CITY OF LEOMINSTER, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2011

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MH&Co

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Leominster, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leominster, Massachusetts, as of and for the year ended June 30, 2011 (except for the Leominster Contributory Retirement System which is as of and for the year ended December 31, 2010), which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Leominster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leominster as of June 30, 2011 (except the Leominster Contributory Retirement System which is as of December 31, 2010), and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis appearing on the following pages and the supplementary information appearing on page 50 are not required parts 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leominster's basic financial statements. The special revenue fund budgetary comparison information appearing on page 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Leominster, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated June 29, 2012 on our consideration of the City's internal control over financial reporting and on 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 considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
June 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Leominster, we offer readers this narrative overview and analysis of the financial activities of the City of Leominster for the fiscal year ended June 30, 2011. Unless otherwise noted, all amounts are expressed in thousands.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) Notes to Financial Statements. This 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 our finances in a manner similar to a 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).

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 financial statements focus on near-term inflows and outflows 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health programs and workers compensation activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by $ 170,694 (i.e., net assets), a change of $ (1,911) in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of $ 45,734, a change of $ 18,118 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $ 9,331, a change of $ 1,284 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was $ 39,737, a change of $ 15,289 in comparison to the prior year.
- The City of Leominster has adopted a funding schedule to amortize the Contributory Retirement System's unfunded liability by 2016, well ahead of the Commonwealth of Massachusetts full funding requirement.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	Governmental Activities	
	2011	2010
Current and other assets	$ 65,638	$ 72,362
Capital assets	190,212	184,856
Total assets	255,850	257,218
Long-term liabilities outstanding	72,601	42,939
Other liabilities	12,555	41,673
Total liabilities	85,156	84,612
Net assets:		
Invested in capital assets, net	160,468	153,781
Restricted	11,234	9,358
Unrestricted	(1,008)	9,467
Total net assets	$ 170,694	$ 172,606

CHANGES IN NET ASSETS

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	$ 16,885	$ 15,664
Operating grants and contributions	60,373	62,827
Capital grants and contributions	9,525	6,297
General revenues:		
Property taxes	49,536	47,816
Excises	3,817	3,907
Penalties and interest on taxes	346	302
Grants and contributions not restricted to specific programs	5,149	5,082
Investment income	261	178
Miscellaneous	1,423	3,496
Total revenues	147,315	145,569
Expenses:		
General government	2,044	3,577
Public safety	14,972	14,593
Education	85,652	84,688
Public works	16,372	13,160
Health and human services	1,053	558
Culture and recreation	3,207	2,846
Employee benefits	22,169	19,899
Interest on long-term debt	1,051	879
Intergovernmental	2,706	2,756
Total expenses	149,226	142,956
Change in net assets	(1,911)	2,613
Net assets - beginning of year	172,605	169,992
Net assets - end of year	$ 170,694	$ 172,605

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were $ 170,694, a change of $ (1,911) from the prior year.

The largest portion of net assets, $ 160,468 reflects our investment in capital assets (e.g., infrastructure. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of 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 net assets $ 11,234, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $ (1,008) may be used to meet government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of $ (1,911). Key elements of this change are as follows:

General fund revenues and transfers in in excess of expenditures and transfers out	$ 613
Increase in OPEB	(10,809)
Capital grants and contributions	9,525
Other	(1,240)
Total	$ (1,911)

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used 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.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $ 45,734, a change of $ 18,118 in comparison to the prior year. Key elements of this change are as follows:

General revenues and transfers in in excess of expenditures and transfers out	$ 613
Major fund sewer system improvements revenues and proceeds in excess of expenditures	4,168
Major fund water system improvements revenues and proceeds in excess of expenditures,	14,586
Nonmajor fund expenditures and transfers out in excess of revenues and transfers in	(1,249)
Total	$ 18,118

In fiscal year 2011, the implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in stabilization funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $ 9,331, while total fund balance was $ 25,497. 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 general fund expenditures. Refer to the table below.

General Fund	6/30/11	6/30/10	Change	% of Total General Fund Expenditures
Unassigned fund balance	$ 9,331	$ 8,047	$ 1,284	8.03%
Total fund balance[1]	25,497	24,884	613	21.94%

[1]Now includes stabilization reserve fund. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by $ 613 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	$ (5,335)
Revenues in excess of budget	4,612
Expenditures less than budget	1,734
Other	(398)
Total	$ 613

Included in the total general fund balance are the City's stabilization reserve accounts with the following balances:

	6/30/11	6/30/10	Change	% of Total General Fund Expenditures
General stabilization	$ 11,093	$ 11,551	$ (458)	9.54%
Total	$ 11,093	$ 11,551	$ (458)	

In addition to the above reserves, the City also has approximately $ 5,200,000 in unused levy capacity.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of $ 9,583. Major reasons for these amendments include:

- $ 523 increase in the general government budget.
- $ 1,748 increase in the public safety budget.
- $ 623 increase in the School Department budget.
- $ 2,558 increase in the public works budget.
- $ 76 increase in the human services budget.
- $ 371 increase in the culture and recreation budget.
- $ (109) decrease in the employee benefits budget.
- $ 2,225 increase in the debt service budget.
- $ 1,568 increase in transfers to other funds.

These increases were funded through the following sources:

- State Aid: $ 2,548.
- Free Cash: $ 5,335.
- Transfers from other available sources: $ 1,880.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to $ 190,212 (net of accumulated depreciation), an increase of $ 5,356 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

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

Improvements to various City owned buildings	$ 2,729
Departmental purchases of vehicles and equipment, net of deletions	728
Infrastructure improvements	551
Construction in progress, additions	8,777
Construction in progress, deletions/conversions	(2,119)
Depreciation expense, net of deletions	(5,310)
Total increase, net	$ 5,356

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was $ 39,737 all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Leominster'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:

Mr. John J. Richard
City Comptroller
City of Leominster
25 West Street
Leominster, MA 01453

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS	
Current:	
Cash and short-term investments	$ 41,868,745
Investments	2,132,719
Receivables, net of allowance for uncollectibles:	
Property taxes	835,491
Excises	743,640
User fees	1,704,254
Departmental and other	1,081,028
Intergovernmental	192,811
Noncurrent:	
Receivables:	
Tax title	169,361
Intergovernmental	13,767,895
Loans	3,135,765
Other assets	6,758
Land and construction in progress	94,755,493
Capital assets, net of accumulated depreciation	95,456,084
TOTAL ASSETS	255,850,044
LIABILITIES	
Current:	
Warrants payable	3,158,023
Accrued liabilities	4,856,457
Accrued payroll and withholdings	416,653
Deferred revenues	4,005,853
Other current liabilities	118,226
Current portion of long-term liabilities:	
Bonds payable	3,524,503
Landfill closure	84,150
Compensated absences	327,144
Noncurrent:	
Bonds payable, net of current portion	36,212,812
Landfill closure, net of current portion	1,748,850
Net OPEB obligation	27,758,739
Compensated absences	2,944,295
TOTAL LIABILITIES	85,155,705
NET ASSETS	
Invested in capital assets, net of related debt	160,467,899
Restricted for:	
Grants and other statutory restrictions	8,484,364
Permanent funds:	
Nonexpendable	775,956
Expendable	1,974,251
Unrestricted	(1,008,131)
TOTAL NET ASSETS	$ 170,694,339

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	$ 2,044,401	$ 904,709	$ 494,933	$ -	$ (644,759)
Public safety	14,972,260	1,731,747	391,402	-	(12,849,111)
Education	85,651,576	3,670,948	58,719,707	4,460,210	(18,800,711)
Public works	16,372,331	9,949,373	176,271	5,065,237	(1,181,450)
Health and human services	1,053,305	86,683	480,978	-	(485,644)
Culture and recreation	3,207,247	401,298	109,822	-	(2,696,127)
Employee benefits	22,168,855	140,338	-	-	(22,028,517)
Interest	1,051,251	-	-	-	(1,051,251)
Intergovernmental	2,705,505	-	-	-	(2,705,505)
Total Governmental Activities	$ 149,226,731	$ 16,885,096	$ 60,373,113	$ 9,525,447	(62,443,075)
		General Revenues:			
		Property taxes			49,536,037
		Excises			3,817,433
		Penalties, interest and other taxes			345,507
		Grants and contributions not restricted to specific programs			5,149,125
		Investment income			261,066
		Miscellaneous			1,422,651
		Total general revenues			60,531,819
		Change in Net Assets			(1,911,256)
		Net Assets:			
		Beginning of year			172,605,595
		End of year			$ 170,694,339

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	General	Sewer System Improvements	Water System Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	$ 25,825,818	$ (12,528)	$ 396,542	$ 7,669,524	$ 33,879,356
Investments	597,172	-	-	1,535,547	2,132,719
Receivables:					
Property taxes	3,336,412	-	-	-	3,336,412
Excises	1,323,046	-	-	-	1,323,046
User fees	-	-	-	1,887,951	1,887,951
Departmental and other	1,366,930	-	-	35,315	1,402,245
Loans	-	-	-	3,135,765	3,135,765
Other	-	-	-	6,758	6,758
Intergovernmental	-	5,374,629	8,393,265	192,811	13,960,705
TOTAL ASSETS	$ 32,449,378	$ 5,362,101	$ 8,789,807	$ 14,463,671	$ 61,064,957
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	$ 715,496	$ 1,191,554	$ 224,000	$ 1,026,973	$ 3,158,023
Accrued payroll and withholdings	415,903	-	-	-	415,903
Deferred revenues	5,702,613	-	677,275	5,258,600	11,638,488
Other liabilities	118,225	-	-	-	118,225
TOTAL LIABILITIES	6,952,237	1,191,554	901,275	6,285,573	15,330,639
Fund Balances:					
Nonspendable	1,869	-	-	776,156	778,025
Restricted	-	4,170,547	7,888,532	10,569,194	22,628,273
Committed	11,092,716	-	-	-	11,092,716
Assigned	5,071,893	-	-	-	5,071,893
Unassigned	9,330,663	-	-	(3,167,252)	6,163,411
TOTAL FUND BALANCES	25,497,141	4,170,547	7,888,532	8,178,098	45,734,318
TOTAL LIABILITIES AND FUND BALANCES	$ 32,449,378	$ 5,362,101	$ 8,789,807	$ 14,463,671	$ 61,064,957

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total Governmental Fund Balances	$ 45,734,318
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	190,211,577
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	4,216,755
• Internal service funds are used by management to account for 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.	3,272,974
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(140,792)
• Long-term liabilities, including bonds payable, landfill closure costs, other post-employment benefits and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(72,600,493)
Net Assets of Governmental Activities	$ 170,694,339

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	General	Sewer System Improvements	Water System Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	$ 49,440,711	$ -	$ -	$ -	$ 49,440,711
Excises	3,735,878	-	-	-	3,735,878
Penalties, interest and other taxes	345,507	-	-	-	345,507
Charges for services	1,686,697	-	-	13,613,745	15,300,442
Intergovernmental	58,102,093	1,559,537	1,183,180	13,865,109	74,709,919
Licenses and permits	875,409	-	-	-	875,409
Fines and forfeitures	226,106	-	-	-	226,106
Investment income	193,476	-	-	67,590	261,066
Miscellaneous	1,401,295	-	-	373,724	1,775,019
Total Revenues	116,007,172	1,559,537	1,183,180	27,920,168	146,670,057
Expenditures:					
Current:					
General government	3,068,520	-	-	610,070	3,678,590
Public safety	14,296,193	-	-	476,402	14,772,595
Education	70,366,804	-	-	16,403,266	86,770,070
Public works	6,118,498	3,211,959	1,290,776	8,842,457	19,463,690
Health and human services	846,500	-	-	65,954	912,454
Culture and recreation	2,615,084	-	-	484,624	3,099,708
Employee benefits	11,360,124	-	-	-	11,360,124
Debt service	4,841,890	-	-	1,460,765	6,302,655
Intergovernmental	2,705,505	-	-	-	2,705,505
Total Expenditures	116,219,118	3,211,959	1,290,776	28,343,538	149,065,391
Excess (deficiency) of revenues over expenditures	(211,946)	(1,652,422)	(107,596)	(423,370)	(2,395,334)
Other Financing Sources (Uses):					
Proceeds from bonds	-	5,820,161	14,693,629	-	20,513,790
Transfers in	3,843,358	-	-	2,473,956	6,317,314
Transfers out	(3,018,075)	-	-	(3,299,239)	(6,317,314)
Total Other Financing Sources (Uses)	825,283	5,820,161	14,693,629	(825,283)	20,513,790
Change in fund balance	613,337	4,167,739	14,586,033	(1,248,653)	18,118,456
Fund Equity, at Beginning of Year	24,883,804	2,808	(6,697,501)	9,426,750	27,615,861
Fund Equity, at End of Year	$ 25,497,141	$ 4,170,547	$ 7,888,532	$ 8,178,097	$ 45,734,317

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2011

Net Changes in Fund Balances - Total Governmental Funds	$ 18,118,456
• 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:	
Capital outlay purchases, net of disposals	10,666,280
Depreciation	(5,310,197)
• 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.	505,077
• The issuance of long-term debt (e.g., bonds payable) 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:	
Issuance of bonds and notes	(20,513,790)
Repayments of debt principal	5,225,183
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	26,221
• Some expenses reported in the Statement of Activities, such as other post-employment benefits, compensated absences and landfill closure, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	
Increase in net OPEB obligation	(10,808,731)
Increase in compensated absences liability	(34,214)
Decrease in landfill liability	74,120
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities.	140,339
Change in Net Assets of Governmental Activities	$ (1,911,256)

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues and Other Sources:				
Taxes	$ 49,347,038	$ 49,167,038	$ 49,167,038	$ -
Excise	2,600,000	2,600,000	3,735,878	1,135,878
Penalties, interest and other taxes	183,000	183,000	345,507	162,507
Charges for services	1,507,693	1,507,693	1,654,419	146,726
Intergovernmental	45,529,692	48,077,318	48,123,883	46,565
Licenses and permits	416,500	416,500	948,220	531,720
Fines and forfeits	174,000	174,000	185,573	11,573
Investment income	75,000	75,000	158,267	83,267
Miscellaneous	763,271	763,271	1,401,294	638,023
Transfers in	-	1,880,449	3,736,358	1,855,909
Free cash	-	5,334,546	5,334,546	-
Total Revenues and Other Sources	100,596,194	110,178,815	114,790,983	4,612,168
Expenditures and Other Uses:				
General government	2,773,393	3,296,446	3,186,037	110,409
Public safety	13,478,880	15,226,738	14,866,819	359,919
Education	59,262,000	59,884,792	59,044,280	840,512
Public works	4,537,300	7,095,407	6,957,759	137,648
Health and human services	761,464	837,740	825,247	12,493
Culture and recreation	1,637,557	2,008,231	2,004,575	3,656
Debt service	3,473,088	5,698,088	5,691,890	6,198
Intergovernmental	2,921,612	2,921,612	2,705,505	216,107
Employee benefits	11,750,883	11,641,669	11,594,790	46,879
Transfers out	-	1,568,075	1,568,075	-
Other uses	17	17	17	-
Total Expenditures and Other Uses	100,596,194	110,178,815	108,444,994	1,733,821
Excess of revenues and other sources over expenditures and other uses	$ -	$ -	$ 6,345,989	$ 6,345,989

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Internal Service Fund
ASSETS	
Current:	
Cash and short-term investments	$ 7,989,389
TOTAL ASSETS	7,989,389
LIABILITIES	
Current:	
Accrued claims payable	4,716,415
TOTAL LIABILITIES	4,716,415
NET ASSETS	
Unrestricted	3,132,635
TOTAL NET ASSETS	$ 3,272,974

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Internal Service Fund
Operating Revenues:	
Employee and employer contributions	$ 19,278,999
Total Operating Revenues	19,278,999
Operating Expenses:	
Employee benefits	19,138,660
Total Operating Expenses	19,138,660
Operating income	140,339
Net Assets at Beginning of Year	3,132,635
Net Assets at End of Year	$ 3,272,974

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Internal Service Fund
Cash Flows From Operating Activities:	
Receipts from employees and employer	$ 19,078,998
Payments of employee benefits and expenses	(18,832,953)
Net Cash Provided By Operating Activities	246,045
Net Change in Cash and Short-Term Investments	246,045
Cash and Short-Term Investments, Beginning of Year	7,743,344
Cash and Short-Term Investments, End of Year	$ 7,989,389
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	$ 140,339
Changes in assets and liabilities:	
Accrued liabilities	105,706
Net Cash Provided By Operating Activities	$ 246,045

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust Fund (As of December 31, 2010)	Agency Funds
ASSETS		
Cash and short-term investments	$ 661,579	$ 1,032,796
Investments	100,555,916	-
Accounts receivable	20	53,002
Other assets	-	195,254
Total Assets	101,217,515	1,281,052
LIABILITIES AND NET ASSETS		
Deferred revenue	3,577,979	53,002
Guarantee deposits	-	584,879
Other liabilities	-	643,171
Total Liabilities	3,577,979	1,281,052
NET ASSETS		
Total net assets held in trust for pension benefits	$ 97,639,536	$ -

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Pension Trust Fund
Additions:	
Contributions:	
Employers	$ 7,115,600
Other systems and Commonwealth of Massachusetts	328,474
Plan members	2,206,973
Other	79,455
Total contributions	9,730,502
Investment Income:	
Interest and dividends	2,176,155
Increase in fair value of investments	8,995,105
Management fees	(295,915)
Net investment income	10,875,345
Total additions	20,605,847
Deductions:	
Benefit payments to plan members and beneficiaries	7,706,928
Refunds to plan members	337,977
Reimbursements to other systems	168,010
Administrative expenses	151,554
Total deductions	8,364,469
Net increase	12,241,378
Net assets:	
Beginning of year	85,398,158
End of year	$ 97,639,536

See notes to financial statements.

1. Summary of Significant Accounting Policies

The accounting policies of the City of Leominster (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. *Reporting Entity*

The government is a municipal corporation governed by an elected City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

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

In the Fiduciary Funds: The Leominster Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The Contributory Retirement System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the Contributory Retirement System can be obtained by contacting the Contributory Retirement System located at Leominster City Hall, 25 West Street, Leominster, MA 01453.

B. *Government-wide and Fund Financial Statements*

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific

function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expendi-

tures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *sewer system improvements capital project fund*, which accounts for the resources obtained and used for the improvements to the City's public sewer system.
- The *water system improvements capital project fund*, which accounts for the resources obtained and used for the improvements to the City's public water system.

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 a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following proprietary fund:

- *Internal Service Funds* - To account for goods or services provided by one City department or agency to other City departments or agencies. The City accounts for its self-insured health and workers compensation funds as internal service funds.

The *pension trust fund* accounts for the activities of the Leominster Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

D. *Cash and Short-Term Investments*

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are

invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents". The interest earnings attributable to each fund type is included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2½ percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2011 tax levy reflected an excess capacity of $ 5,222,736.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $ 20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20
Infrastructure	25
Vehicles	5 - 10
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City's fund balance classification policies and procedures are as follows:

1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council).
4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

2. Stewardship, Compliance and Accountability

A. *Budgetary Information*

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. *Budgetary Basis*

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. *Budget/GAAP Reconciliation*

The budgetary data for the general and certain special revenue funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general, water and sewer funds are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
General Fund		
Revenues/Expenditures (GAAP Basis)	$ 116,007,172	$ 116,219,118
Other financing sources/uses (GAAP Basis)	3,843,358	3,018,075
Subtotal (GAAP Basis)	119,850,530	119,237,193
Adjust tax revenue to accrual basis	(331,342)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(5,285,899)
Add end of year appropriation carryforwards to expenditures	-	5,071,893
To reverse the effect of non-budgeted State contributions for teachers retirement	(9,978,210)	(9,978,210)
Recognize use of fund balance as funding source	5,334,546	-
Other	(84,541)	(599,983)
Budgetary Basis	$ 114,790,983	$ 108,444,994

D. *Deficit Fund Equity*

The following funds had deficits as of June 30, 2011:

Capital Project Funds:	
High School Renovations	$ (268,857)
Total Capital Project Funds	(268,857)

(continued)

(continued)

Special Revenue Funds:	
P206 Education Jobs	(394,815)
P240 SPED entitlement	(356,680)
P305 Title I reading	(82,887)
P780 ARRA Funds stimulus support	(400,912)
Various other school grants	(311,978)
PWED-Southgate Business Park	(286,085)
CDAG-COMG & Carriage District	(360,318)
Highway State aid	(567,789)
Various other City Special Revenue Funds	(136,931)
Total Special Revenue Funds	(2,898,395)
Totals	$ (3,167,252)

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Massachusetts General Law Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The City and the Contributory Retirement System do not have a deposit policy for custodial credit risk.

As of June 30, 2011, $ 27,682,070 of the City's bank balance of $ 46,007,685 was exposed to custodial credit risk as uninsured or uncollateralized.

As of December 31, 2010, $ 232,264 of the Contributory Retirement System's bank balance of $ 743,211 was exposed to custodial risk as uninsured, uncollateralized, and collateral held by pledging bank's Trust Department not in the Contributory Retirement System's name.

4. Investments

A. *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term invest-

ments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the City's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for each investment of the City (All federal agency securities have an implied credit rating of AAA.):

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year-end AAA	AA+
Certificates of deposits	$ 1,089,453	$ 1,089,453	$ -	$ -
Corporate equities	517,659	517,659	-	-
Corporate bonds	10,619	-	-	10,619
Mutual funds	16,907	16,907	-	-
Municipal bonds	450,365	450,365	-	-
Federal agency securities	47,716	-	47,716	-
Total investments	$ 2,132,719	$ 2,074,384	$ 47,716	$ 10,619

Massachusetts General Law, Chapter 32, Section 23, limits the investment of Contributory Retirement System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets is invested in any one security.

Presented below is the actual rating as of year-end of the Contributory Retirement System:

Investment Type	Fair Value	Exempt From Disclosure
Pooled domestic equity funds	$ 5,473,406	$ 5,473,406
Pooled international equity funds	12,612,154	12,612,154
Pooled global equity funds	24,324,778	24,324,778
Pooled domestic fixed income	4,305,070	4,305,070
Pooled alternative investments	5,571,532	5,571,532
State investment pool *	48,268,976	48,268,976
Total investments	$ 100,555,916	$ 100,555,916

** Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

B. *Custodial Credit Risk*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and the Contributory Retirement System do not have policies for custodial credit risk.

All of the City's investments of $ 2,132,719 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the City's brokerage firm (which is also the Counterparty to these securities) but are not in the City's name.

All of the Contributory Retirement Systems' investments of $ 100,555,916 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the City's brokerage firm (which is also the Counterparty to these securities) but are not in the System's name.

C. *Concentration of Credit Risk*

The City places no limit on the amount the City may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

First Bank P.R. Santurce CD	$ 242,405
Conway Mass Bond	450,365
State Bank India Chicago ICD	240,072

The Contributory Retirement System places no limit on the amount the System may invest in any one issuer. The System does not have investments in one issue greater than 5% of total investments.

D. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and the Contributory Retirement System do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1 Year	1-5	6-10
Certificates of deposits	$ 1,089,453	$ 554,316	$ 535,137	$ -
Corporate bonds	10,619	10,619	-	-
Municipal bonds	450,365	450,365	-	-
Federal agency securities	47,716	-	22,083	25,633
Total investments	$ 1,598,153	$ 1,015,300	$ 557,220	$ 25,633

Information about the sensitivity of the fair values of the Contributory Retirement System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City and the Contributory Retirement System do not have policies for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 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 a quarterly basis 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 they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The City has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2011 consist of the following:

Real Estate		
2011	$ 746,770	
2010	13,975	
2009	6,209	
2008 and Prior	23,727	
		790,681

(continued)

(continued)

Personal Property		
2011	31,350	
2010	19,454	
2009	18,033	
2008 and Prior	277,744	
		346,581
Tax Liens		1,693,608
Tax Foreclosure		491,579
Taxes in Litigation		13,963
Total		$ 3,336,412

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts.

	Governmental
Property taxes	$ 301,771
Tax liens and foreclosures	2,029,789
Excises	579,506
Ambulance	321,217
Water/sewer charges	183,697

7. Loans and Intergovernmental Receivables

The loan receivable balance in the Non-Major Governmental Funds represents various deferred payment loans made to residents through the City's Federal and State grant programs $ (3,135,765) which have been deferred.

The current intergovernmental receivable balance reported in the accompanying financial statements represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011.

The intergovernmental receivable balance in the Water and Sewer System Improvement funds represents the balance of loan commitments from the Massachusetts Water Pollution Abatement Trust (MWPAT) and grants awarded by the American Recovery and Reinvestment Act (ARRA) less the amounts drawn down in fiscal year 2011 and prior and reported as a notes payable and intergovernmental revenue at June 30, 2011.

	Sewer System Improvement Fund	Water System Improvement Fund
MWPAT Loan Commitment	$ 5,820,161	$ 14,693,629
ARRA Grant	2,344,119	2,462,131
Subtotal	8,164,280	17,155,760
Loan Drawdown	(445,532)	(6,977,639)
ARRA Receipts	(2,344,119)	(1,784,856)
Remaining Project Funds (Intergovernmental Receivable)	$ 5,374,629	$ 8,393,265

8. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Building and land improvements	$ 111,058,401	$ 2,729,374	$ -	$ 113,787,775
Machinery, equipment, and furnishings	14,181,327	727,485	-	14,908,812
Infrastructure	35,314,375	550,513	-	35,864,888
Total capital assets, being depreciated	160,554,103	4,007,372	-	164,561,475
Less accumulated depreciation for:				
Building and land improvements	(43,641,848)	(2,781,468)	-	(46,423,316)
Machinery, equipment, and furnishings	(7,511,188)	(1,258,509)	-	(8,769,697)
Infrastructure	(12,642,158)	(1,270,220)	-	(13,912,378)
Total accumulated depreciation	(63,795,194)	(5,310,197)	-	(69,105,391)
Total capital assets, being depreciated, net	96,758,909	(1,302,825)	-	95,456,084
Capital assets, not being depreciated:				
Land	76,344,333	-	-	76,344,333
Construction in progress	11,752,252	8,777,455	(2,118,547)	18,411,160
Total capital assets, not being depreciated	88,096,585	8,777,455	(2,118,547)	94,755,493
Governmental activities capital assets, net	$ 184,855,494	$ 7,474,630	$ (2,118,547)	$ 190,211,577

Depreciation expense was charged to functions of the City as follows:

General government	$ 211,636
Public safety	437,375
Education	1,930,706
Public works	1,885,979
Health and human services	215,223
Culture and recreation	629,278
Total Depreciation Expense	$ 5,310,197

9. Warrants and Accounts Payable

Warrants payable represent 2011 expenditures paid by July 15, 2011 as permitted by law. Accounts payable represent additional 2011 expenditures paid after July 15, 2011.

10. Deferred Revenue

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.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2011 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

11. Notes Payable

The City had no notes outstanding at June 30, 2011:

The following summarizes activity in notes payable during fiscal year 2011:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
MWPAT loan anticipation	$ 6,739,737	$ -	$ (6,739,737)	$ -

12. Other Liabilities

The General Fund balance of other liabilities consists primarily of unclaimed checks (tailings). The Non-Major Governmental funds liability consists primarily of performance bonds retained by the City from various developers.

13. Long-Term Debt

A. *General Obligation Bonds*

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

Bonds Payable:	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2011
Skyview Middle School	05/15/13	3.25 - 4	$ 1,500,000
Library construction	11/01/17	3.75 - 4.375	3,265,000
Sewer improvement	05/01/18	2.25 - 4	1,260,000
Library construction	05/01/18	2.25 - 4	3,115,000
Sewer inflow/infiltration (MWPAT)	08/01/18	1.5	131,800
Sewer inflow/infiltration (MWPAT)	08/01/19	1.5	435,900
Sewerf inflow/infiltration (MWPAT)	08/01/19	1.5	1,230,000
Harvard Street sewer (MWPAT)	08/01/19	1.5	809,602
Water (MWPAT)	08/01/19	1.5	2,365,000
Harvard Street sewer (MWPAT)	08/01/19	1.5	641,222
Water improvements	05/01/25	3.50 - 5	2,590,000
School design	10/24/28	3.75 - 5	465,000
Watershed land purchase	10/24/28	3.75 - 5	440,000
Water system improvement # 2	10/24/28	3.75 - 5	975,000
Water (MWPAT)	07/15/30	2.0	7,057,152
Water (MWPAT)	07/15/30	2.0	7,636,477
Sewer (MWPAT)	07/15/30	2.0	5,820,162
Total Bonds Payable:			$ 39,737,315

B. *Future Debt Service*

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

Governmental	Principal	Interest	Total
2012	$ 3,524,503	$ 985,083	$ 4,509,586
2013	3,524,019	898,540	4,422,559
2014	2,837,224	776,408	3,613,632
2015	2,879,831	698,251	3,578,082
2016	2,897,896	614,116	3,512,012
2017 - 2021	11,309,628	2,019,330	13,328,958
2022 - 2026	6,707,852	1,022,993	7,730,845
2027 - 2031	6,056,362	305,928	6,362,290
Total	$ 39,737,315	$ 7,320,649	$ 47,057,964

C. *Changes in General Long-Term Liabilities*

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

	Total Balance July 1, 2010	Additions	Reductions	Total Balance June 30, 2011	Less Current Portion	Equals Long-Term Portion June 30, 2011
Governmental Activities						
Bonds payable	$ 24,448,708	$ 20,513,790	$ (5,225,183)	$ 39,737,315	$ (3,524,503)	$ 36,212,812
Other:						
Landfill closure	1,907,120	-	(74,120)	1,833,000	(84,150)	1,748,850
Other post-employment benefits	16,950,008	10,808,731	-	27,758,739	-	27,758,739
Compensated absences	3,237,225	75,676	(41,462)	3,271,439	(327,144)	2,944,295
Totals	$ 46,543,061	$ 31,398,197	$ (5,340,765)	$ 72,600,493	$ (3,935,797)	$ 68,664,696

14. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill has been closed for several years and the City has filed a formal closure and monitoring plan with the Commonwealth. The $ 1,833,000 reported as landfill post-closure care liability at June 30, 2011 represents the annual cost of monitoring for the next 20 years. This amount is based on

what it would cost to perform all post-closure care in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City expects to fund the cost of monitoring through annual departmental appropriations.

15. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between non-expendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

16. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

In fiscal year 2011, the City implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2011:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest

level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Council Meetings, capital reserve funds set aside by Council Meetings vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Following is a breakdown of the City's fund balances at June 30, 2011:

	General Fund	Sewer System Improvements	Water System Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Reserve for petty cash	$ 1,869	$ -	$ -	$ -	$ 1,869
Nonexpendable permanent funds	-	-	-	776,156	776,156
	$ 1,869	$ -	$ -	$ 776,156	$ 778,025
Restricted					
Bonded projects	$ -	$ 4,170,547	$ 7,888,532	$ 68,877	$ 12,127,956
Special revenue funds	-	-	-	8,525,606	8,525,606
Expendable permanent funds	-	-	-	1,974,711	1,974,711
	$ -	$ 4,170,547	$ 7,888,532	$ 10,569,194	$ 22,628,273
Committed					
Stabilization fund	$ 11,092,716	$ -	$ -	$ -	$ 11,092,716
	$ 11,092,716	$ -	$ -	$ -	$ 11,092,716
Assigned					
Reserved for encumbrances	$ 5,071,893	$ -	$ -	$ -	$ 5,071,893
	$ 5,071,893	$ -	$ -	$ -	$ 5,071,893
Unassigned	$ 9,330,663	$ -	$ -	$ (3,167,252)	$ 6,163,411

17. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Sewer Infiltration/Inflow Project - The City is under a 1996 Administrative Consent Order issued by the Department of Environmental Protection to improve its sewer inflow/infiltration system. The City funded the first two phases of the remediation through a low-interest loan program administered by the Massachusetts Water Pollution Abatement Trust Fund (MWPAT). The projects were substantially completed at the end of fiscal year 2002. The related loan balances, originally issued in the amounts of $ 942,300 and $ 1,894,943, are reported as long-term obligations of the City. The final phase was completed in September 2006.

In June 2002, the City received an Administrative Consent Order and Notice of Noncompliance for not fully complying with the 1996 consent order. It is anticipated that the June 2002 order will be partially satisfied through remediation (beginning in July 2007) and is estimated to cost approximately $ 1,000,000, which the City intends to fund through user fees. Additionally, the City expects to fully satisfy the order by continued maintenance in conjunction with operational monitoring, to be funded through annual departmental operations. The City expects to be in compliance by fiscal year 2012.

Water Filtration Plant - The City is under a 2006 consent order issued by the Department of Environmental Protection to construct a new water filtration plant at Distributing Reservoir. The filtration plant was operational as of June 30, 2011. The City is the recipient of a $ 19.26 million dollar grant through the State Revolving Loan Fund (SRF) which will fund the construction of a new water treatment facility as required by the consent order. Additionally, the SRF will fund upgrades to the Notown Water Treatment Plant, the Southeast Wells Pump Station and lines to the Monoosnoc Water Tank. The upgrade began in June of 2011 and is expected to be completed in June of 2012.

Sludge Disposal Agreement - In 1989 the City entered into a 30-year agreement with the City of Fitchburg for sludge removal. The agreement may be terminated with one year's notice. The cost is appropriated annually and is based on actual usage. The annual cost is estimated to be approximately $ 480,000 per year.

Wastewater Treatment Facility Upgrades - In September of 2007 the City received notice from the United States Environmental Protection Agency of an order to comply with certain sections of the Clean Water Act relating to National Pollution Discharge Elimination Systems (NPDES). Full compliance must be achieved by fiscal year 2012. The City is currently in the data accumulation phase and preliminary estimates indicate the costs associated with full compliance will be approximately $ 15,000,000 to $ 20,000,000. The City is the recipient of a $ 20 million dollar grant through the State Revolving Loan Fund (SRF) which will fund the upgrades as required by the order.

18. Post-Employment Healthcare and Life Insurance Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. *Plan Description*

In addition to providing the pension benefits described in the following note, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2011, the actuarial valuation date, approximately 881 retirees and 1,083 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. *Benefits Provided*

The City provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

C. *Funding Policy*

Retirees contribute a portion of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. *Annual OPEB Costs and Net OPEB Obligation*

The City's annual fiscal year OPEB 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of January 1, 2011.

Annual Required Contribution (ARC)	$ 17,311,575
Interest on net OPEB obligation	725,373
Adjustment to ARC	(574,578)
Annual OPEB cost	17,462,370
Contributions made	(6,653,639)
Increase in net OPEB obligation	10,808,731
Net OPEB obligation - beginning of year	16,950,008
Net OPEB obligation - end of year	$ 27,758,739

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	$ 13,454,276	37%	$ 8,486,660
2010	$ 13,958,055	39%	$ 16,950,008
2011	$ 17,462,370	38%	$ 27,758,739

The City's net OPEB obligation as of June 30, 2011 is recorded as a long-term liability in the accompanying government-wide financial statement.

E. *Funded Status and Funding Progress*

The funded status of the plan as of January 1, 2011, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	$ 212,008
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	212,008
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 58,941
UAAL as a percentage of covered payroll	360%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City 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 City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.25% investment rate of return and an initial annual healthcare cost trend rate of 11% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

19. Contributory Retirement System

The City follows the provisions of GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description and Contribution Information

Substantially all employees of the City are members of the Leominster Contributory Retirement System (LCRS), a cost-sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the LCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the LCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The LCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the

Contributory Retirement System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at January 1, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	400
Terminated plan members entitled to but not yet receiving benefits	106
Active plan members	588
Total	1,094
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the Contributory Retirement System. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of $ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The City's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	$ 3,269,571	100%
2003	3,428,959	100%
2004	3,555,376	100%
2005	3,686,988	100%
2006	4,648,322	100%
2007	4,983,069	100%
2008	5,293,353	100%
2009	7,071,586	100%
2010	7,075,241	100%
2011	7,155,958	100%

B. *Summary of Significant Accounting Policies*

Basis of Accounting - Contributory Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

C. *Funded Status and Funding Progress*

The information presented below is from the Leominster Contributory Retirement System's most recent valuation (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]
01/01/11	$ 101,218	$ 128,738	$ 27,520	78.6%	$ 22,408	123%

The Schedule of Funding Progress following the Notes to Financial Statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. *Actuarial Methods and Assumptions*

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of $ 27.5 million was calculated. The actuarial assumptions included (a) 8.0% investment rate of return and (b) a projected salary increase of 4.75% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3.0%, on the first $ 12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.0%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of January 1, 2011

coverage, the City is liable for an aggregate liability of $ 1,000,000, with a maximum of $ 2,000,000. At June 30, 2011, there was no liability for unpaid claims as the City estimates the amount, if any, to be immaterial.

Health Insurance

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing of its dental and health insurance plans. Under the terms of its insurance coverage, the City is liable for dental costs incurred up to $ 1,000 per enrollee per year and medical claims up to $ 100,000 per incident, with a lifetime maximum of $ 2 million per enrollee. The policy also includes an aggregate maximum of 125 percent of premiums per policy year. The City's health insurance plans are retrospectively rated (i.e., level monthly payment amounts are adjusted quarterly to reflect actual claims paid). The claims liability at June 30, 2011 represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2011 are as follows:

Claims liability, beginning of year	$ 4,610,709
Claims incurred/recognized in fiscal year 2011	19,138,660
Claims paid in fiscal year 2011	(19,032,954)
Claims liability, end of year	$ 4,716,415

21. Beginning Fund Balance Reclassification

The City's major governmental funds for fiscal year 2011, as defined by GASB Statement 34, have changed from the previous fiscal year as a result of implementing GASB Statement 54. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/10 (as previously reported)	Reclassification	Fund Equity 6/30/10 (as restated)
General Fund	$ 13,333,297	$ 11,550,507	$ 24,883,804
Stabilization Fund	11,550,507	(11,550,507)	-
Total	$ 24,883,804	$ -	$ 24,883,804

CITY OF LEOMINSTER, MASSACHUSETTS

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)
(Amounts Expressed in thousands)

Employees' Retirement System
December 31, 2010

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 Percent-age of Covered Payroll [(b-a)/c]
1/1/11	$101,218	$128,738	$27,520	78.6%	$22,408	123%
1/1/10	$88,936	$127,047	$38,111	70.0%	$24,404	156%
1/1/08	$99,005	$118,516	$19,511	83.5%	$23,530	83%
1/1/07	$88,606	$111,752	$23,146	79.0%	$22,775	102%
1/1/06	$75,143	$101,959	$26,816	74.0%	$22,109	121%
1/1/04	$62,214	$92,559	$30,345	67.0%	$20,658	147%
1/1/01	$52,941	$77,053	$24,112	68.7%	$18,178	133%
1/1/98	$41,568	$68,432	$26,864	60.7%	$15,254	176%
1/1/95	$24,578	$49,024	$24,446	50.1%	$11,638	210%
1/1/92	$19,797	$42,516	$22,719	46.6%	$10,700	212%

Other Post-Employment Benefits
June 30, 2011

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 Percent-age of Covered Payroll [(b-a)/c]
01/01/11	$ -	$ 212,007	$ 212,007	0.0%	$ 58,941	359.7%
01/01/08	$ -	$ 154,772	$ 154,772	0.0%	$ 49,165	314.8%

See Independent Auditors' Report.

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

ANNUALLY BUDGETED SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
WATER				
Revenues and Other Sources:				
Charges for services	$ 4,400,000	$ 4,400,000	$ 5,155,250	$ 755,250
Transfers in	-	494,277	494,277	-
Total Revenues and Other Sources	4,400,000	4,894,277	5,649,527	755,250
Expenditures and Other Uses:				
Public works	3,543,233	4,037,510	4,003,228	34,282
Debt service	856,767	856,767	798,661	58,106
Transfers out	-	-	847,638	(847,638)
Total Expenditures and Other Uses	4,400,000	4,894,277	5,649,527	(755,250)
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ -	$ -	$ -	$ -
SEWER				
Revenues and Other Sources:				
Charges for services	$ 3,600,000	$ 3,600,000	$ 4,387,760	$ 787,760
Transfers in	-	634,587	634,587	-
Total Revenues and Other Sources	3,600,000	4,234,587	5,022,347	787,760
Expenditures and Other Uses:				
Public works	2,856,363	3,490,950	3,654,031	(163,081)
Debt service	743,637	743,637	497,512	246,125
Transfers out	-	-	870,804	(870,804)
Total Expenditures and Other Uses	3,600,000	4,234,587	5,022,347	(787,760)
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ -	$ -	$ -	$ -

See Independent Auditors' Report.