

**TOWN OF MILLBURY, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2006**

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## INDEPENDENT AUDITORS' REPORT

To the Selectboard  
Town of Millbury, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Millbury, Massachusetts, as of and for the year ended June 30, 2006, 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 Millbury'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 Town of Millbury, as of June 30, 2006, and the respective changes in financial position, thereof 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 in the back of this report, are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. 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.

The Town has not presented a budget and actual schedule for the sewer fund that the *Governmental Accounting Standards Board* has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2007 on our consideration of the Town's 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 considered in assessing the results of our audit.

Andover, Massachusetts  
May 25, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Millbury, we offer readers this narrative overview and analysis of the financial activities of the Town of Millbury for the fiscal year ended June 30, 2006.

### **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).

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, health and human services, and culture and recreation. In fiscal year 2006 it was determined that no funds met the criteria for business-type activities.

**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 two categories: governmental 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.

**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 Town'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 to be disclosed by the *Governmental Accounting Standards Board*.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 71,865,906 (i.e., net assets), a change of \$ 6,146,018 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 12,319,714, a change of \$ 6,905,313 in comparison with the prior year.

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 2,845,123, a change of \$ 1,080,316 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 23,001,195, a change of \$ (482,683) in comparison to the prior year.

### **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 16,150	\$ 14,628
Capital assets	<u>82,013</u>	<u>83,451</u>
Total assets	<u>98,163</u>	<u>98,079</u>
Long-term liabilities outstanding	23,948	24,447
Other liabilities	<u>2,349</u>	<u>7,912</u>
Total liabilities	26,297	32,359
Net assets:		
Invested in capital assets, net	59,241	53,613
Restricted	627	544
Unrestricted	<u>11,998</u>	<u>11,563</u>
Total net assets	\$ <u><u>71,866</u></u>	\$ <u><u>65,720</u></u>

## CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,275	\$ 1,770
Operating grants and contributions	11,406	10,722
General revenues:		
Property taxes	15,856	13,091
Excises	1,656	1,765
Penalties and interest on taxes	127	120
Grants and contributions not restricted to specific programs	9,544	20,184
Investment income	263	222
Miscellaneous	<u>1,437</u>	<u>1,691</u>
Total revenues	42,564	49,565
Expenses:		
General government	1,666	1,780
Public safety	2,867	2,883
Education	20,461	18,409
Public works	4,694	2,837
Health and human services	366	308
Culture and recreation	727	634
Employee benefits	3,791	3,403
Interest on long-term debt	800	1,184
Intergovernmental	<u>1,046</u>	<u>888</u>
Total expenses	<u>36,418</u>	<u>32,326</u>
Increase in net assets	6,146	17,239
Net assets - beginning of year	<u>65,720</u>	<u>48,481</u>
Net assets - end of year	<u>\$ 71,866</u>	<u>\$ 65,720</u>

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 \$ 71,865,906, a change of \$ 6,146,018 from the prior year, principally from the Massachusetts School Building Authority grant for school construction.

The largest portion of net assets \$ 59,240,908 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, and infrastructure), 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 \$ 627,389 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 11,997,609 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 6,146,018. Key elements of this increase are as follows:

Excess/(Deficiency) of Revenues over Expenditures:	
General fund	\$ 383,559
Special revenue funds	(535,559)
Sewer operations	<u>(14,965)</u>
Subtotal	(166,965)
Massachusetts School Building Authority	
reimbursement	6,603,000
Depreciation in excess of principal debt service	(1,514,788)
Capital assets required from current year revenues	963,779
Other	<u>260,992</u>
Total	\$ <u><u>6,146,018</u></u>

#### **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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 12,319,714, a change of \$ 6,905,313 in comparison with the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 383,559
Trust fund revenues in excess of expenditures	73,815
Sewer fund expenditures in excess of revenues	(14,965)
Highway fund expenditures in excess of revenues	(522,923)
Massachusetts School Building Authority reimbursement	6,603,000
Excess of current year bond proceeds over current year capital expenditures	131,400
Other	<u>251,427</u>
Total	<u>\$ 6,905,313</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 2,845,123 while total fund balance was \$ 6,437,110. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.1 percent of total general fund expenditures, while total fund balance represents 20.6 percent of that same amount.

The fund balance of the general fund changed by \$ 783,987 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (2,239,814)
Revenues in excess of budget	2,071,803
Expenditures less than of budget	949,430
Other	<u>2,568</u>
Total	<u>\$ 783,987</u>

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 16,700. Major reasons for these amendments include:

- \$ 6,700 for the Tree Warden salaries and expenses funded by the tax levy.
- \$ 5,000 for the expenses of the Financial Management Task Force funded by the tax levy.
- \$ 5,000 for Cemetery salaries and expenses funded by transfers from Special revenue funds.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year end amounted to \$ 82,013,064 (net of accumulated depreciation), a net change of \$ (1,437,633) from the prior year. This investment in capital assets includes land, land improvements, buildings and improvements, machinery, equipment and furnishings, infrastructure, antiques and works of art, and construction in progress.

Major capital asset events during the current fiscal year included school building improvements, acquisition of school computer equipment, acquisition of vehicles for the Highway and Sewer departments, and on-going infrastructure improvements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 23,001,195, 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 footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Millbury'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:

Town Manager  
Municipal Office Building  
127 Elm Street  
Millbury, Massachusetts 01527

TOWN OF MILLBURY, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 13,965,746
Receivables:	
Property taxes	623,048
Excises	286,713
User fees	107,041
Intergovernmental	319,555
Due from external parties, fiduciary funds	4,045
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Sewer assessments	843,949
Non-depreciable capital assets	4,852,256
Other capital assets, net of accumulated depreciation	<u>77,160,808</u>
<b>TOTAL ASSETS</b>	<b>98,163,161</b>
<b>LIABILITIES</b>	
Current:	
Warrants payable	611,259
Accrued liabilities	872,782
Tax refunds payable	203,708
Notes payable	661,711
Current portion of long-term liabilities:	
Bonds payable	1,558,213
Other liabilities	58,162
Noncurrent:	
Bonds payable, net of current portion	21,442,982
Other liabilities, net of current portion	<u>888,438</u>
<b>TOTAL LIABILITIES</b>	<b>26,297,255</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	59,240,908
Restricted for:	
Grants and other statutory restrictions	265,924
Permanent funds:	
Expendable	124,530
Nonexpendable	236,935
Unrestricted	<u>11,997,609</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>71,865,906</u></b>

See notes to financial statements.

TOWN OF MILLBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
General government	\$ 1,666,509	\$ 234,882	\$ 165,762	\$ (1,265,865)
Public safety	2,867,145	215,908	181,457	(2,469,780)
Education	20,460,754	372,760	10,537,296	(9,550,698)
Public works	4,693,552	1,413,779	340,513	(2,939,260)
Health and human services	366,041	34,442	59,324	(272,275)
Culture and recreation	727,368	2,813	121,710	(602,845)
Employee benefits	3,790,673	-	-	(3,790,673)
Interest	800,122	-	-	(800,122)
Intergovernmental	1,045,993	-	-	(1,045,993)
Total Governmental Activities	\$ 36,418,157	\$ 2,274,584	\$ 11,406,062	(22,737,511)
<b>General Revenues:</b>				
Property taxes				15,855,701
Excises				1,656,378
Penalties, interest and other taxes				126,988
Grants and contributions not restricted to specific programs				9,544,306
Investment income				263,161
Miscellaneous				1,436,995
Total general revenues				28,883,529
Change in Net Assets				6,146,018
<b>Net Assets:</b>				
Beginning of year, as restated				65,719,888
End of year				\$ 71,865,906

See notes to financial statements.

TOWN OF MILLBURY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2006

ASSETS

	General	Highway Fund	Sewer Fund	School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 7,691,940	\$ 61,805	\$ 3,283,460	\$ 20,594	\$ 2,907,947	\$ 13,965,746
Receivables:						
Property taxes	623,048	-	-	-	-	623,048
Excises	286,713	-	-	-	-	286,713
User fees	-	-	950,990	-	-	950,990
Intergovernmental	-	-	-	-	319,555	319,555
Due from other funds	4,045	-	-	-	-	4,045
<b>TOTAL ASSETS</b>	<b>\$ 8,605,746</b>	<b>\$ 61,805</b>	<b>\$ 4,234,450</b>	<b>\$ 20,594</b>	<b>\$ 3,227,502</b>	<b>\$ 16,150,097</b>

LIABILITIES AND FUND BALANCES

Liabilities:						
Warrants payable	\$ 562,213	\$ -	\$ -	\$ -	\$ 49,046	\$ 611,259
Accrued liabilities	492,954	-	-	-	-	492,954
Deferred revenues	909,761	-	950,990	-	-	1,860,751
Tax refunds payable	203,708	-	-	-	-	203,708
Notes payable	-	661,711	-	-	-	661,711
<b>TOTAL LIABILITIES</b>	<b>2,168,636</b>	<b>661,711</b>	<b>950,990</b>	<b>-</b>	<b>49,046</b>	<b>3,830,383</b>
Fund Balances:						
Reserved for:						
Encumbrances and continuing appropriations	1,566,023	-	-	-	-	1,566,023
Expenditures	817,214	-	-	-	-	817,214
Perpetual (nonexpendable) permanent funds	-	-	-	-	236,935	236,935
Other specific purposes	759,672	-	-	-	-	759,672
Unreserved:						
Designated	449,078	-	-	-	-	449,078
Undesignated, reported in:						
General fund	2,845,123	-	-	-	-	2,845,123
Special revenue funds	-	(599,906)	3,283,460	-	1,662,765	4,346,319
Capital project funds	-	-	-	20,594	1,154,226	1,174,820
Permanent expendable	-	-	-	-	124,530	124,530
<b>TOTAL FUND BALANCES</b>	<b>6,437,110</b>	<b>(599,906)</b>	<b>3,283,460</b>	<b>20,594</b>	<b>3,178,456</b>	<b>12,319,714</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,605,746</b>	<b>\$ 61,805</b>	<b>\$ 4,234,450</b>	<b>\$ 20,594</b>	<b>\$ 3,227,502</b>	<b>\$ 16,150,097</b>

See notes to financial statements.

TOWN OF MILLBURY, MASSACHUSETTS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2006

<b>Total governmental fund balances</b>	\$ 12,319,714
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	82,013,064
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,860,751
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(379,828)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(23,947,795)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 71,865,906</u></u>

See notes to financial statements.

TOWN OF MILLBURY, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2006

	General	Highway Fund	Sewer Fund	School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property taxes	\$ 15,744,427	\$ -	\$ -	\$ -	\$ -	\$ 15,744,427
Excises	1,665,486	-	-	-	-	1,665,486
Penalties, interest and other taxes	78,526	-	-	-	-	78,526
Charges for services	20,000	-	1,367,473	-	601,255	1,988,728
Intergovernmental	11,927,579	-	42,203	6,603,000	1,580,760	20,153,542
Licenses and permits	291,873	-	-	-	-	291,873
Departmental	257,931	-	-	-	274,125	532,056
Investment income	138,602	-	60,182	-	64,378	263,162
Miscellaneous	1,513,288	-	80,990	-	92,732	1,687,010
Total Revenues	31,637,712	-	1,550,848	6,603,000	2,613,250	42,404,810
<b>Expenditures:</b>						
Current:						
General government	1,387,643	-	-	-	130,026	1,517,669
Public safety	2,583,269	-	-	-	64,569	2,647,838
Education	18,088,297	-	-	-	1,944,542	20,032,839
Public works	1,320,355	522,923	1,565,813	-	897,759	4,306,850
Health and human services	333,146	-	-	-	32,895	366,041
Culture and recreation	433,569	-	-	-	55,313	488,882
Employee benefits	3,790,673	-	-	-	-	3,790,673
Debt service	2,271,208	-	-	-	50,228	2,321,436
Intergovernmental	1,045,993	-	-	-	-	1,045,993
Total Expenditures	31,254,153	522,923	1,565,813	-	3,175,332	36,518,221
Excess (deficiency) of revenues over expenditures	383,559	(522,923)	(14,965)	6,603,000	(562,082)	5,886,589
<b>Other Financing Sources (Uses):</b>						
Proceeds of bonds	-	-	-	-	1,018,724	1,018,724
Transfers in	1,029,952	-	-	203,475	426,049	1,659,476
Transfers out	(629,524)	-	(201,148)	-	(828,804)	(1,659,476)
Total Other Financing Sources (Uses)	400,428	-	(201,148)	203,475	615,969	1,018,724
Changes in fund balance	783,987	(522,923)	(216,113)	6,806,475	53,887	6,905,313
Fund Balance at Beginning of Year, as restated	5,653,123	(76,983)	3,499,573	(6,785,881)	3,124,569	5,414,401
Fund Balance at End of Year	\$ 6,437,110	\$ (599,906)	\$ 3,283,460	\$ 20,594	\$ 3,178,456	\$ 12,319,714

See notes to financial statements.



TOWN OF MILLBURY, 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, 2006

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 6,905,313</b>
<ul style="list-style-type: none"> <li>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:</li> </ul>	
Capital outlay purchases	1,587,837
Depreciation	(3,016,195)
Loss on disposal of assets	(9,276)
<ul style="list-style-type: none"> <li>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.</li> </ul>	
	159,365
<ul style="list-style-type: none"> <li>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:</li> </ul>	
Issuance of debt	(1,018,724)
Repayments of debt	1,501,407
<ul style="list-style-type: none"> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	
	19,908
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</li> </ul>	
	16,383
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>6,146,018</u></b>

See notes to financial statements.

TOWN OF MILLBURY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Agency Funds
<b><u>ASSETS</u></b>	
Other assets	\$ 42,999
Total Assets	\$ 42,999
<b><u>LIABILITIES</u></b>	
Due to other funds	\$ 4,045
Other liabilities	38,954
Total Liabilities	\$ 42,999

See notes to financial statements.

# TOWN OF MILLBURY, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Millbury 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 Selectboard. 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. In fiscal year 2006, it was determined that no entities met the required GASB-39 criteria of component units.

#### 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 activities) 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. In fiscal year 2006, it was determined that no funds met the criteria for business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (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 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*. 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. In fiscal year 2006, it was determined that no program revenue met the criteria for capital grants and contributions. 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 expenditures, 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 *highway fund* accounts for the Town's highway construction activities.
- The *sewer fund* accounts for the operating activities of the Town's sewer services.
- The *school construction fund* is used to account for construction and renovations to school buildings.

#### 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 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 short-term investments". The interest earnings attributable to each fund type was included under investment income.

#### E. Property Tax Limitations

Legislation known as "Proposition 2 1/2" 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 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2006 tax levy reflected an excess capacity of \$ 223,433.

#### F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 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. Interest incurred during the construction phase of capi-

tal assets is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	20
Vehicles and garage equipment	5
Office equipment	5
Computer equipment	5

*G. 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 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.

*H. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

*I. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*J. 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 during the fiscal year. Actual results could vary from estimates that were used.

## **2. Stewardship, Compliance and Accountability**

### **A. Budgetary Information**

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, 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 special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee 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 and Sewer 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 supplementary information appearing in the back of this report represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### **C. Deficit Fund Equity**

The following funds had deficits as of June 30, 2006:

Highway fund	\$ (599,906)
Storm water phase II	( 90,239)
School Fuel tank removal	( 35,332)

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 Town's deposits may not be returned. 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 Town does not have a deposit policy for custodial credit risk

As of June 30, 2006, \$ 7,615,773 of the Town's bank balance of \$ 14,307,529 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

### 4. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on 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 Town 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, 2006 consist of the following (in thousands):

Real Estate		
2006	\$ 346	
2005	4	
2004	3	
2003	<u>1</u>	
		354
Tax Liens		<u>269</u>
Total		\$ <u><u>623</u></u>



## 5. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2006.

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 234	\$ -	\$ -	\$ 234
Buildings and improvements	55,000	925	-	55,925
Machinery, equipment, and furnishings	5,778	597	(112)	6,263
Infrastructure	43,450	2,421	-	45,871
Total capital assets, being depreciated	104,462	3,943	(112)	108,293
Less accumulated depreciation for:				
Land improvements	(130)	(8)	-	(138)
Buildings and improvements	(15,616)	(1,356)	-	(16,972)
Machinery, equipment, and furnishings	(3,022)	(601)	103	(3,520)
Infrastructure	(9,451)	(1,051)	-	(10,502)
Total accumulated depreciation	(28,219)	(3,016)	103	(31,132)
Total capital assets, being depreciated, net	76,243	927	(9)	77,161
Capital assets, not being depreciated:				
Land	4,510	337	(34)	4,813
Antiques and works of art	39	-	-	39
Construction in progress	2,659	-	(2,659)	-
Total capital assets, not being depreciated	7,208	337	(2,693)	4,852
Governmental activities capital assets, net	\$ <u>83,451</u>	\$ <u>1,264</u>	\$ <u>(2,702)</u>	\$ <u>82,013</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 107
Public safety	212
Education	1,127
Public works	1,330
Culture and recreation	240
Total depreciation expense - governmental activities	\$ <u>3,016</u>

## 7. Warrants Payable

Warrants payable represent 2006 expenditures paid by July 15, 2006 as permitted by law.

## 8. 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.

## 9. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the State Appellate Tax Board.

## 10. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2006:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2006</u>
Chapter 90 highway state aid anticipation note	3.93%	06/30/06	09/28/06	\$ <u>661,711</u>
Total				\$ <u><u>661,711</u></u>

The following summarizes activity in notes payable during fiscal year 2006:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Phase V sewer stages I & II	\$ 326,050	\$ -	\$ (326,050)	\$ -
School construction	6,603,000	-	(6,603,000)	-
Chapter 90 Highway State aid anticipation note	<u>-</u>	<u>661,711</u>	<u>-</u>	<u>661,711</u>
Total	\$ <u><u>6,929,050</u></u>	\$ <u><u>661,711</u></u>	\$ <u><u>(6,929,050)</u></u>	\$ <u><u>661,711</u></u>

## 11. Long-Term Debt

### A. General Obligation Bonds

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

	Serial Maturities	Interest Rate(s)%	Amount Outstanding as of <u>June 30, 2006</u>
Governmental Activities:	<u>Through</u>		
Sewer	10/01/09	7.00	\$ 350,000
Municipal purpose	02/01/09	6.90	175,000
MWPAT - Sewer 94-17	08/01/15	various	729,798
School remodeling	03/15/11	4.15 - 4.50	340,000
Sewer engineering	03/15/18	4.15 - 5.00	60,000
Sewer	03/15/18	4.15 - 5.00	340,000
MWPAT - Sewer 95-24	02/01/17	various	2,456,123
MWPAT - Sewer 98-52	08/01/19	various	1,011,588
Library addition	05/15/11	3.90 - 4.40	885,000
MWPAT - Sewer pool 9	08/01/23	various	1,733,043
Sewer treatment facility	12/15/23	3.00 - 4.50	2,485,000
School construction	01/15/25	2.75 - 5.00	6,650,000
MWPAT - Sewer 02-39	08/01/24	various	4,766,919
MWPAT - Sewer 04-36	07/15/25	various	625,000
MWPAT - Sewer 02-39	07/15/25	various	<u>393,724</u>
Total Governmental Activities:			\$ <u><u>23,001,195</u></u>

### B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2006 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,558,213	\$ 1,006,377	\$ 2,564,590
2008	1,579,011	937,795	2,516,806
2009	1,580,127	867,325	2,447,452
2010	1,537,733	796,546	2,334,279
2011	1,471,514	729,357	2,200,871
2012 - 2016	6,355,172	2,743,748	9,098,920
2017 - 2021	5,224,838	1,382,861	6,607,699
2022 - 2026	<u>3,694,587</u>	<u>342,672</u>	<u>4,037,259</u>
Total	\$ <u><u>23,001,195</u></u>	\$ <u><u>8,806,681</u></u>	\$ <u><u>31,807,876</u></u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2006.

### C. Changes in General Long-Term Liabilities

During the year ended June 30, 2006, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/05	Additions	Reductions	Total Balance 6/30/06	Less Current Portion	Equals Long- Term Portion 6/30/06
<u>Governmental Activities</u>						
Bonds payable	\$ 23,484	\$ 1,019	\$ (1,502)	\$ 23,001	\$ (1,558)	\$ 21,443
Other:						
Landfill closure	345	-	(15)	330	(15)	315
Accrued employee benefits	618	27	(28)	617	(43)	574
Subtotal	963	27	(43)	947	(58)	889
Totals	<u>\$ 24,447</u>	<u>\$ 1,046</u>	<u>\$ (1,545)</u>	<u>\$ 23,948</u>	<u>\$ (1,616)</u>	<u>\$ 22,332</u>

## 12. Subsequent Events

### Debt

Subsequent to June 30, 2006, the Town has incurred the following additional debt:

	Amount	Interest Rate	Issue Date	Maturity Date
MWPAT – Sewer 05-31	\$ <u>3,560,814</u>	1.76%	07/01/06	12/31/06
Total	<u>\$ 3,560,814</u>			

## 13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town 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. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill capacity used as of each balance sheet date.

The \$ 330,000 reported as the Town's estimate of landfill closure and postclosure care liability at June 30, 2006 represents what it would cost to perform all closure and postclosure care in 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

#### **14. 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 nonexpendable 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.

#### **15. Reserves and Designations of Fund Equity**

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2006:

Reserved for Encumbrances and Continuing Appropriations - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent budget year.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Reserved for Other Specific Purposes - An account used to segregate a portion of fund balance for future debt service.

Unreserved - Designated - Represents the amount of fund balance designated for future appropriations.

#### **16. Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential

future settlement of such claims would not materially affect its financial statements taken as a whole.

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 Town expects such amounts, if any, to be immaterial.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

## **17. Post-Employment Health Care and Life Insurance Benefits**

The Town has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2006 was not available.

## **18. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

### **A. Plan Description**

The Town contributes to the Worcester County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Worcester County Retirement System, 455 Main Street, Worcester, MA, 01608.

## **B. 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 remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contribution to the System for the year ended June 30, 2006 was \$ 652,839.

## **C. Teachers**

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%*
January 1, 1984 - June 30, 1996	8%*
July 1, 1996 - June 30, 2001	9%*
Beginning July 1, 2001	11%

\* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

The Town's current year covered payroll for teachers and administrators was unavailable. In fiscal year 2006, the Commonwealth of Massachusetts contributed \$ 2,661,587 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## **19. Risk Management**

The government 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 government carries commercial insurance. There

were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## 20. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2006, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity June 30, 2005 (as previously reported)	Reclassification	Fund Equity June 30, 2005 (as restated)
General fund	\$ 5,653,123	\$ -	\$ 5,653,123
Highway fund	-	(76,983)	(76,983)
Sewer fund	3,499,573	-	3,499,573
School construction	(6,785,881)	-	(6,785,881)
Nonmajor gov'tl funds	3,047,586	76,983	3,124,569
Total	<u>\$ 5,414,401</u>	<u>\$ -</u>	<u>\$ 5,414,401</u>

## 21. Beginning Net Assets Restatement

The beginning (July 1, 2005) net assets of the Town have been restated as follows (in thousands):

Government-Wide Financial Statements:

	Governmental Activities
As previously reported	\$ 45,811
Prior period adjustments - to restate balance of capital assets, net of accumulated depreciation	<u>19,909</u>
As restated	<u>\$ 65,720</u>



## TOWN OF MILLBURY, MASSACHUSETTS

## GENERAL FUND

## SCHEDULE OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 15,333,667	\$ 15,345,367	\$ 15,345,367	\$ -
Excise	1,353,750	1,353,750	1,665,486	311,736
Penalties, interest and other taxes	60,000	65,000	78,526	13,526
Charges for services	188,500	261,590	277,931	16,341
Intergovernmental	7,873,707	7,873,707	9,265,992	1,392,285
Licenses and permits	400,000	271,550	291,873	20,323
Investment income	80,000	80,000	138,602	58,602
Miscellaneous	1,217,750	1,268,110	1,513,288	245,178
Transfers in	811,601	816,601	830,412	13,811
Use of free cash	2,239,814	2,239,814	2,239,814	-
Total Revenues and Other Sources	29,558,789	29,575,489	31,647,291	2,071,802
<b>Expenditures and Other Uses:</b>				
General government	1,399,178	1,441,474	1,390,629	50,845
Public safety	2,710,767	2,713,417	2,461,904	251,513
Education	15,614,727	15,614,727	15,409,165	205,562
Public works	1,203,885	1,370,085	1,312,140	57,945
Health and human services	321,987	340,037	323,341	16,696
Culture and recreation	439,494	437,494	419,574	17,920
Debt service	2,623,683	2,623,683	2,370,902	252,781
Intergovernmental	1,021,124	1,021,124	1,045,993	(24,869)
Employee benefits	4,148,944	3,911,710	3,790,673	121,037
Transfers out	-	100,000	100,000	-
Other uses	75,000	1,738	1,738	-
Total Expenditures and Other Uses	29,558,789	29,575,489	28,626,059	949,430
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,021,232	\$ 3,021,232

See notes to supplementary information and Independent Auditor's report.

# TOWN OF MILLBURY, MASSACHUSETTS

## Notes to the Required Supplementary Information

For the Year Ended June 30, 2006

### Budget/GAAP Reconciliation

The budgetary data for the general and sewer fund 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 fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with 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.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 31,637,712	\$ 31,254,153
Other financing sources/uses (GAAP basis)	<u>1,029,952</u>	<u>629,524</u>
Subtotal (GAAP Basis)	32,667,664	31,883,677
Adjust tax revenue to accrual basis	(399,060)	-
Reverse expenditures of prior year carryforwards	-	(1,429,269)
Add end of year appropriation carryforwards to expenditures	-	1,261,330
To record raising of prior year deficits and other uses	-	1,738
To reverse the effect of non- budgeted State contributions for teachers retirement	(2,661,587)	(2,661,587)
Recognize other sources	2,239,814	-
To reverse nonbudgeted activity	(199,540)	(529,524)
To reverse change in accrued interest	<u>-</u>	<u>99,694</u>
Budgetary basis	<u><u>\$ 31,647,291</u></u>	<u><u>\$ 28,626,059</u></u>

See Independent Auditor's report.