

**TOWN OF MILLBURY, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2009**

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
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, 2009, 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, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages and the Schedule of Funding Progress on page 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 December 29, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
December 29, 2009

## **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, 2009.

### **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 2009, 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 is 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 accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS (in thousands)**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 73,221 (i.e., net assets), a change of \$ (959) in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 14,862, a change of \$ 1,822 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 328, a change of \$ (1,333) in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 34,646, a change of \$ 4,945 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>2009</u>	<u>2008</u>
Current and other assets	\$ 21,640	\$ 19,579
Capital assets	<u>93,308</u>	<u>90,060</u>
Total assets	114,948	109,639
Long-term liabilities outstanding	37,517	30,589
Other liabilities	<u>4,210</u>	<u>4,870</u>
Total liabilities	41,727	35,459
Net assets:		
Invested in capital assets, net	60,166	60,380
Restricted	1,955	1,663
Unrestricted	<u>11,100</u>	<u>12,137</u>
Total net assets	\$ <u><u>73,221</u></u>	\$ <u><u>74,180</u></u>

## CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,513	\$ 3,569
Operating grants and contributions	12,712	11,883
Capital grants and contributions	898	482
General revenues:		
Property taxes	17,214	16,734
Excises	1,646	1,504
Penalties and interest on taxes	179	173
Grants and contributions not restricted to specific programs	2,452	2,860
Investment income	178	510
Miscellaneous	<u>2,025</u>	<u>1,721</u>
Total revenues	41,817	39,436
Expenses:		
General government	1,527	1,699
Public safety	2,886	2,970
Education	24,023	23,444
Public works	4,580	4,212
Health and human services	428	375
Culture and recreation	690	763
Employee benefits	7,511	5,231
Interest on long-term debt	750	716
Intergovernmental	<u>388</u>	<u>393</u>
Total expenses	<u>42,783</u>	<u>39,803</u>
Change in net assets before permanent fund contributions	(966)	(367)
Permanent fund contributions	<u>7</u>	<u>4</u>
Change in net assets	(959)	(363)
Net assets - beginning of year	<u>74,180</u>	<u>74,543</u>
Net assets - end of year	<u>\$ 73,221</u>	<u>\$ 74,180</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 \$ 73,221, a change of \$ (959) from the prior year.

The largest portion of net assets \$ 60,166 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 \$ 1,955 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 11,100 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 \$ (959). Key elements of this change are as follows:

Excess/(Deficiency) of Revenues over Expenditures:	
General fund	\$ (1,525)
Sewer operations	1,567
Special revenue funds (including Stabilization)	<u>(264)</u>
Subtotal	(222)
Depreciation in excess of principal debt service	(1,602)
Capital assets from current year revenues	656
Other	<u>209</u>
Total	\$ <u><u>(959)</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 \$ 14,862, a change of \$ 1,822 in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (1,525)
Sewer fund revenues in excess of expenditures	1,567
Sewer expansion fund other financing sources in excess of expenditures	1,453
Sewer stabilization revenues in excess of expenditures	30
Nonmajor fund revenues in excess of expenditures and transfers	<u>297</u>
Total	<u><u>\$ 1,822</u></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 \$ 328, while total fund balance was \$ 3,661. 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 0.92 percent of total general fund expenditures, while total fund balance represents 10.3 percent of that same amount.

The fund balance of the general fund changed by \$ (1,136) during the current fiscal year. Key factors in this change are as follows:

Use of free cash and other fund balances as funding sources	\$ (2,237)
Revenues less than budget	(557)
Expenditures less than budget	1,152
Current year encumbrances over expenditures of prior year encumbrances	728
Other	<u>(222)</u>
Total	<u><u>\$ (1,136)</u></u>

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

The difference between the original budget and the final amended budget resulted from Reserve Fund transfers.

The budget and actual statement reflects an under collection of Intergovernmental revenue primarily resulting from State Aid (Chapter 70) reductions implemented by the Commonwealth in fiscal year 2009. The Chapter 70 reductions were partially offset by an American Recovery and Reinvestment Act (ARRA) grant which is reported in a separate major fund in accordance with the transparency requirements of the Act. The general fund revenue shortfall is offset by budgetary turn backs in education and employee benefits expenditures. The turn backs result from the Town transferring cost to the ARRA major fund.

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

**Capital assets.** Total investment in capital assets for governmental activities at year end amounted to \$ 93,308 (net of accumulated depreciation), a change of \$ 3,248 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 continues to maintain the Moody's credit rating of A2 and the Standard & Poor's credit rating of A+ for debt rating.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 34,646, 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, 2009

	Governmental <u>Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 14,073,128
Investments	1,927,764
Receivables:	
Property taxes	716,370
Excises	159,065
User fees	192,575
Intergovernmental	2,638,363
Due from external parties, fiduciary funds	117,428
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Sewer assessments	1,814,963
Non-depreciable capital assets	3,177,610
Other capital assets, net of accumulated depreciation	<u>90,130,632</u>
<b>TOTAL ASSETS</b>	114,947,898
<b>LIABILITIES</b>	
Current:	
Warrants payable	763,127
Accrued liabilities	2,347,319
Other liabilities	13,522
Tax refunds payable	534,221
Notes payable	552,000
Current portion of long-term liabilities:	
Bonds payable	1,956,767
Other liabilities	54,370
Noncurrent:	
Bonds payable, net of current portion	32,689,192
OPEB liability	2,023,724
Other liabilities, net of current portion	<u>793,054</u>
<b>TOTAL LIABILITIES</b>	41,727,296
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	60,166,108
Restricted for:	
Grants and other statutory restrictions	1,536,386
Permanent funds:	
Nonexpendable	250,310
Expendable	167,954
Unrestricted	<u>11,099,844</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 73,220,602</u></u>

See notes to financial statements.

TOWN OF MILLBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
General government	\$ 1,526,904	\$ 306,693	\$ 162,746	\$ -	\$ (1,057,465)
Public safety	2,885,485	152,500	120,935	-	(2,612,050)
Education	24,022,734	757,091	12,129,268	-	(11,136,375)
Public works	4,580,615	3,224,991	157,128	898,084	(300,412)
Health and human services	428,400	35,835	102,170	-	(290,395)
Culture and recreation	689,944	35,569	40,000	-	(614,375)
Employee benefits	7,510,655	-	-	-	(7,510,655)
Interest	750,705	-	-	-	(750,705)
Intergovernmental	388,024	-	-	-	(388,024)
Total Governmental Activities	<u>\$ 42,783,466</u>	<u>\$ 4,512,679</u>	<u>\$ 12,712,247</u>	<u>\$ 898,084</u>	(24,660,456)
<b>General Revenues and permanent fund contributions:</b>					
Property taxes					17,214,136
Excises					1,646,507
Penalties, interest and other taxes					179,449
Grants and contributions not restricted to specific programs					2,451,723
Investment income					177,525
Miscellaneous					2,024,707
Permanent fund contributions					<u>7,125</u>
Total general revenues					<u>23,701,172</u>
Change in Net Assets					(959,284)
<b>Net Assets:</b>					
Beginning of year					<u>74,179,886</u>
End of year					<u>\$ 73,220,602</u>

See notes to financial statements.

## TOWN OF MILLBURY, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2009

	<u>General</u>	<u>Sewer Fund</u>	<u>Sewer Stabilization</u>	<u>Sewer Expansion</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and short-term investments	\$ 6,162,039	\$ 2,366,759	\$ 1,663,036	\$ 107,323	\$ 3,773,971	\$ 14,073,128
Investments	-	-	1,927,764	-	-	1,927,764
Receivables:						
Property taxes	797,379	-	-	-	-	797,379
Excises	224,257	-	-	-	-	224,257
User fees	-	2,035,240	-	-	-	2,035,240
Intergovernmental	100,386	-	-	2,519,505	18,471	2,638,362
Due from other funds	117,428	-	-	-	-	117,428
<b>TOTAL ASSETS</b>	<b>\$ 7,401,489</b>	<b>\$ 4,401,999</b>	<b>\$ 3,590,800</b>	<b>\$ 2,626,828</b>	<b>\$ 3,792,442</b>	<b>\$ 21,813,558</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Warrants payable	\$ 392,880	\$ -	\$ -	\$ -	\$ -	\$ 392,880
Accounts payable	-	-	-	370,247	-	370,247
Retainage payable	-	-	-	241,764	-	241,764
Accrued liabilities	1,689,904	-	-	-	-	1,689,904
Other liabilities	1,041	-	-	-	12,481	13,522
Deferred revenues	1,122,002	2,035,240	-	-	-	3,157,242
Tax refunds payable	534,221	-	-	-	-	534,221
Notes payable	-	-	-	-	552,000	552,000
<b>TOTAL LIABILITIES</b>	<b>3,740,048</b>	<b>2,035,240</b>	<b>-</b>	<b>612,011</b>	<b>564,481</b>	<b>6,951,780</b>
Fund Balances:						
Reserved for:						
Encumbrances and continuing appropriations	1,035,880	755	-	2,484,510	-	3,521,145
Expenditures	1,588,550	1,401,474	-	-	-	2,990,024
Perpetual (nonexpendable) permanent funds	-	-	-	-	250,310	250,310
Other specific purposes	708,825	58,068	-	-	-	766,893
Unreserved:						
Undesignated, reported in:						
General fund	328,186	-	-	-	-	328,186
Special revenue funds	-	906,462	3,590,800	-	4,783,824	9,281,086
Capital project funds	-	-	-	(469,693)	(1,974,127)	(2,443,820)
Permanent expendable	-	-	-	-	167,954	167,954
<b>TOTAL FUND BALANCES</b>	<b>3,661,441</b>	<b>2,366,759</b>	<b>3,590,800</b>	<b>2,014,817</b>	<b>3,227,961</b>	<b>14,861,778</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,401,489</b>	<b>\$ 4,401,999</b>	<b>\$ 3,590,800</b>	<b>\$ 2,626,828</b>	<b>\$ 3,792,442</b>	<b>\$ 21,813,558</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, 2009

<b>Total governmental fund balances</b>	\$ 14,861,778
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	93,308,242
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	2,983,340
<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>	(415,651)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(37,517,107)</u>
<b>Net assets of governmental activities</b>	\$ <u><u>73,220,602</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, 2009

	<u>General</u>	<u>ARRA Fund</u>	<u>Sewer Fund</u>	<u>Sewer Stabilization</u>	<u>Sewer Expansion</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>							
Property taxes	\$ 17,176,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,176,155
Excises	1,646,474	-	-	-	-	-	1,646,474
Penalties, interest and other taxes	110,624	-	68,825	-	-	-	179,449
Charges for services	82,826	-	2,370,177	-	-	854,457	3,307,460
Intergovernmental	12,735,351	731,592	173,637	-	-	2,345,391	15,985,971
Licenses and permits	146,773	-	-	-	-	14,390	161,163
Departmental	220,542	-	-	-	-	-	220,542
Investment income	62,467	-	53,870	30,264	-	30,924	177,525
Contributions	-	-	-	-	-	83,207	83,207
Miscellaneous	1,991,773	-	4,350	-	-	28,584	2,024,707
Total Revenues	<u>34,172,985</u>	<u>731,592</u>	<u>2,670,859</u>	<u>30,264</u>	<u>-</u>	<u>3,356,953</u>	<u>40,962,653</u>
<b>Expenditures:</b>							
Current:							
General government	1,377,473	-	-	-	-	71,510	1,448,983
Public safety	2,785,301	-	-	-	-	48,772	2,834,073
Education	20,528,090	731,592	-	-	-	1,988,696	23,248,378
Public works	1,742,201	-	1,103,909	-	5,297,212	794,964	8,938,286
Health and human services	402,737	-	-	-	-	25,663	428,400
Culture and recreation	440,843	-	-	-	-	83,870	524,713
Employee benefits	5,440,231	-	-	-	-	46,700	5,486,931
Debt service	2,593,124	-	-	-	-	-	2,593,124
Intergovernmental	388,024	-	-	-	-	-	388,024
Total Expenditures	<u>35,698,024</u>	<u>731,592</u>	<u>1,103,909</u>	<u>-</u>	<u>5,297,212</u>	<u>3,060,175</u>	<u>45,890,912</u>
Excess (deficiency) of revenues over expenditures	(1,525,039)	-	1,566,950	30,264	(5,297,212)	296,778	(4,928,259)
<b>Other Financing Sources (Uses):</b>							
Issuance of bonds	-	-	-	-	6,750,375	-	6,750,375
Transfers in	763,877	-	-	902,824	-	375,000	2,041,701
Transfers out	(375,000)	-	(1,650,801)	-	-	(15,900)	(2,041,701)
Total Other Financing Sources (Uses)	<u>388,877</u>	<u>-</u>	<u>(1,650,801)</u>	<u>902,824</u>	<u>6,750,375</u>	<u>359,100</u>	<u>6,750,375</u>
Changes in fund balance	(1,136,162)	-	(83,851)	933,088	1,453,163	655,878	1,822,116
Fund Balance at Beginning of Year	<u>4,797,603</u>	<u>-</u>	<u>2,450,610</u>	<u>2,657,712</u>	<u>561,654</u>	<u>2,572,083</u>	<u>13,039,662</u>
Fund Balance at End of Year	<u>\$ 3,661,441</u>	<u>\$ -</u>	<u>\$ 2,366,759</u>	<u>\$ 3,590,800</u>	<u>\$ 2,014,817</u>	<u>\$ 3,227,961</u>	<u>\$ 14,861,778</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, 2009

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 1,822,116</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	6,656,103
Depreciation	(3,407,855)
<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>	
	861,529
<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	(6,750,375)
Repayments of debt	1,805,692
<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>	
	36,725
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</li> </ul>	
Other post-employment benefits liability (NOO)	(2,023,724)
Decrease in compensated absence liability	25,504
Decrease in landfill liability	15,000
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>(959,285)</u></b>

See notes to financial statements.

## 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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues and Other Sources:</b>				
Taxes	\$ 17,267,582	\$ 17,267,582	\$ 17,267,582	\$ -
Excise	1,677,500	1,677,500	1,646,474	(31,026)
Penalties, interest and other taxes	71,725	71,725	98,199	26,474
Charges for services	97,000	97,000	82,826	(14,174)
Intergovernmental	9,437,025	9,437,025	8,525,490	(911,535)
Licenses and permits	185,925	185,900	149,048	(36,852)
Departmental	176,000	188,000	231,741	43,741
Investment income	150,000	150,000	62,467	(87,533)
Miscellaneous	2,141,850	2,129,875	2,567,997	438,122
Transfers in	747,977	747,977	763,877	15,900
Use of other sources	<u>2,236,548</u>	<u>2,236,548</u>	<u>2,236,548</u>	<u>-</u>
Total Revenues and Other Sources	34,189,132	34,189,132	33,632,249	(556,883)
<b>Expenditures and Other Uses:</b>				
General government	1,520,185	1,489,944	1,355,615	134,329
Public safety	3,091,241	3,037,792	2,793,809	243,983
Education	18,326,985	18,326,985	17,570,368	756,617
Public works	1,602,343	1,562,343	1,722,390	(160,047)
Health and human services	387,762	457,762	424,976	32,786
Culture and recreation	498,964	498,964	475,600	23,364
Debt service	2,466,293	2,484,983	2,483,545	1,438
Intergovernmental	360,772	360,772	388,024	(27,252)
Employee benefits	5,559,587	5,594,587	5,447,611	146,976
Transfers out	<u>375,000</u>	<u>375,000</u>	<u>375,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>34,189,132</u>	<u>34,189,132</u>	<u>33,036,938</u>	<u>1,152,194</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>595,311</u>	\$ <u>595,311</u>

See notes to financial statements.

TOWN OF MILLBURY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Agency Funds
<b><u>ASSETS</u></b>	
Cash	\$ <u>72,277</u>
Total Assets	\$ <u><u>72,277</u></u>
<b><u>LIABILITIES</u></b>	
Due to other funds	\$ 117,428
Other liabilities (Deficits)	<u>(45,151)</u>
Total Liabilities	\$ <u><u>72,277</u></u>

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 (the Town) 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 Board of Selectmen. 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 2009, 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 2009, 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 2009, 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 *ARRA (American Recovery and Reinvestment Act) Fund* is used to account for the receipt and expenditure of federal "stimulus"

funds awarded the community to replace some of the fiscal year 2009 Chapter 70 State aid reductions.

- 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.
- The *sewer expansion fund* is used to account for sewer system expansion capital project activity.

#### 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 are included under investment income.

#### E. Investments

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

#### F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited 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 is voted. The actual fiscal year 2009 tax levy reflected an excess capacity of \$ 388.

#### G. 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 of business-type activities 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

#### H. Compensated Absences

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

#### I. Long-Term Obligations

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

#### J. 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.

**K. Use of Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

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

**A. Budgetary Information**

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 fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**C. Budget/GAAP Reconciliation**

The budgetary data for the general and 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)	\$ 34,172,985	\$ 35,698,024
Other financing sources/uses (GAAP basis)	<u>763,877</u>	<u>375,000</u>
Subtotal (GAAP Basis)	34,936,862	36,073,024
Adjust tax revenue to accrual basis	222,858	-
Reverse expenditures of prior year carryforwards	-	(287,485)
Add end of year appropriation carryforwards to expenditures	-	1,015,419
To reverse the effect of non- budgeted State contributions for teachers retirement	(3,654,440)	(3,654,440)
Recognize other sources	2,236,548	-
To reverse nonbudgeted activity	<u>(109,579)</u>	<u>(109,579)</u>
Budgetary basis	<u>\$ 33,632,249</u>	<u>\$ 33,036,939</u>

**D. Deficit Fund Equity**

The following non-major funds had deficits as of June 30, 2009:

<u>Fund</u>	<u>Amount</u>
BV Chamber Grant	\$ (654)
IDEA Grant	\$ (4,038)
GHSB Traffic	\$ (644)
COA Formula Grant	\$ (2,327)
Library 2007	\$ (54)

The deficit in these funds will be eliminated through future departmental revenues, 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 the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent 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, 2009 \$ 1,138,097 of the Town's bank balance of \$ 14,987,919 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. Investments**

**A. Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>Aaa</u>	<u>A1</u>	<u>Not Rated</u>
Corporate bonds	\$ 235	N/A	\$ -	\$ 235	\$ -
Federal agency securities	1,298	N/A	1,298	-	-
Certificates of deposit	342	N/A	-	-	342
Mutual funds	51	N/A	-	-	51
Corporate equities	2	N/A	-	-	2
Total investments	<u>\$ 1,928</u>		<u>\$ 1,298</u>	<u>\$ 235</u>	<u>\$ 395</u>

#### **B. Custodial Credit Risk**

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

Of the investment in Corporate bonds of \$ 235,232, and Federal Agency Securities of \$ 1,298,563, the government has a custodial credit risk exposure of \$ 1,533,795 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this risk with SIPC and Excess SIPC coverage.

#### **C. Concentration of Credit Risk**

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

Federal Home Loan Bank	\$ 275
Federal National Mortgage Association	\$ 573
Federal Home Loan Mortgage	\$ 300
Federal Farm Banks	\$ 150

#### **D. Interest Rate Risk**

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Corporate bonds	\$ 235	\$ -	\$ 235	\$ -	\$ -
Federal agency securities	1,298	-	1,298	-	-
Total	<u>\$ 1,533</u>	<u>\$ -</u>	<u>\$ 1,533</u>	<u>\$ -</u>	<u>\$ -</u>

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 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, 2009 consist of the following (in thousands):

Real Estate	
2009	\$ 285
2008	<u>5</u>
	290
Personal Property	8
Tax Liens	<u>499</u>
Total	<u>\$ 797</u>

## 6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>
Property taxes	\$ 81
Excises	65
Utilities	28

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009 and amounts to be received from the MWPAT for sewer expansion projects.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 56,795	\$ 198	\$ -	\$ 56,993
Machinery, equipment, and furnishings	7,374	457	-	7,831
Infrastructure	63,243	6,001	-	69,244
Total capital assets, being depreciated	<u>127,412</u>	<u>6,656</u>	<u>-</u>	<u>134,068</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,062)	(1,350)	-	(22,412)
Machinery, equipment, and furnishings	(4,610)	(603)	-	(5,213)
Infrastructure	<u>(14,858)</u>	<u>(1,455)</u>	<u>-</u>	<u>(16,313)</u>
Total accumulated depreciation	<u>(40,530)</u>	<u>(3,408)</u>	<u>-</u>	<u>(43,938)</u>
Total capital assets, being depreciated, net	86,882	3,248	-	90,130
Capital assets, not being depreciated:				
Land	3,158	-	-	3,158
Antiques and works of art	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Total capital assets, not being depreciated	<u>3,178</u>	<u>-</u>	<u>-</u>	<u>3,178</u>
Governmental activities capital assets, net	<u>\$ 90,060</u>	<u>\$ 3,248</u>	<u>\$ -</u>	<u>\$ 93,308</u>

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

Governmental Activities:	
General government	\$ 94
Public safety	165
Education	1,179
Public works	1,744
Culture and recreation	<u>226</u>
Total depreciation expense - governmental activities	\$ <u>3,408</u>

**9. Warrants Payable**

Warrants payable represent 2009 expenditures paid by July 15, 2009 as permitted by law.

**10. Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**11. 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.

**12. Anticipation Notes Payable**

The Town had the following notes outstanding at June 30, 2009:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2009</u>
Chapter 90 highway state aid anticipation note	1.55%	06/29/09	12/29/09	\$ <u>552,000</u>
Total				\$ <u>552,000</u>

The following summarizes activity in notes payable during fiscal year 2009:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Chapter 90 Highway state aid anticipation note	\$ 581,000	\$ 552,000	\$ (581,000)	\$ 552,000
MWPAT interim loan	<u>-</u>	<u>6,750,375</u>	<u>(6,750,375)</u>	<u>-</u>
Total	<u>\$ 581,000</u>	<u>\$ 7,302,375</u>	<u>\$ (7,331,375)</u>	<u>\$ 552,000</u>

### 13. 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, 2009
Sewer	10/01/09	7.00	\$ 85,000
MWPAT - Sewer 94-17	08/01/15	various	525,958
School remodeling	03/15/11	4.15 - 4.50	130,000
Sewer engineering	03/15/18	4.15 - 5.00	45,000
Sewer	03/15/18	4.15 - 5.00	235,000
MWPAT - Sewer 95-24	02/01/17	various	1,860,884
MWPAT - Sewer 98-52	08/01/19	various	825,326
Library addition	05/15/11	3.90 - 4.40	350,000
MWPAT - Sewer pool 9	08/01/23	various	1,499,706
Sewer treatment facility	12/15/23	3.00 - 4.50	2,065,000
School construction	01/15/25	2.75 - 5.00	5,600,000
MWPAT - Sewer 02-39	08/01/24	various	4,178,630
MWPAT - Sewer 04-36	07/15/25	various	542,898
MWPAT - Sewer 02-39A	07/15/25	various	334,666
MWPAT - Sewer 05-31	07/15/36	various	3,400,095
MWPAT - Sewer 05-31A	07/15/37	various	6,217,421
MWPAT - Sewer 05-31B	07/15/38	various	<u>6,750,375</u>
Total Governmental Activities:			<u>\$ 34,645,959</u>

### **B. Future Debt Service**

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,956,767	\$ 1,156,044	\$ 3,112,811
2011	1,871,790	1,107,612	2,979,402
2012	1,659,390	1,031,016	2,690,406
2013	1,684,148	967,279	2,651,427
2014	1,722,390	899,642	2,622,032
2015-2019	8,130,302	3,465,978	11,596,280
2020-2024	7,470,589	2,009,428	9,480,017
2025-2029	3,731,177	975,766	4,706,943
2030-2034	3,318,446	576,222	3,894,668
2035-2039	3,100,960	164,342	3,265,302
Total	<u>\$ 34,645,959</u>	<u>\$ 12,353,329</u>	<u>\$ 46,999,288</u>

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

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/09</u>	<u>Less Current Portion</u>	<u>Equals Long- Term Portion 6/30/09</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 29,701	\$ 6,751	\$ (1,806)	\$ 34,646	\$ (1,957)	\$ 32,689
OPEB liability	-	2,024	-	2,024	-	2,024
Other:						
Landfill closure	300	-	(15)	285	(15)	270
Accrued employee benefits	<u>588</u>	<u>-</u>	<u>(26)</u>	<u>562</u>	<u>(39)</u>	<u>523</u>
Subtotal	<u>888</u>	<u>-</u>	<u>(41)</u>	<u>847</u>	<u>(54)</u>	<u>793</u>
Totals	<u>\$ 30,589</u>	<u>\$ 8,775</u>	<u>\$ (1,847)</u>	<u>\$ 37,517</u>	<u>\$ (2,011)</u>	<u>\$ 35,506</u>

## **14. 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 \$ 285,000 reported as landfill closure and postclosure care liability at June 30, 2009 represents what it would cost to perform all closure and postclosure care in 2009. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

## **15. Restricted Net Assets**

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

Permanent fund restricted net assets are segregated between 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.

## **16. Reserves 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, 2009:

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.

## **17. 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.

## **18. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *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 that can be obtained through the Worcester County Retirement System at 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 contributions to the System for the year ended June 30, 2009 was \$ 753,024.

### **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 not available.

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 3,654,440 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

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

### **Other Post-Employment Benefits**

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

*A. Plan Description*

In addition to providing the pension benefits described, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2008, the actuarial valuation date, approximately 169 retirees and 347 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

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

*C. Funding Policy*

Retirees contribute 25-50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2008.

Annual Required Contribution (ARC)	\$ 3,092,655
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	3,092,655
Contributions made	(1,068,931)
Increase in net OPEB obligation	2,023,724
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 2,023,724

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 3,092,655	35%	\$ 2,023,724

The Town's net OPEB obligation as of June 30, 2009 is recorded as a component of the "other long-term liabilities" line item.

**E. Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2008, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 39,228,118
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 39,228,118</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**F. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial

accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.25% investment rate of return and an initial annual healthcare cost trend rate of 9% which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

## **20. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the 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.

**TOWN OF MILLBURY, MASSACHUSETTS**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**  
**(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
07/01/08	\$ -	\$ 39,228,118	\$ 39,228,118	0.0%	N/A	N/A

See Independent Auditors' Report.