

TOWN OF MILLBURY, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2007

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement Of Net Assets	13
Statement of Revenues, Expenditures, and Changes In Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Fiduciary Funds:	
Statement of Fiduciary Net Assets	16
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	31
Notes to the Required Supplementary Information	32

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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, 2007, 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, 2007, 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 _____, 2008 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
_____, 2008

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, 2007.

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 2007 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 (in thousands)

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 74,543 (i.e., net assets), a change of \$ 1,698 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 12,524, a change of \$ 204 in comparison with the prior year.

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 2,786, a change of \$ (59) in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 25,004, a change of \$ 2,003 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>2007</u>	<u>2006</u>
Current and other assets	\$ 17,115	\$ 16,150
Capital assets	<u>86,463</u>	<u>82,992</u>
Total assets	103,578	99,142
Long-term liabilities outstanding	25,915	23,948
Other liabilities	<u>3,120</u>	<u>2,349</u>
Total liabilities	29,035	26,297
Net assets:		
Invested in capital assets, net	61,223	60,220
Restricted	1,455	1,349
Unrestricted	<u>11,865</u>	<u>11,276</u>
Total net assets	\$ <u>74,543</u>	\$ <u>72,845</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,972	\$ 2,275
Operating grants and contributions	11,305	11,403
Capital grants and contributions	2,889	-
General revenues:		
Property taxes	16,007	15,856
Excises	1,513	1,656
Penalties and interest on taxes	106	127
Grants and contributions not restricted to specific programs	2,467	9,544
Investment income	353	263
Miscellaneous	1,513	1,437
Total revenues	40,125	42,561
Expenses:		
General government	1,666	1,666
Public safety	2,761	2,867
Education	22,843	20,461
Public works	4,195	4,694
Health and human services	359	366
Culture and recreation	720	727
Employee benefits	4,767	3,791
Interest on long-term debt	654	800
Intergovernmental	465	1,046
Total expenses	38,430	36,418
Change in net assets before permanent fund contributions	1,695	6,143
Permanent fund contributions	3	3
Change in net assets	1,698	6,146
Net assets - beginning of year	72,845	66,699
Net assets - end of year	\$ 74,543	\$ 72,845

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 \$ 74,543, a change of \$ 1,698 from the prior year, principally from the Massachusetts School Building Authority grant for school construction.

The largest portion of net assets \$ 61,223 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 \$ 1,455 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 11,865 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 \$ 1,698. Key elements of this increase are as follows:

Excess/(Deficiency) of Revenues over Expenditures:	
General fund	\$ (1,024)
Special revenue funds	681
Sewer operations	<u>1,170</u>
Subtotal	827
Depreciation in excess of principal debt service	(1,630)
Capital assets acquired from current year revenues	2,071
Other	<u>430</u>
Total	<u>\$ 1,698</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 \$ 12,524, a change of \$ 204 in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues and transfers in	\$ (706)
Stabilization fund revenues in excess of expenditures	2,655
Sewer fund expenditures in excess of revenues	(1,623)
Other	<u>(122)</u>
Total	\$ <u>204</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 \$ 2,786 while total fund balance was \$ 5,731. 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 8.3 percent of total general fund expenditures, while total fund balance represents 17 percent of that same amount.

The fund balance of the general fund changed by \$ (706) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and other as a funding source	\$ (1,550)
Revenues in excess of budget	1,032
Expenditures less than of budget	785
Expenditures of prior year encumbrances over current year encumbrances	(908)
Other	<u>(65)</u>
Total	\$ <u>(706)</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 260. Major reasons for these amendments include:

- \$ 128 for the School Department salaries and expenditures funded by the prior year Medicaid article.
- \$ 20 for the Town Counsel legal expenditures funded by a prior year article.
- \$ 112 for various departments' salaries and expenditures funded by transfers and the tax levy.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$ 86,463 (net of accumulated depreciation), a net change of \$ 3,471 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 on-going highway and sewer infrastructure improvements.

Change in credit rating. The Town of Millbury maintains the Moody's credit rating of A2 for debt rating.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 25,004, 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, 2007

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 14,157,868
Receivables:	
Property taxes	613,637
Excises	212,414
User fees	221,226
Intergovernmental	998,226
Due from external parties, fiduciary funds	117,058
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Sewer assessments	795,231
Non-depreciable capital assets	3,161,609
Other capital assets, net of accumulated depreciation	83,301,048
TOTAL ASSETS	103,578,317
LIABILITIES	
Current:	
Warrants payable	878,993
Accrued liabilities	1,790,007
Tax refunds payable	153,396
Notes payable	298,000
Current portion of long-term liabilities:	
Bonds payable	1,654,833
Other liabilities	56,734
Noncurrent:	
Bonds payable, net of current portion	23,348,963
Other liabilities, net of current portion	854,464
TOTAL LIABILITIES	29,035,390
NET ASSETS	
Invested in capital assets, net of related debt	61,223,050
Restricted for:	
Grants and other statutory restrictions	1,054,928
Permanent funds:	
Expendable	160,261
Nonexpendable	239,935
Unrestricted	11,864,753
TOTAL NET ASSETS	\$ 74,542,927

See notes to financial statements.

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TOWN OF MILLBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

		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	\$ 1,665,996	\$ 814,845	\$ 2,745	\$ -	\$ (848,406)
Public safety	2,761,033	495,944	239,635	-	(2,025,454)
Education	22,842,947	651,690	10,846,152	-	(11,345,105)
Public works	4,195,440	1,911,792	68,308	2,888,484	673,144
Health and human services	358,965	45,138	72,228	-	(241,599)
Culture and recreation	720,352	52,875	75,406	-	(592,071)
Employee benefits	4,766,811	-	-	-	(4,766,811)
Interest	653,982	-	-	-	(653,982)
Intergovernmental	464,490	-	-	-	(464,490)
Total Governmental Activities	<u>\$ 38,430,016</u>	<u>\$ 3,972,284</u>	<u>\$ 11,304,474</u>	<u>\$ 2,888,484</u>	(20,264,774)
General Revenues and permanent fund contributions:					
					16,007,291
					1,513,257
					105,510
					2,466,710
					353,282
					3,000
					1,513,341
Total general revenues					<u>21,962,391</u>
Change in Net Assets					1,697,617
Net Assets:					
Beginning of year, as restated					<u>72,845,310</u>
End of year					<u>\$ 74,542,927</u>

See notes to financial statements.

TOWN OF MILLBURY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	General	Sewer Fund	Sewer Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 7,448,905	\$ 1,660,942	\$ 2,566,750	\$ 2,481,271	\$ 14,157,868
Receivables:					
Property taxes	613,637	-	-	-	613,637
Excises	212,414	-	-	-	212,414
User fees	-	1,016,457	-	-	1,016,457
Intergovernmental	33,316	-	-	964,910	998,226
Due from other funds	514,759	-	-	-	514,759
TOTAL ASSETS	\$ 8,823,031	\$ 2,677,399	\$ 2,566,750	\$ 3,446,181	\$ 17,513,361
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 878,993	\$ -	\$ -	\$ -	\$ 878,993
Accrued liabilities	1,200,112	-	-	185,596	1,385,708
Due to other funds	-	-	-	397,701	397,701
Deferred revenues	859,368	1,016,457	-	-	1,875,825
Tax refunds payable	153,396	-	-	-	153,396
Notes payable	-	-	-	298,000	298,000
TOTAL LIABILITIES	3,091,869	1,016,457	-	881,297	4,989,623
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	658,752	65,585	-	7,902,256	8,626,593
Expenditures	1,500,000	692,533	-	-	2,192,533
Perpetual (nonexpendable) permanent funds	-	-	-	239,935	239,935
Other specific purposes	556,366	-	-	-	556,366
Unreserved:					
Designated	230,074	-	-	-	230,074
Undesignated, reported in:					
General fund	2,785,970	-	-	-	2,785,970
Special revenue funds	-	902,824	2,566,750	1,555,372	5,024,946
Capital project funds	-	-	-	(7,292,940)	(7,292,940)
Permanent expendable	-	-	-	160,261	160,261
TOTAL FUND BALANCES	5,731,162	1,660,942	2,566,750	2,564,884	12,523,738
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,823,031	\$ 2,677,399	\$ 2,566,750	\$ 3,446,181	\$ 17,513,361

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, 2007

Total governmental fund balances	\$ 12,523,738
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	86,462,657
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,875,825
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(404,299)
• 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>(25,914,994)</u>
Net assets of governmental activities	<u><u>\$ 74,542,927</u></u>

See notes to financial statements.

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TOWN OF MILLBURY, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Sewer Fund</u>	<u>Sewer Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 15,999,209	\$ -	\$ -	\$ -	\$ 15,999,209
Excises	1,587,557	-	-	-	1,587,557
Penalties, interest and other taxes	81,248	41,755	-	-	123,003
Charges for services	254,005	1,839,119	-	826,378	2,919,502
Intergovernmental	12,263,588	132,393	-	2,166,318	14,562,299
Licenses and permits	453,428	-	-	33,484	486,912
Departmental	467,086	-	-	-	467,086
Investment income	172,091	75,972	19,450	85,769	353,282
Contributions	-	-	-	29,418	29,418
Miscellaneous	1,371,751	61,080	-	80,511	1,513,342
Total Revenues	<u>32,649,963</u>	<u>2,150,318</u>	<u>19,450</u>	<u>3,221,878</u>	<u>38,041,609</u>
Expenditures:					
Current:					
General government	1,518,340	-	-	109,084	1,627,424
Public safety	2,629,026	-	-	165,932	2,794,958
Education	20,051,493	-	-	1,840,621	21,892,114
Public works	1,324,915	979,877	-	4,491,450	6,796,242
Health and human services	336,053	-	-	22,912	358,965
Culture and recreation	395,135	-	-	114,535	509,670
Employee benefits	4,766,812	-	-	-	4,766,812
Debt service	2,187,724	-	-	-	2,187,724
Intergovernmental	464,490	-	-	-	464,490
Total Expenditures	<u>33,673,988</u>	<u>979,877</u>	<u>-</u>	<u>6,744,534</u>	<u>41,398,399</u>
Excess (deficiency) of revenues over expenditures	(1,024,025)	1,170,441	19,450	(3,522,656)	(3,356,790)
Other Financing Sources (Uses):					
Issuance of bonds	-	-	-	3,560,814	3,560,814
Transfers in	318,077	-	2,547,300	-	2,865,377
Transfers out	-	(2,792,959)	-	(72,418)	(2,865,377)
Total Other Financing Sources (Uses)	<u>318,077</u>	<u>(2,792,959)</u>	<u>2,547,300</u>	<u>3,488,396</u>	<u>3,560,814</u>
Changes in fund balance	(705,948)	(1,622,518)	2,566,750	(34,260)	204,024
Fund Balance at Beginning of Year, as restated	<u>6,437,110</u>	<u>3,283,460</u>	<u>-</u>	<u>2,599,144</u>	<u>12,319,714</u>
Fund Balance at End of Year	<u>\$ 5,731,162</u>	<u>\$ 1,660,942</u>	<u>\$ 2,566,750</u>	<u>\$ 2,564,884</u>	<u>\$ 12,523,738</u>

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, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 204,024

- 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	6,705,555
Depreciation	(3,187,915)
Loss on disposal of assets	(47,450)

- 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. 15,074

- 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:

Issuance of debt	(3,560,814)
Repayments of debt	1,558,213

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (24,472)
- 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. 35,402

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,697,617

See notes to financial statements.

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TOWN OF MILLBURY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Agency Funds
<u>ASSETS</u>	
Cash	\$ <u>103,250</u>
Total Assets	\$ <u><u>103,250</u></u>
<u>LIABILITIES</u>	
Due to other funds	\$ 117,058
Other liabilities	<u>(13,808)</u>
Total Liabilities	\$ <u><u>103,250</u></u>

See notes to financial statements.

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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 2007, 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 2007, 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 2007, 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 *sewer fund* accounts for the operating activities of the Town's sewer services.
- The *sewer stabilization fund* is used to account for future sewer system improvements.

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 2007 tax levy reflected an excess capacity of \$ 205,929.

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 capital 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, 2007:

Sewer expansion	\$ (395,380)
Highway fund	\$ (78,380)
School res officer	\$ (2,904)
Non-resident tuition	\$ (2,818)
Storm water phase II	\$ (2,321)

GHSB traffic	\$ (2,217)
Wildlife preserve	\$ (440)

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, 2007, \$ 6,800,399 of the Town's bank balance of \$ 14,748,605 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 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on 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, 2007 consist of the following (in thousands):

Real Estate			
2007	\$ 342		
2006	<u>18</u>		
		360	
Personal Property 2007		<u>2</u>	
Tax Liens		<u>252</u>	
Total		\$ <u>614</u>	

5. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2007.

6. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 56,643	\$ 35	\$ -	\$ 56,678
Machinery, equipment, and furnishings	6,385	470	(63)	6,792
Infrastructure	<u>51,796</u>	<u>5,182</u>	<u>(25)</u>	<u>56,953</u>
Total capital assets, being depreciated	<u>114,824</u>	<u>5,687</u>	<u>(88)</u>	<u>120,423</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,309)	(1,385)	-	(19,694)
Machinery, equipment, and furnishings	(3,427)	(555)	54	(3,928)
Infrastructure	<u>(12,277)</u>	<u>(1,248)</u>	<u>25</u>	<u>(13,500)</u>
Total accumulated depreciation	<u>(34,013)</u>	<u>(3,188)</u>	<u>79</u>	<u>(37,122)</u>
Total capital assets, being depreciated, net	80,811	2,499	(9)	83,301
Capital assets, not being depreciated:				
Land	2,123	1,019	-	3,142
Antiques and works of art	58	-	(38)	20
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,181</u>	<u>1,019</u>	<u>(38)</u>	<u>3,162</u>
Governmental activities capital assets, net	\$ <u>82,992</u>	\$ <u>3,518</u>	\$ <u>(47)</u>	\$ <u>86,463</u>

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

Governmental Activities:	
General government	\$ 50
Public safety	134
Education	1,201
Public works	1,557
Culture and recreation	<u>246</u>
Total depreciation expense - governmental activities	\$ <u>3,188</u>

7. Warrants Payable

Warrants payable represent 2007 expenditures paid by July 15, 2007 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, 2007:

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>June 30, 2007</u>
Chapter 90 highway state aid anticipation note	3.90%	06/28/07	12/31/07	\$ <u>298,000</u>
Total				\$ <u>298,000</u>

The following summarizes activity in notes payable during fiscal year 2007:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Chapter 90 Highway State aid anticipation note	\$ <u>661,711</u>	\$ <u>898,000</u>	\$ <u>1,261,711</u>	\$ <u>298,000</u>
Total	\$ <u>661,711</u>	\$ <u>898,000</u>	\$ <u>1,261,711</u>	\$ <u>298,000</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:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2007
Sewer	10/01/09	7.00	\$ 260,000
Municipal purpose	02/01/09	6.90	115,000
MWPAT - Sewer 94-17	08/01/15	various	665,848
School remodeling	03/15/11	4.15 - 4.50	270,000
Sewer engineering	03/15/18	4.15 - 5.00	55,000
Sewer	03/15/18	4.15 - 5.00	305,000
MWPAT - Sewer 95-24	02/01/17	various	2,263,916
MWPAT - Sewer 98-52	08/01/19	various	951,145
Library addition	05/15/11	3.90 - 4.40	705,000
MWPAT - Sewer pool 9	08/01/23	various	1,656,115
Sewer treatment facility	12/15/23	3.00 - 4.50	2,345,000
School construction	01/15/25	2.75 - 5.00	6,300,000
MWPAT - Sewer 02-39	08/01/24	various	4,575,119
MWPAT - Sewer 04-36	07/15/25	various	601,801
MWPAT - Sewer 02-39A	07/15/25	various	374,038
MWPAT - Sewer 05-31	07/15/36	various	3,560,814
Total Governmental Activities:			\$ <u>25,003,796</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2007.

<u>Governmental</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$	1,654,833	\$ 1,027,598	\$ 2,682,431
2009		1,665,024	948,053	2,613,077
2010		1,624,644	875,259	2,499,903
2011		1,560,487	806,007	2,366,494
2012		1,340,467	788,414	2,128,881
2013 - 2017		6,853,342	2,765,596	9,618,938
2018 - 2022		5,470,360	1,424,962	6,895,322
2023 - 2027		3,358,200	392,529	3,750,729
2028 - 2032		694,988	133,134	828,122
2033 - 2037		781,451	46,670	828,121
Total	\$	<u>25,003,796</u>	\$ <u>9,208,222</u>	\$ <u>34,212,018</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/07</u>	Less Current Portion	<u>Equals Long- Term Portion 6/30/07</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 23,001	\$ 3,561	\$ (1,558)	\$ 25,004	\$ (1,655)	\$ 23,349
Other:						
Landfill closure	330	-	(15)	315	(15)	300
Accrued employee benefits	617	-	(21)	596	(42)	554
Subtotal	947	-	(36)	911	(57)	854
Totals	<u>\$ 23,948</u>	<u>\$ 3,561</u>	<u>\$ (1,594)</u>	<u>\$ 25,915</u>	<u>\$ (1,712)</u>	<u>\$ 24,203</u>

12. 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 \$ 315,000 reported as the Town's estimate of landfill closure and postclosure care liability at June 30, 2007 represents what it would cost to perform all closure and postclosure care in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

13. 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.

14. 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, 2007:

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.

15. 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.

16. 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, 2007 was not available.

17. 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, 2007 was \$ 673,210.

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 2007, the Commonwealth of Massachusetts contributed \$ 3,037,182 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

18. 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.

19. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2007, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity June 30, 2006 (as previously reported)	Reclassification	Fund Equity June 30, 2006 (as restated)
General fund	\$ 6,437,110	\$ -	\$ 6,437,110
Highway fund	(599,906)	599,906	-
Sewer fund	3,283,460	-	3,283,460
School construction	20,594	(20,594)	-
Sewer stabilization	-	-	-
Nonmajor gov'tl funds	3,178,456	(579,312)	2,599,144
Total	<u>\$ 12,319,714</u>	<u>\$ -</u>	<u>\$ 12,319,714</u>

20. Beginning Net Assets Restatement

The beginning (July 1, 2006) net assets of the Town have been restated as follows (in thousands):

Government-Wide Financial Statements:

	Governmental Activities
As previously reported	\$ 71,865,906
Prior period adjustments - to include retroactive infrastructure capital assets, net of accumulated depreciation	<u>979,404</u>
As restated	<u>\$ 72,845,310</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 15,823,960	\$ 15,900,210	\$ 15,900,210	\$ -
Excise	1,502,500	1,502,500	1,587,557	85,057
Penalties, interest and other taxes	60,000	60,000	81,248	21,248
Charges for services	365,500	398,600	787,244	388,644
Intergovernmental	8,984,270	8,984,270	9,226,406	242,136
Licenses and permits	219,000	185,900	453,428	267,528
Investment income	120,000	120,000	172,091	52,091
Miscellaneous	1,433,000	1,433,000	1,371,751	(61,249)
Transfers in	245,659	281,659	318,077	36,418
Use of other sources	1,402,381	1,550,033	1,550,033	-
Total Revenues and Other Sources	30,156,270	30,416,172	31,448,045	1,031,873
Expenditures and Other Uses:				
General government	1,495,990	1,617,541	1,469,500	148,042
Public safety	2,765,322	2,786,931	2,655,599	131,332
Education	16,129,704	16,257,356	16,099,944	157,412
Public works	1,361,953	1,430,210	1,343,570	86,640
Health and human services	364,913	376,895	345,389	31,506
Culture and recreation	408,618	408,618	394,804	13,815
Debt service	2,095,814	2,095,814	2,090,419	5,395
Intergovernmental	456,310	456,310	464,490	(8,180)
Employee benefits	5,077,646	4,986,497	4,767,561	218,936
Total Expenditures and Other Uses	30,156,270	30,416,172	29,631,275	784,897
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,816,770	\$ 1,816,770

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, 2007

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)	\$ 32,649,963	\$ 33,673,988
Other financing sources/uses (GAAP basis)	<u>318,077</u>	<u>-</u>
Subtotal (GAAP Basis)	32,968,040	33,673,988
Adjust tax revenue to accrual basis	(98,999)	-
Reverse expenditures of prior year carryforwards	-	(1,291,222)
Add end of year appropriation carryforwards to expenditures	-	382,996
To reverse the effect of non- budgeted State contributions for teachers retirement	(3,037,182)	(3,037,182)
Recognize other sources	1,550,033	-
To reverse nonbudgeted activity	66,153	(97,305)
Budgetary basis	<u>\$ 31,448,045</u>	<u>\$ 29,631,275</u>