	154,419	61,364	-	215,783	-
Stop loss reimbursements.....	-	-	-	-	329,843
TOTAL OPERATING REVENUES	13,363,236	1,390,704	75,896,314	90,650,254	14,676,662
OPERATING EXPENSES:					
Cost of services and administration	3,254,805	1,134,645	15,991,663	20,381,113	-
MWRA Assessment.....	7,035,129	-	-	7,035,129	-
Fuel for generation.....	-	-	6,625,702	6,625,702	-
Purchased power.....	-	-	30,142,965	30,142,965	-
Repairs and maintenance.....	369,093	206,032	7,296,125	7,871,250	-
Depreciation.....	1,388,608	60,303	7,947,099	9,396,010	-
Employee benefits	-	-	-	-	13,230,577
TOTAL OPERATING EXPENSES	12,047,635	1,400,980	68,003,554	81,452,169	13,230,577
OPERATING INCOME.....	1,315,601	(10,276)	7,892,760	9,198,085	1,446,085
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	1,771	-	243,008	244,779	134
Interest expense.....	(944,653)	-	(4,450,979)	(5,395,632)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(942,882)	-	(4,207,971)	(5,150,853)	134
INCOME (LOSS) BEFORE TRANSFERS.....	372,719	(10,276)	3,684,789	4,047,232	1,446,219
TRANSFERS:					
Transfers out.....	(241,770)	(43,026)	(2,000,000)	(2,284,796)	-
CHANGE IN NET ASSETS.....	130,949	(53,302)	1,684,789	1,762,436	1,446,219
NET ASSETS AT BEGINNING OF YEAR.....	31,764,937	898,976	57,405,673	90,069,586	3,345,088
NET ASSETS AT END OF YEAR.....	\$ 31,895,886	\$ 845,674	\$ 59,090,462	\$ 91,832,022	\$ 4,791,307

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer	Golf Course	Electric Light December 31, 2010	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 13,195,916	\$ 1,302,455	\$ 76,871,814	\$ 91,370,185	\$ 5,847,015
Receipts from interfund services provided.....	-	-	-	-	8,499,804
Receipts from insurance recoveries.....	-	-	-	-	218,188
Receipts from other governments.....	154,419	61,364	-	215,783	-
Payments to vendors.....	(9,187,586)	(741,443)	(55,472,303)	(65,401,332)	-
Payments to employees.....	(1,286,109)	(550,928)	(9,588,526)	(11,425,563)	-
Payments for interfund services used.....	-	-	-	-	(13,289,244)
NET CASH FROM OPERATING ACTIVITIES.....	2,876,640	71,448	11,810,985	14,759,073	1,275,763
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out.....	(241,770)	(43,026)	(2,000,000)	(2,284,796)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	2,286,000	-	-	2,286,000	-
Acquisition and construction of capital assets.....	(1,563,976)	-	(7,255,205)	(8,819,181)	-
Principal payments on bonds and notes.....	(1,867,187)	-	(4,435,000)	(6,302,187)	-
Principal payments on capital lease obligations.....	-	-	(80,013)	(80,013)	-
Interest expense.....	(862,000)	-	(5,264,814)	(6,126,814)	-
Participant advances and reserves.....	-	-	643,314	643,314	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,007,163)	-	(16,391,718)	(18,398,881)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	-	-	-	-	303,595
Purchase of investments.....	-	-	-	-	(365,824)
Investment in Hydro Quebec.....	-	-	12,110	12,110	-
Investment in Energy New England.....	-	-	(183,314)	(183,314)	-
Investment income.....	1,771	-	243,008	244,779	134
NET CASH FROM INVESTING ACTIVITIES.....	1,771	-	71,804	73,575	(62,095)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	629,478	28,422	(6,508,929)	(5,851,029)	1,213,668
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	9,131,237	172,120	29,792,816	39,096,173	3,035,011
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,760,715	\$ 200,542	\$ 23,283,887	\$ 33,245,144	\$ 4,248,679
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income.....	\$ 1,315,601	\$ (10,276)	\$ 7,892,760	\$ 9,198,085	\$ 1,446,085
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	1,388,608	60,303	7,947,099	9,396,010	-
Changes in assets and liabilities:					
Water and sewer liens.....	6,587	-	-	6,587	-
User fees.....	(19,488)	-	(173,738)	(193,226)	-
Departmental and other.....	-	-	(608,809)	(608,809)	(111,655)
Inventory.....	-	(34,541)	325,263	290,722	-
Working capital deposit.....	-	-	-	-	78,000
Prepaid expenses.....	-	-	115,763	115,763	-
Purchased power advance deposits.....	-	-	(139)	(139)	-
Warrants payable.....	39,684	9,047	(6,411,531)	(6,362,800)	23,902
Accrued liabilities.....	-	-	158,780	158,780	-
Accrued payroll.....	(12,899)	(11,097)	-	(23,996)	-
Health claims payable.....	-	-	-	-	(160,569)
Customer deposits payable.....	-	-	283,465	283,465	-
Unearned revenues.....	-	7,656	1,474,582	1,482,238	-
Accrued compensated absences.....	21,895	17,295	77,356	116,546	-
Other postemployment benefits.....	136,652	33,061	730,134	899,847	-
Total adjustments.....	1,561,039	81,724	3,918,225	5,560,988	(170,322)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,876,640	\$ 71,448	\$ 11,810,985	\$ 14,759,073	\$ 1,275,763
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Issuance of refunding bonds.....	\$ 3,575,000	\$ -	\$ -	\$ 3,575,000	\$ -
Long-term bonds refunded, including a \$95,000 deferred loss on the refunding.....	(3,575,000)	-	-	(3,575,000)	-
Acquisition of capital assets on account.....	(627,835)	-	(250,275)	(878,110)	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents.....	\$ 2,723,420	\$ 145,113	\$ 55,343	\$ 196,824
Investments.....	134,758,558	-	68,469	-
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	92,009	-	-	-
Prepaid expenses.....	7,904	-	-	-
TOTAL ASSETS	<u>137,581,891</u>	<u>145,113</u>	<u>123,812</u>	<u>196,824</u>
LIABILITIES				
Warrants payable.....	27,392	-	-	-
Liabilities due depositors.....	-	-	-	196,824
TOTAL LIABILITIES	<u>27,392</u>	<u>-</u>	<u>-</u>	<u>196,824</u>
NET ASSETS				
Held in trust for retirement, OPEB benefits, and other purposes.....	<u>\$ 137,554,499</u>	<u>\$ 145,113</u>	<u>\$ 123,812</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 6,943,721	\$ 145,000	\$ -
Employee.....	3,425,425	-	-
Total contributions.....	10,369,146	145,000	-
Net investment income:			
Net change in fair value of investments.....	9,703,791	-	21,211
Interest.....	889,355	113	-
Dividends.....	3,524,340	-	-
Total investment income.....	14,117,486	113	21,211
Less: investment expense.....	(608,267)	-	-
Net investment income.....	13,509,219	113	21,211
Intergovernmental.....	337,961	-	-
Transfers from other systems.....	253,649	-	-
TOTAL ADDITIONS.....	24,469,975	145,113	21,211
DEDUCTIONS:			
Administration.....	252,718	-	2,000
Transfers to other systems.....	920,238	-	-
Retirement benefits and refunds.....	13,142,989	-	-
TOTAL DEDUCTIONS.....	14,315,945	-	2,000
CHANGE IN NET ASSETS.....	10,154,030	145,113	19,211
NET ASSETS AT BEGINNING OF YEAR.....	127,400,469	-	104,601
NET ASSETS AT END OF YEAR.....	\$ 137,554,499	\$ 145,113	\$ 123,812

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Braintree, 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 municipal corporation that is governed by an elected Mayor. A nine-member Town Council, 3 members elected at large and 6 district members, serves as a representative legislature.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

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

In the Fiduciary Funds:

- (1) The Braintree Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, Braintree Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of two elected members, (nominees must be active or retired members), two appointed members by the Executive Authority, and the fifth member shall be an independent member appointed by the other four members.

Availability of Financial Information for Component Units

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 74 Pond Street, Braintree, Massachusetts, 02184.

In accordance with Massachusetts General Laws, Chapter 164, the Braintree Electric Light Department (the BELD) was established to generate and distribute electricity for municipal and residential use within the Town. The BELD is governed by an elected three-member board and is operated by a manager appointed by the BELD's elected board. The manager has charge of BELD's operations and is subject to the direction and control of the Braintree Municipal Light Board. It is not a separate legal entity and therefore the condensed financial statements of the BELD are reported as an enterprise fund. A complete audited financial statement for the BELD, for the year ended December 31, 2010, can be obtained directly from their administrative office located at 150 Potter Road, Braintree, Massachusetts, 02184.

The Town is a member of the Blue Hills Regional Technical School that provides educational services to nine area communities. This joint venture assesses each community its share of operating and debt service costs based on student population and other factors. In fiscal year 2011, Braintree's share of the operating and debt expenses was \$1,629,239. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 800 Randolph Street, Canton, MA 02021.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. 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 and motor vehicle excise 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 fund is 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. Included within the general fund is a stabilization fund. The balance in the fund has decreased from \$2,083,000 in 2010 to \$1,751,000 in 2011. The stabilization fund balance can be used for general and/or capital purposes upon Town Council approval.

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 major proprietary funds are reported:

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

The *golf course enterprise fund* is used to account for the operations of the municipal golf course.

The *electric light enterprise fund* is used to account for electric light activities.

Additionally, the following proprietary fund type is reported:

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 municipal building insurance and health insurance.

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

The following fiduciary fund types are reported:

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

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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

The *agency fund* is used to account for assets held in a purely custodial capacity.

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 Town 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 proprietary 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.

Tax liens are imposed three years after the original tax is considered delinquent and are processed subsequent to July 1st every year.

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

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

Motor Vehicle Excise

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

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

Trash

Trash fees have been levied on an annual basis for each residential property that utilizes the collection service. Each per living unit is billed annually by the Public Works Department for all residents not choosing one of the several opt-out methods. The collection service includes weekly curbside collection.

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

Water and Sewer

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer charges and related 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 parking fines and other receivables of the BELD and are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized 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 of the governmental funds and the water and sewer and golf course enterprise funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

Inventories of the BELD enterprise fund are stated at the lower of cost or market. Cost for materials and supplies inventories are determined by the first-in, first-out method.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

Capital assets of the BELD are depreciated at an annual rate of 3%. The statutory provision for depreciation of a utility plant is computed on the straight-line method at 3 percent of the cost of plant in service at the beginning of the year, exclusive of land and land rights. Massachusetts law stipulates that the Electric Department may change from the statutory depreciation rate only with the approval of the Massachusetts Department of Public Utilities. The Department has consistently used an overall depreciation rate of 5%, which approximates GAAP.

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. Any residual balances outstanding

between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

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

J. Deferred and Unearned 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.

Unearned revenue at the government-wide and fund financial statement level represents resources that have been received, but not yet earned.

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.

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

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents amounts of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts.

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

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

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. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by 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.

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. 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.

The Retirement System participates, as a Participating member, in the Pension Reserves Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from 0.08 to 11.60 years.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$41,229,037, and the bank balances totaled \$46,458,447. Of the bank balance, \$2,551,587 was covered by Federal Depository Insurance, \$12,097,730 was covered by the Depositors Insurance Fund, and \$31,809,130 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Braintree Retirement System limits its custodial credit risk by utilizing an institutional custodial bank, currently State Street Bank, to custody all separately held securities which are registered under a nominee name that is specific to the System. Assets held in commingled fund accounts are also held in a similar fashion, with individual fund securities held in the fund's name at their custodian bank. A small percentage of the System's assets (typically less than 5%) may be held from time to time in commingled cash equivalent vehicles where the assets are subject to counterparty risk. At December 31, 2010, the carrying amount of deposits for the System totaled \$2,691,148 and the bank balance totaled \$2,805,634. The bank balance was fully covered by Federal Depository Insurance.

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. Of the Town's investments totaling \$40,813,755; \$2,983 in corporate bonds, \$4,549,957 in equity securities and \$153,385 in U.S. Government Sponsored Enterprises are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

The Retirement System investments are not subjected to custodial credit risk as all of the securities are insured or registered, and held by its agents in the name of the Town of Braintree.

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Under 1 Year</u>	<u>Over 10 Years</u>
<u>Debt Securities:</u>			
Government Sponsored Enterprises.....	\$ 153,385	\$ 153,385	\$ -
Corporate Bonds.....	<u>2,983</u>	<u>-</u>	<u>2,983</u>
Total Debt Securities.....	156,368	<u>\$ 153,385</u>	<u>\$ 2,983</u>
<u>Other Investments:</u>			
Equity Securities.....	4,549,957		
Equity Mutual Funds.....	304,548		
Money Market Mutual Funds.....	9,566,601		
MMDT.....	<u>26,236,281</u>		
Total Investments.....	<u>\$ 40,813,755</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.

As of December 31, 2010, the System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6-10 Years</u>	<u>Over 10 Years</u>
<u>Debt Securities:</u>			
Fixed Income Mutual Funds.....	\$ 52,717,113	\$ <u>20,250,078</u>	\$ <u>32,467,035</u>
<u>Other Investments:</u>			
Domestic Equity Mutual Fund.....	31,143,168		
International Equity Mutual Fund.....	19,007,330		
Money Market Mutual Fund.....	32,269		
Pension Reserve Investment Trust (PRIT)..	<u>31,890,947</u>		
Total Investments.....	<u>\$ 134,790,827</u>		

Interest Rate Risk

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

All of the Braintree Retirement System’s fixed income assets are held in professionally managed, institutional commingled funds. The System limits its effective exposure to interest rate risk by benchmarking its commingled

fixed income investment accounts to an intermediate duration benchmark (LB Aggregate) with duration of 4-5 years.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. The investments in equity securities, equity mutual funds, and MMDT are unrated. The remaining Town investments are rated as follows by Moody's Investor's Service:

<u>Rated Debt Investments</u>	Fair Value	Quality Ratings	
		AAA	B2
Government Sponsored Enterprises..... \$	153,385	\$ 153,385	\$ -
Corporate Bonds.....	2,983	-	2,983
Total..... \$	<u>156,368</u>	<u>\$ 153,385</u>	<u>\$ 2,983</u>

The remaining System investments are rated as follow by Moody's Investor's Service:

<u>Rated Debt Investments</u>	Fair Value	Quality Ratings	
		AA2	A1
Fixed Income Mutual Funds..... \$	<u>52,717,113</u>	<u>\$ 20,250,078</u>	<u>\$ 32,467,035</u>

The Retirement System controls and limits its exposure to credit risk by investing in well diversified, commingled fixed income funds that are both passively and actively managed to the Barclays Aggregate Index, which represents the overall U.S. investment-grade bond market. In the case of the actively managed fixed income fund, investments in below-investment grade securities are permitted, up to a maximum position of 10% of that individual commingled fund's assets, which would represent approximately 2% of the Braintree Retirement System's total assets.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. No investments with any one issuer exceeded 5% of the total investments of the Town.

NOTE 3 – RECEIVABLES

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,985,013	\$ (94,732)	\$ 1,890,281
Tax liens.....	681,081	-	681,081
Motor vehicle and other excise taxes.....	919,331	(352,823)	566,508
Departmental and other.....	201,073	(54,030)	147,043
Intergovernmental.....	4,428,980	-	4,428,980
	<u>8,215,478</u>	<u>(501,585)</u>	<u>7,713,893</u>
Total.....	\$ <u>8,215,478</u>	\$ <u>(501,585)</u>	\$ <u>7,713,893</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
<i>Water and Sewer</i>			
Tax liens.....	\$ 56,513	\$ -	\$ 56,513
User fees.....	2,877,103	-	2,877,103
<i>Electric Light</i>			
User fees.....	7,943,992	(179,851)	7,764,141
Departmental and other.....	482,670	-	482,670
<i>Internal Service</i>			
Departmental and other.....	323,891	-	323,891
	<u>11,684,169</u>	<u>(179,851)</u>	<u>11,504,318</u>
Total.....	\$ <u>11,684,169</u>	\$ <u>(179,851)</u>	\$ <u>11,504,318</u>

At December 31, 2010 the Pension Trust Fund had departmental and other receivables totaling \$92,009.

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	Nonmajor Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,334,156	\$ -	\$ 1,334,156
Tax liens.....	679,160	1,921	681,081
Motor vehicle and other excise taxes.....	566,508	-	566,508
Departmental and other.....	1,009,947	9,916	1,019,863
Intergovernmental.....	149,477	2,861,392	3,010,869
Tax foreclosures.....	78,281	-	78,281
 Total.....	 <u>\$ 3,817,529</u>	 <u>\$ 2,873,229</u>	 <u>\$ 6,690,758</u>

Departmental and other deferred revenues include approximately \$873,000 of 2012 trash fees that were collected in advance.

The golf course and electric light enterprise funds defer revenue for amounts that have been received in advance of being earned. These amounts are reported as *unearned revenue* on the Proprietary Statement of Net Assets and total \$152,670 and \$7,998,882, respectively.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 13,755,668	\$ -	\$ -	\$ 13,755,668
Construction in progress.....	135,632	-	(135,632)	-
Total capital assets not being depreciated.....	13,891,300	-	(135,632)	13,755,668
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,497,620	-	-	7,497,620
Buildings.....	39,850,441	2,627,560	-	42,478,001
Machinery and equipment.....	13,239,914	284,040	-	13,523,954
Infrastructure.....	49,790,242	4,066,894	-	53,857,136
Total capital assets being depreciated.....	110,378,217	6,978,494	-	117,356,711
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,014,095)	(37,113)	-	(7,051,208)
Buildings.....	(26,583,448)	(1,052,473)	-	(27,635,921)
Machinery and equipment.....	(11,671,255)	(484,791)	-	(12,156,046)
Infrastructure.....	(21,470,544)	(1,127,551)	-	(22,598,095)
Total accumulated depreciation.....	(66,739,342)	(2,701,928)	-	(69,441,270)
Total capital assets being depreciated, net.....	43,638,875	4,276,566	-	47,915,441
Total governmental activities capital assets, net.....	\$ 57,530,175	\$ 4,276,566	\$ (135,632)	\$ 61,671,109

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,315,384	\$ -	\$ -	\$ 1,315,384
Construction in progress.....	3,868,033	2,719,095	(3,868,033)	2,719,095
Total capital assets not being depreciated.....	<u>5,183,417</u>	<u>2,719,095</u>	<u>(3,868,033)</u>	<u>4,034,479</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,121,475	-	-	1,121,475
Plant in service.....	218,895,081	9,806,380	(92,899)	228,608,562
Buildings.....	1,492,692	-	-	1,492,692
Machinery and equipment.....	2,943,707	31,655	-	2,975,362
Infrastructure.....	63,240,347	1,008,194	-	64,248,541
Total capital assets being depreciated.....	<u>287,693,302</u>	<u>10,846,229</u>	<u>(92,899)</u>	<u>298,446,632</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(642,894)	(24,229)	-	(667,123)
Plant in service.....	(66,378,412)	(7,947,099)	92,899	(74,232,612)
Buildings.....	(986,428)	(26,412)	-	(1,012,840)
Machinery and equipment.....	(2,590,783)	(100,297)	-	(2,691,080)
Infrastructure.....	(24,097,495)	(1,297,973)	-	(25,395,468)
Total accumulated depreciation.....	<u>(94,696,012)</u>	<u>(9,396,010)</u>	<u>92,899</u>	<u>(103,999,123)</u>
Total capital assets being depreciated, net.....	<u>192,997,290</u>	<u>1,450,219</u>	<u>-</u>	<u>194,447,509</u>
Total business-type activities capital assets, net.....	<u>\$ 198,180,707</u>	<u>\$ 4,169,314</u>	<u>\$ (3,868,033)</u>	<u>\$ 198,481,988</u>

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

Governmental Activities:

General government.....	\$ 192,528
Public safety.....	347,917
Education.....	742,312
Public works.....	1,129,349
Human services.....	14,098
Culture and recreation.....	<u>275,724</u>

Total depreciation expense - governmental activities..... \$ 2,701,928

Business-Type Activities:

Water and Sewer.....	\$ 1,388,608
Golf.....	60,303
Electric light.....	<u>7,947,099</u>

Total depreciation expense - business-type activities..... \$ 9,396,010

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds.....	\$ 316,300	\$ 334,430	\$ 650,730 (1)
Water and Sewer Enterprise Fund.....	241,770	-	241,770 (2)
Golf Course Enterprise Fund.....	43,026	-	43,026 (2)
Electric Light Enterprise Fund.....	2,000,000	-	2,000,000 (3)
Total.....	\$ 2,601,096	\$ 334,430	\$ 2,935,526

- (1) Represents budgeted transfers to the general fund from various nonmajor special revenue funds including \$4,100 from waterways and \$22,000 from sale of lots and graves. Also represents a transfer to the general fund of \$290,200 from the insurance recovery nonmajor special revenue fund and transfers between the nonmajor governmental funds.
- (2) Represents budgeted transfers from water and sewer and golf enterprise funds to the general fund.
- (3) Represents the Payment in Lieu of Tax payment from the Braintree Electric Light Department.

NOTE 6 – LEASES

Capital Leases

The Town has entered into lease agreements to finance the acquisition of two fire trucks and certain heavy equipment for the highway and parks departments. The 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 following identifies the assets acquired through capital lease agreements:

Asset:	Governmental Activities
Machinery and equipment.....	\$ 1,486,907
Less: accumulated depreciation.....	(963,416)
Total.....	\$ 523,491

The following schedule presents the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2012.....	\$ 90,455
Less: amounts representing interest.....	<u>(4,577)</u>
Present value of minimum lease payments.....	<u>\$ 85,878</u>

The BELD entered into a capitalized lease for cable division equipment expiring through 2014. The assets and liabilities under the capital lease are recorded at the present value of the minimum lease payments. The assets are depreciated over the life of the equipment.

The following schedule presents the future minimum lease payments as of December 31, 2010:

<u>Years Ending December 31,</u>	<u>Business-Type Activities</u>
2011.....	\$ 110,914
2012.....	110,914
2013.....	67,765
2014.....	<u>11,888</u>
Total minimum lease payments.....	301,481
Less: amounts representing interest.....	<u>(27,801)</u>
Present value of minimum lease payments.....	<u>\$ 273,680</u>

Operating Leases

The Town leases school buses under a noncancelable operating lease that is scheduled to expire June 30, 2013. The cost of the lease for the fiscal year ended June 30, 2011, totaled approximately \$322,000, and is reported as education expenditures in the general fund.

The future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2012.....	\$ 321,743
2013.....	<u>321,743</u>
Total.....	<u>\$ 643,486</u>

The Golf Course leases golf carts under a noncancelable operating lease that was entered into in April 2010. The future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Business-Type Activities</u>
2012.....	\$ 45,474
2013.....	<u>45,474</u>
Total.....	<u>\$ 90,948</u>

The BELD leases cable converter boxes and office equipment under separate operating lease agreements. The cost of the leases for the year ended December 31, 2010, totaled approximately \$569,000.

The future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Business-Type Activities</u>
2011.....	\$ 596,189
2012.....	<u>49,682</u>
Total.....	<u>\$ 645,871</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 enterprise funds, respectively.

The Governmental and Enterprise Funds did not issue or redeem short-term debt during the year and did not have any amounts outstanding at year-end.

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 Town's general obligation 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
Library Construction.....	4.20 - 5.20	\$ 735,000	\$ -	\$ 250,000	\$ 485,000
Roads.....	3.30 - 5.25	85,000	-	85,000	-
Roads.....	2.50 - 3.75	685,000	-	525,000	160,000
School.....	4.14	560,000	-	35,000	525,000
School Improvements.....	4.14	370,000	-	25,000	345,000
School Improvements.....	4.43	45,000	-	45,000	-
School Improvements.....	4.14	560,000	-	35,000	525,000
Road Repairs.....	4.44	60,000	-	60,000	-
Road Repairs.....	4.34	220,000	-	40,000	180,000
Library Construction.....	4.20 - 5.20	1,040,000	-	5,000	1,035,000
Road Repairs.....	4.90	280,000	-	140,000	140,000
Road Repairs.....	4.90	280,000	-	140,000	140,000
School Remodeling.....	4.30 - 4.90	595,000	-	35,000	560,000
Town Buildings Renovations.....	3.00 - 5.00	470,000	-	30,000	440,000
Road Projects.....	3.00 - 5.00	1,985,000	-	405,000	1,580,000
School Improvements.....	3.00 - 5.00	660,000	-	40,000	620,000
Town Hall/Water Building.....	1.50 - 4.50	150,000	-	10,000	140,000
South Middle School.....	1.50 - 4.50	1,385,000	-	70,000	1,315,000
School Capital.....	1.50 - 4.50	700,000	-	35,000	665,000
Roads I.....	1.50 - 4.50	850,000	-	127,500	722,500
Roads II.....	1.50 - 4.50	850,000	-	127,500	722,500
Police HVAC Repairs.....	1.50 - 4.50	640,000	-	45,000	595,000
South Middle School Fire Protection.....	1.50 - 4.50	365,000	-	25,000	340,000
Land Acquisition.....	1.50 - 4.50	1,842,000	-	97,000	1,745,000
School Capital Improvements.....	2.00 - 4.50	-	4,400,000	-	4,400,000
Roadway Improvements.....	2.00 - 4.00	-	1,700,000	-	1,700,000
Total.....		\$ 15,412,000	\$ 6,100,000	\$ 2,432,000	\$ 19,080,000

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 2,200,000	\$ 696,272	\$ 2,896,272
2013.....	1,915,000	619,186	2,534,186
2014.....	1,585,000	549,368	2,134,368
2015.....	1,575,000	490,100	2,065,100
2016.....	1,395,000	434,792	1,829,792
2017.....	1,340,000	383,274	1,723,274
2018.....	1,070,000	334,330	1,404,330
2019.....	910,000	295,699	1,205,699
2020.....	905,000	264,020	1,169,020
2021.....	810,000	230,307	1,040,307
2022.....	790,000	198,489	988,489
2023.....	785,000	169,816	954,816
2024.....	780,000	140,584	920,584
2025.....	780,000	111,193	891,193
2026.....	740,000	80,390	820,390
2027.....	410,000	55,791	465,791
2028.....	370,000	42,932	412,932
2029.....	310,000	27,800	337,800
2030.....	310,000	15,088	325,088
2031.....	100,000	2,250	102,250
Total.....	\$ <u>19,080,000</u>	\$ <u>5,141,681</u>	\$ <u>24,221,681</u>

Bonds and Notes Payable Schedule – Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Sewer.....	4.60 - 6.50	\$ 750,000	\$ -	\$ 750,000	\$ -
Sewer.....	3.30 - 5.25	2,382,000	-	2,183,500	198,500
Water.....	3.30 - 5.25	1,033,000	-	946,500	86,500
Water.....	2.50 - 4.25	1,120,000	-	140,000	980,000
Water Mains.....	4.14	960,000	-	60,000	900,000
Water Distribution Center.....	4.14	1,440,000	-	90,000	1,350,000
Water - Middle/Liberty.....	4.14	700,000	-	55,000	645,000
Water - Hollingsworth.....	4.14	240,000	-	15,000	225,000
Water - Hillside.....	4.14	220,000	-	15,000	205,000
MWRA.....	-	55,000	-	55,000	-
Water.....	4.60 - 6.50	1,550,000	-	250,000	1,300,000
Water Distribution System.....	4.14	930,000	-	65,000	865,000
Sewer.....	4.30 - 4.90	255,000	-	15,000	240,000
Water - Penn Hill Standpipe.....	3.00 - 5.00	265,000	-	35,000	230,000
Water Main Replacement.....	3.00 - 5.00	5,415,000	-	285,000	5,130,000
Water Treatment Plant Planning.....	3.00 - 5.00	525,000	-	175,000	350,000
Water Distribution System.....	3.00 - 5.00	1,900,000	-	160,000	1,740,000
Water Treatment Plant.....	3.00 - 5.00	55,000	-	15,000	40,000
Sewer Refunding.....	2.00 - 4.00	-	2,696,000	-	2,696,000
Water Refunding.....	2.00 - 4.00	-	879,000	-	879,000
Water System Improvements.....	2.00 - 4.50	-	1,692,000	-	1,692,000
Lincoln Heights Standpipe.....	2.00 - 4.00	-	100,000	-	100,000
Water Treatment Plant Improvements....	2.00 - 4.00	-	494,000	-	494,000
Sub-Total.....		19,795,000	5,861,000	5,310,000	20,346,000
Unamortized Premiums on Bonds.....		706,553	-	37,187	669,366
Total.....		\$ 20,501,553	\$ 5,861,000	\$ 5,347,187	\$ 21,015,366

In order to take advantage of favorable interest rates, the Town issued \$3,575,000 in General Obligation Refunding Bonds on April 19, 2011, to advance refund \$3,480,000 in outstanding bonds. To advance refund the bonds, the Town placed the net proceeds of the refunding bonds in an irrevocable trust with an escrow agent to pay, when due, interest on, and upon redemption, the outstanding principal of and redemption premium of the refunded bonds. As a result, the refunded bonds were defeased and the liability has been removed from the statement of net assets. At June 30, 2011, \$3,480,000 of bonds outstanding from the advance refunding are considered defeased. The reacquisition price exceeded the net carrying amount of the old debt by \$95,000. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$268,000 and resulted in an economic gain of \$232,000.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....\$	1,911,000 \$	836,385 \$	2,747,385
2013.....	1,930,000	761,157	2,691,157
2014.....	1,735,000	676,144	2,411,144
2015.....	1,665,000	602,870	2,267,870
2016.....	1,650,000	538,175	2,188,175
2017.....	1,630,000	471,436	2,101,436
2018.....	1,350,000	409,438	1,759,438
2019.....	1,070,000	358,738	1,428,738
2020.....	1,060,000	314,598	1,374,598
2021.....	1,055,000	272,386	1,327,386
2022.....	990,000	230,039	1,220,039
2023.....	700,000	193,112	893,112
2024.....	700,000	161,562	861,562
2025.....	700,000	129,799	829,799
2026.....	700,000	97,823	797,823
2027.....	490,000	65,847	555,847
2028.....	425,000	42,585	467,585
2029.....	425,000	24,224	449,224
2030.....	80,000	5,350	85,350
2031.....	80,000	1,800	81,800
Total.....\$	<u>20,346,000 \$</u>	<u>6,193,468 \$</u>	<u>26,539,468</u>

Bonds and Notes Payable Schedule – Electric Light Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2010</u>
Cable.....	3.30 - 5.25	\$ 700,000	\$ -	\$ 350,000	\$ 350,000
Cable.....	2.50 - 3.75	450,000	-	150,000	300,000
Generation Station.....	3.00 - 5.00	109,700,000	-	3,935,000	105,765,000
Sub-Total.....		110,850,000	-	4,435,000	106,415,000
Unamortized Premiums on Bonds.....		8,711,134	-	813,835	7,897,299
Total.....		<u>\$ 119,561,134</u>	<u>\$ -</u>	<u>\$ 5,248,835</u>	<u>\$ 114,312,299</u>

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....\$	4,550,000	\$ 5,195,750	\$ 9,745,750
2012.....	4,410,000	4,974,494	9,384,494
2013.....	4,415,000	4,789,856	9,204,856
2014.....	4,630,000	4,583,794	9,213,794
2015.....	4,855,000	4,352,294	9,207,294
2016.....	5,085,000	4,123,194	9,208,194
2017.....	5,335,000	3,875,944	9,210,944
2018.....	5,600,000	3,610,244	9,210,244
2019.....	5,875,000	3,330,244	9,205,244
2020.....	6,175,000	3,036,494	9,211,494
2021.....	6,480,000	2,727,744	9,207,744
2022.....	6,810,000	2,403,744	9,213,744
2023.....	7,150,000	2,063,244	9,213,244
2024.....	7,510,000	1,705,744	9,215,744
2025.....	7,855,000	1,354,844	9,209,844
2026.....	8,245,000	962,094	9,207,094
2027.....	7,930,000	549,844	8,479,844
2028.....	3,505,000	153,344	3,658,344
Total.....\$	<u>106,415,000</u>	<u>\$ 53,792,910</u>	<u>\$ 160,207,910</u>

Authorized and unissued debt

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

<u>Purpose</u>	<u>Amount</u>
Water and sewer projects.....	\$ 594,642
MWRA.....	760,000
Renovations to Town Hall.....	930,000
School projects.....	2,250,592
Public safety repairs and equipment.....	909,000
DPW equipment.....	389,000
Library repairs and equipment.....	150,000
Wastewater system rehab.....	<u>1,271,388</u>
Total.....	<u>\$ 7,254,622</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Bonds and notes payable.....	\$ 15,412,000	\$ 6,100,000	\$ (2,432,000)	\$ -	\$ -	\$ 19,080,000	\$ 2,200,000
Other postemployment benefits.....	24,837,341	-	-	15,725,414	(5,290,928)	35,271,827	-
Workers' compensation.....	565,210	-	-	221,451	(250,092)	536,569	250,082
Compensated absences.....	2,903,759	-	-	1,672,463	(1,465,246)	3,110,976	1,578,254
Capital lease obligations.....	167,410	-	-	-	(81,532)	85,878	85,878
Total governmental activity long-term liabilities.....	<u>\$ 43,885,720</u>	<u>\$ 6,100,000</u>	<u>\$ (2,432,000)</u>	<u>\$ 17,619,328</u>	<u>\$ (7,087,798)</u>	<u>\$ 58,085,250</u>	<u>\$ 4,114,214</u>
Business-Type Activities:							
Bonds and notes payable.....	\$ 130,645,000	\$ 5,861,000	\$ (9,745,000)	\$ -	\$ -	\$ 126,761,000	\$ 6,461,000
Unamortized premium on bonds.....	9,417,687	-	(851,022)	-	-	8,566,665	824,314
Other postemployment benefits.....	3,278,166	-	-	1,429,158	(529,311)	4,178,013	-
Compensated absences.....	264,067	-	-	329,574	(213,028)	380,613	321,133
Capital lease obligations.....	103,418	-	-	199,580	(29,318)	273,680	106,734
Customer deposits payable.....	1,447,563	-	-	926,779	-	2,374,342	-
Unearned revenue.....	6,669,314	-	-	1,812,352	(330,114)	8,151,552	344,670
Total business-type activity long-term liabilities.....	<u>\$ 11,762,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,697,443</u>	<u>\$ (1,101,771)</u>	<u>\$ 15,358,200</u>	<u>\$ 772,537</u>

The governmental activities long-term liabilities are generally liquidated by the general fund. Business-type activities long-term liabilities are liquidated by each respective 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.

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.

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 revised from \$10,073,933 and \$22,788,469 to \$12,156,866 and \$20,705,536, respectively. At year end the balance of the General Stabilization Fund is \$1,751,008 and is reported as unassigned fund balance within the General Fund.

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Nonspendable:			
Permanent fund principal..... \$	-	\$ 2,507,881	\$ 2,507,881
Restricted for:			
Town special revenue funds.....	-	1,823,802	1,823,802
School lunch.....	-	158,906	158,906
School revolving funds.....	-	1,493,502	1,493,502
Community preservation fund.....	-	4,512,047	4,512,047
Town capital projects.....	-	5,405,322	5,405,322
Trust funds.....	-	8,332,604	8,332,604
Assigned to:			
General government.....	149,468	-	149,468
Public safety.....	541,805	-	541,805
Education.....	7,304	-	7,304
Public works.....	256,440	-	256,440
Sanitation.....	130,622	-	130,622
Human services.....	14,937	-	14,937
Culture and recreation.....	150,000	-	150,000
Unassigned.....	<u>13,160,254</u>	-	<u>13,160,254</u>
Total Fund Balances..... \$	<u>14,410,830</u>	<u>\$ 24,234,064</u>	<u>\$ 38,644,894</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. 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 and workers’ compensation insurance activities. Health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Workers’ compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations.

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

(a) *Health Insurance*

The estimate of IBNR claims is based on management’s best estimate of claims history. 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. At June 30, 2011, the amount of the liability for health insurance claims totaled \$881,903 which 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.....	\$ 1,222,012	\$ 11,767,555	\$ (11,947,095)	\$ 1,042,472
Fiscal Year 2011.....	1,042,472	11,555,938	(11,716,507)	881,903

(b) *Workers’ Compensation*

The estimated future workers’ compensation liability is based on history and injury type. The Town purchases individual workers’ compensation insurance for claims in excess of the coverage provided by the Town in the amounts ranging between \$300,000 and \$500,000 per claim. At June 30, 2011, the amount of the liability for workers’ compensation claims totaled \$536,569. 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.....	\$ 556,285	\$ 427,623	\$ (418,698)	\$ 565,210
Fiscal Year 2011.....	565,210	222,581	(251,222)	536,569

The BELD participates in the Massachusetts Municipal Self-Insurance Trust (the Trust) with 17 other municipal light departments for the purpose of sharing excess liability and directors’ and officers’ liability risks. Through the

Trust, BELD is commercially insured for \$25,000,000 per occurrence, with a \$500,000 deductible that would be paid by the Trust. Each of the participating light department's contributes to the Trust based on its share of the group's total kilowatt-hour sales. Payments for claims under the deductible limit are funded by trust assets or, if required, additional contributions from the participants. The BELD considers its share of potential losses to be immaterial to its financial statements as of December 31, 2010.

NOTE 11 – PENSION PLAN

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Braintree Contributory Retirement 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 \$12,219,000 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Braintree Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 74 Pond Street, Braintree, Massachusetts, 02184.

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

Active members.....	724
Inactive members.....	67
Disabled members.....	73
Retirees and beneficiaries currently receiving benefits.....	<u>433</u>
 Total.....	 <u><u>1,297</u></u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 99% of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6,835,093, \$6,646,676, and \$6,251,721, which equaled its required contribution for each fiscal year. At June 30, 2011, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.875% investment rate of return and projected salary increases of 4.25% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The

remaining amortization period at January 1, 2010, was 19 years. The general fund and the enterprise funds each pay their respective portions of the total pension expense annually.

Schedule of Funding Progress (dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/10	\$ 137,153	\$ 202,777	\$ 65,624	67.6%	\$ 35,051	187.2%
1/1/08	141,346	189,266	47,920	74.7%	33,894	141.4%
1/1/06	119,722	167,313	47,591	71.6%	30,861	154.2%
1/1/04	103,345	151,324	47,979	68.3%	29,450	162.9%
1/1/02	91,927	132,850	40,923	69.2%	28,775	142.2%
1/1/00	89,822	117,318	27,496	76.6%	24,276	113.3%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The Town is responsible for approximately 98% of the unfunded liability.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description –The Town maintains a single employer defined benefit healthcare plan. The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, and Tufts Health Plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period.

At January 1, 2010, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependants.....	969
Current active members.....	1,467
Total.....	2,436

Funding Policy – Contributions requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Retired plan members and beneficiaries currently receiving benefits are required to contribute between 33% and 50% of the cost of benefits provided depending on the plan they choose. The Town is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. For fiscal year 2011, the Town contributed approximately \$5.8 million towards these benefits. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Postemployment Benefit Trust Fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During fiscal year 2011, the Town pre-funded future OPEB liabilities in the amount of \$145,000.

Annual OPEB Costs 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 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 obligations are summarized in the following table:

Annual required contribution.....	\$	17,392,724
Interest on net OPEB obligation.....		1,074,376
Adjustment to annual required contribution.....		<u>(1,312,528)</u>
Annual OPEB cost/expense.....		17,154,572
Contributions made.....		<u>(5,820,239)</u>
Increase/(Decrease) in net OPEB obligation.....		11,334,333
Net OPEB obligation - beginning of year.....		<u>28,115,507</u>
Net OPEB obligation - end of year.....	\$	<u><u>39,449,840</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 17,154,572	34%	\$ 39,449,840
6/30/2010	15,942,714	33%	28,115,507
6/30/2009	14,500,459	38%	17,442,174
6/30/2008	13,479,497	37%	8,439,337

Funded Status and Funding Progress — The funded status of the Plan as of the most recent actuarial valuation date, January 1, 2010, is as follows:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
1/1/2010	\$ -	\$ 192,200,348	\$ 192,200,348	0.00%	\$ 61,475,231	312.65%

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 basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued 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 effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided as of the latest actuarial valuation:

Valuation date.....	January 1, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.25%
Remaining amortization period.....	26 years as of July 1, 2011, closed
Actuarial assumptions:	
Investment rate of return.....	4.25%, pay-as-you-go scenario
Inflation rate.....	3.25%
Projected salary increases.....	3.25%
Medical/drug cost trend rate.....	11.15% graded to 5.50% in year 2019

NOTE 13 – COMMITMENTS

Under the terms of an Administrative Consent Order (ACO) from the Commonwealth’s Department of Environmental Protection, the Town is obligated to make various repairs and improvements to its sewer and drainage system. Accordingly, the Town has authorized appropriations totaling approximately \$5.9 million to comply with the ACO.

The Town has entered into contracts totaling approximately \$5.7 million for various school and public works projects, and for the Police Department building repairs. The Town also plans to authorize and contract for an additional \$6.9 million in FY2012 for water and roadway projects.

The BELD has entered into a Power Sales Agreement (PSA), as a participant in Nuclear Project No. 5, with Massachusetts Municipal Wholesale Electric Company (MMWEC) for a share of the power supply capability of Seabrook Unit 1. BELD effectively participates in a 0.6% (7MW) share of Seabrook Unit 1. Under the terms of the PSA, the BELD is obligated to pay for its share of MMWEC’s actual operating and capital costs, including decommissioning, interest and financing costs related to this generating unit. Seabrook Unit 1 began commercial operations in 1990, and its operating license expires in 2030. The BELD’s obligations to pay are not contingent on the future operation of the unit. The BELD’s total principal obligation, excluding operating and maintenance, interest and decommissioning expenses associated with its share of MMWEC’s Seabrook Unit 1 outstanding debt, is approximately \$16,619,000 at December 31, 2010.

The BELD has also entered into various long-term agreements to purchase power from other utilities. At December 31, 2010, the estimated annual capacity costs relating to these agreements total approximately \$23,219,000. The amount estimated for 2011 is \$3,452,000 with annual decrease estimated as contract entitlements decreases and expires through 2019.

NOTE 14 – 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.

The BELD is subject, like other electric utilities, to evolving standards administered by federal, state and local authorities relating to the quality of the environment. These standards affect the siting of electric property, ambient air and water quality, plant safety and other environmental factors. These standards have had an impact on the BELD's operations in the past and they will continue to have an impact on future operations, capital costs and construction schedules.

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

NOTE 15 – LAND TAKING

During fiscal year 2003, the Metropolitan District Commission took, by eminent domain, a conservation easement on a portion of Town owned land, for which it compensated the Town \$2,000,000. The Town subsequently voted that the funds received would be managed by the Trust Fund Commissioners. The yearly income from such funds is to be spent under the direction of the Braintree School Committee for the support of the public schools. The fund is included with other Permanent funds in the Nonmajor Governmental Fund group.

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

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 68,010,686	\$ 68,010,686	\$ 68,071,201	\$ -	60,515
Tax liens.....	-	-	81,762	-	81,762
Motor vehicle and other excise taxes.....	3,689,333	3,689,333	4,306,011	-	616,678
Hotel/motel tax.....	750,000	750,000	718,452	-	(31,548)
Penalties and interest on taxes.....	315,000	315,000	417,749	-	102,749
Payments in lieu of taxes.....	2,230,000	2,230,000	2,116,425	-	(113,575)
Intergovernmental.....	17,407,250	17,407,250	17,157,949	-	(249,301)
Departmental and other.....	3,907,000	3,907,000	4,542,950	-	635,950
Investment income.....	175,000	175,000	193,732	-	18,732
TOTAL REVENUES.....	96,484,269	96,484,269	97,606,231	-	1,121,962
EXPENDITURES:					
Current:					
General government.....	4,633,152	3,942,107	3,193,828	149,468	598,811
Public safety.....	15,116,738	15,495,086	14,889,557	541,805	63,724
Education.....	48,940,805	48,940,805	48,656,150	7,304	277,351
Public works.....	3,549,096	4,783,259	4,473,020	256,440	53,799
Sanitation.....	1,571,438	1,571,438	1,412,940	130,622	27,876
Human services.....	684,355	719,579	675,548	14,937	29,094
Culture and recreation.....	2,206,987	2,381,312	2,185,449	150,000	45,863
Pension benefits.....	4,808,036	4,808,035	4,808,035	-	-
Property and liability insurance.....	470,000	395,000	368,027	-	26,973
Employee benefits.....	9,318,923	9,210,256	8,459,804	-	750,452
State and county charges.....	3,975,328	3,975,328	3,883,609	-	91,719
Debt service:					
Principal.....	2,432,000	2,432,000	2,432,000	-	-
Interest.....	590,935	590,935	590,897	-	38
TOTAL EXPENDITURES.....	98,297,794	99,245,140	96,028,864	1,250,576	1,965,700
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,813,525)	(2,760,871)	1,577,367	(1,250,576)	3,087,662
OTHER FINANCING SOURCES (USES):					
Transfers in.....	310,896	939,350	939,350	-	-
NET CHANGE IN FUND BALANCE.....	(1,502,629)	(1,821,521)	2,516,717	(1,250,576)	3,087,662
BUDGETARY FUND BALANCE, Beginning of year.....	11,847,031	11,847,031	11,847,031	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 10,344,402	\$ 10,025,510	\$ 14,363,748	\$ (1,250,576)	\$ 3,087,662

Payments in lieu of tax from the BELD in the amount of \$2 million have been presented as transfers in the Basic Financial Statements.

See notes to required supplementary information.

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/10	\$ 137,153	\$ 202,777	\$ 65,624	67.6%	\$ 35,051	187.2%
1/1/08	141,346	189,266	47,920	74.7%	33,894	141.4%
1/1/06	119,722	167,313	47,591	71.6%	30,861	154.2%
1/1/04	103,345	151,324	47,979	68.3%	29,450	162.9%
1/1/02	91,927	132,850	40,923	69.2%	28,775	142.2%
1/1/00	89,822	117,318	27,496	76.6%	24,276	113.3%

See notes to required supplementary information.

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

<u>System-Wide</u>				<u>Town of Braintree</u>	
Fiscal Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System-Wide Actual Contributions
2011	\$ 6,943,721	\$ 6,943,721	100%	\$ 6,835,093	\$ 98.44%
2010	6,747,969	6,747,969	100%	6,646,676	98.50%
2009	6,342,166	6,342,166	100%	6,251,721	98.57%
2008	6,163,965	6,163,965	100%	6,075,623	98.57%

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 compares, over time, the Annual Required Contributions to the Actual Contributions made.

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2010	\$ -	\$ 192,200,348	\$ 192,200,348	0%	\$ 61,475,231	312.65%
1/1/2007	-	158,006,080	158,006,080	0%	73,735,316	214.29%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2011	\$ 17,392,724	\$ 5,820,239	33%
2010	16,760,687	5,357,220	32%
2009	14,426,107	5,497,619	38%
2008	13,479,497	5,040,160	37%

See notes to required supplementary information.

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

Actuarial Methods:

Valuation date.....	January 1, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 3.25%
Remaining amortization period.....	26 years as of July 1, 2011, closed
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	4.25%
Medical/drug cost trend rate.....	11.15% graded to 5.50% in year 2019

Plan Membership:

Current retirees, beneficiaries, and dependents.....	969
Current active members.....	<u>1,467</u>
Total.....	<u><u>2,436</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Council approval at a regular Council meeting.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Town Council and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2011 approved budget authorized approximately \$98.3 million in appropriations and other amounts to be raised. During fiscal year 2011, the Town Council also approved supplemental appropriations totaling approximately \$947,000.

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

B. Budgetary - GAAP Reconciliation

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

Net change in fund balance - budgetary basis.....	\$	2,516,717
<u>Perspective difference:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		(331,925)
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		(209,000)
Net change in recording accrued payroll.....		278,172
Recognition of revenue for on-behalf payments.....		12,219,339
Recognition of expenditures for on-behalf payments.....		<u>(12,219,339)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>2,253,964</u></u>

NOTE B – PENSION PLAN

The Town contributes to the System, a cost-sharing, multiple-employer defined benefit pension plan (Plan) administered by the Braintree Contributory Retirement Board. 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. 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 covered payroll.

The schedule of funding progress, presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, 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:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2010
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.25% per year
Remaining Amortization Period.....	19 years, closed
Asset Valuation Method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 4 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Investment Rate of Return.....	7.875%
Projected Salary Increases.....	4.25%
Cost of Living Adjustments.....	3.00% for the first \$12,000 of retirement income.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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