

**TOWN OF MILLBURY, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2010

**TOWN OF MILLBURY, MASSACHUSETTS**

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**YEAR ENDED JUNE 30, 2010**

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# ROSELLI, CLARK & ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen  
Town of Millbury, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Millbury, Massachusetts, (the "Town") as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town. Our responsibility is to express an opinion on these basic financial statements based on our audit.

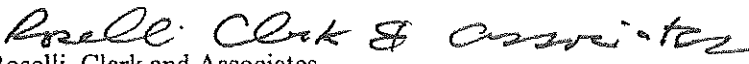
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Town, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10, the funding and contribution progress for pension and other post employment benefits on page 37, and budgetary comparison on pages 38-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
Roselli, Clark and Associates  
Certified Public Accountants  
Woburn, Massachusetts  
December 1, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found on pages 11 to 39.

### Financial Highlights

- A restatement of beginning net assets balance was required as a result of recording the operations of the Town's sewer activities as an enterprise fund. As a result, previously reported net assets of \$7,972,376 were transferred from major funds in the Governmental Funds financial statements to the Sewer Enterprise Fund, a Proprietary Fund. In addition, as the accounting for Proprietary Funds differ from that used in Governmental Funds, fixed assets (net of accumulated depreciation) of \$47,525,244 and corresponding long-term debt obligations of \$28,565,959 were recorded at June 30, 2009 in the Sewer Enterprise Fund. Finally, as a result of recording revenues and expenses on the accrual basis of accounting, net assets in the Sewer Enterprise fund was increased by \$4,617,523 at June 30, 2009. See Note VI to the financial statements.
- A restatement of the beginning net assets of the General Fund was recorded totaling \$790,084 reflecting a change in the accounting treatment of certain Appellate Tax Board cases and the recording of employee benefits withholdings. See Note VI to the financial statements.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$74.3 million (*total net assets*). This represented a nearly \$2.8 million decrease from the preceding year. This decrease was primarily attributable to the approximate \$2.7 million decline in net assets in *governmental type activities* from the prior year. The reduction in governmental type activities was primarily attributable to the adoption of the provisions of GASB Statement No. 45, *Accounting For Post Employment Benefits*, which added approximately \$2.1 million in fiscal year 2010 expenditures.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund surplus of approximately \$7.4 million, which was nearly \$0.3 million lower than the prior year. Transfers of nearly \$0.8 million exceeded the excess of revenue over expenditures of approximately \$0.5 million in fiscal year 2010.
- The accounting treatment for certain items vary greatly between the Statement of Net Assets and the Governmental Fund Balance Sheet. A reconciliation between these two financial statements has been provided on page 14 of the accompanying basic financial statements to assist the reader to understand these differences.
- At June 30, 2010, the Town's total debt was approximately \$33.5 million, which represented a decrease of approximately \$1.2 million from June 30, 2009. In fiscal year 2010, regular scheduled debt repayments of nearly \$2.0 million exceeded new borrowings of approximately \$0.8 million.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) Government-Wide financial statements, 2) Governmental Fund financial statements, 3) Proprietary Fund financial statement and 4) Notes to the 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 the Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Town's 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 of the Town 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 of the Town that are principally supported by taxes and intergovernmental revenue (*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 of the Town include general government, public safety, highways and streets, sanitation, education, economic development, debt service, fringe benefits and culture and recreation. The business-type activities of the Town include the sewer enterprise fund. The Government-Wide financial statements can be found on pages 11 and 12 of this report.

**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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Fund.** *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. Reconciliations are provided on pages 14 and 16 to facilitate this comparison.

The Town maintains four individual governmental funds. Information is presented separately in the Governmental Fund balance sheet and in the Governmental Fund statement of revenues, expenditures,

and changes in fund balances for the general fund and nonmajor funds, which comprise all other funds. The basic governmental fund financial statements can be found on pages 13 - 16 of this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 38.

**Proprietary Funds.** The Town maintains a single type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the Government-Wide financial statements. The Town uses enterprise funds to account for its sewer enterprise activities. Proprietary funds provide the same type of information as the Government-Wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 17 to 19 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Statement of Fiduciary Net Assets can be found on page 20 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Governmental Fund financial statements. The notes to the financial statements can be found on pages 21 to 36 of this report.

#### **Government-Wide Financial Analysis** **(see Exhibit I and Exhibit II on pages 9 and 10)**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In this case, the Town's assets exceeded liabilities by approximately \$74.3 million at the close of the most recent fiscal year.

The largest portion (approximately 86.4%) of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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 satisfy these liabilities.

An additional portion of the Town's net assets (approximately 3.1%) represents resources that are subject to external restriction on how they may be used. The remaining balance is termed *unrestricted net assets* (over 10.5%), and may be used to meet the government's ongoing obligations.

The Town's total net assets decreased by approximately \$2.8 million at June 30, 2010 from June 30, 2009. This decrease was primarily attributable to the approximate \$2.7 million decline in net assets in *governmental type activities* from the prior year. The reduction in governmental type activities was primarily attributable to the adoption of the provisions of GASB Statement No. 45, *Accounting For Post Employment Benefits*, which added approximately \$2.1 million in fiscal year 2010 expenditures.

**Governmental Activities.** During 2010, Town property taxes made up approximately 47.0% of total revenues. Operating and capital grants represented approximately 33.0% of total revenues. No other revenues were greater than 10% of total revenues in 2010. The Town's largest expense category is education, which totaled approximately 74.4% of total 2010 expenses. No other expense categories were greater than 10% of total 2010 expenses.

**Business-type Activities.** User charges represent approximately 81.5% of total 2010 revenues. Intergovernmental subsidies and interest income represent the remainder of 2010 revenues in the sewer enterprise fund.

**Financial Analysis of the Government's Funds.** As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town's Governmental Funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's 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 close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund surplus of approximately \$7.4 million. This was approximately \$0.3 million lower than the prior year. Transfers of nearly \$0.8 million exceeded the excess of revenue over expenditures of approximately \$0.5 million in fiscal year 2010.

The *general fund* is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was approximately \$2.1 million or 6.0% of total 2010 general fund expenditures. The total general fund balance exceeded \$4.0 million at June 30, 2010, which represents approximately 11.4% of total 2010 general fund expenditures.

The fund balance in the general fund decreased approximately \$0.4 million from the prior year. The Town transferred approximately \$0.7 million from its general fund to its sewer enterprise fund to cover debt service of the sewer enterprise fund for which the Town was obligated.

Nonmajor governmental funds comprise the remaining governmental funds and consist of funds like capital projects, grant and revolving accounts, trust funds, recreation funds and other funds where revenues are primarily derived from user charges and grants. The fund balance in the nonmajor governmental funds increased nearly \$0.2 million to \$3.4 million at June 30, 2010.

**Proprietary Fund.** The Town's proprietary funds provide the same type of information found in the Government-Wide financial statements, but in more detail.

**Fiduciary Fund.** The Town reports funds it possesses that are legally held in trust for use for student activities and police details as agency funds.

#### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were less than 1%. Detail may be reviewed on pages 38 - 39 of this report.

#### **Capital Asset and Debt Administration**

**Capital Assets.** As of June 30, 2010, the Town's investment in capital assets for its governmental and business-type activities approximated \$45.0 million and \$48.3 million, respectively. Governmental net fixed assets decreased by nearly \$0.8 million as 2010 depreciation expense of approximately \$2.1 million exceeded capital additions of over \$1.3 million. Business-type net fixed assets increased by approximately \$1.4 million as 2010 capital additions of approximately \$2.8 million exceeded depreciation expense of approximately \$1.4 million.



The Town has undergone significant capital improvements over the past several years, particularly to its sewer infrastructure. A significant amount of these improvements were funded with reimbursements from the Commonwealth of Massachusetts.

Additional information on the Town capital assets can be found on pages 28 - 29 in Note III.C to the financial statements.

**Long-term Debt.** At June 30, 2010, the Town had long-term indebtedness of approximately \$33.5 million, which represented a decrease of approximately \$1.2 million from June 30, 2009. In fiscal year 2010, regular scheduled debt repayments of nearly \$2.0 million exceeded new borrowings of approximately \$0.8 million.

The Town will receive reimbursements for a portion of any principal payback of debt issued through agreements with the Massachusetts Water Pollution Abatement Trust. The Town expects to receive approximately \$1.9 million of principal and approximately \$2.0 million of interest in aggregate over the next 15 years.

The Town maintained an "A2" rating as set by Moody's Investor Services and an "A+" rating as set by Standard and Poor, for its general obligation debt.

State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." The Town's legal debt margin as of June 30, 2010 was approximately \$69.2 million based on an equalized valuation of approximately \$1.4 billion.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found on pages 29 – 31 in Notes III.E and F to the financial statements.

#### **Economic Factors and Next Year's Budgets and Rates**

- Consistent with both State and National work force trends, the Town's unemployment rates have been increasing steadily over the past 18 to 24 months. As a result, many of the Town's residents have found it difficult to stay current with their debt obligations, including those they have with the Town. Unemployment statistics are expected to improve in 2011; however the extent, timing and certainty of any economic rebound cannot be reasonably estimated at this time.
- The Town's real estate tax base is made up predominantly of residential taxes, which in 2010 are approximately 94.6% of the entire levy. The Town also relies to a certain extent on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- Consistent with both State and National indices, the Town's housing market is in a downward trend that has begun to stabilize. Housing prices are approximately 25% lower than their 2005 peaks. As the economy rebounds, the Town expects its housing market to participate ratably in the rebound.

However, the extent, timing and certainty of any housing rebound cannot be reasonably estimated at this time.

- During 2010, the Town, like many other communities, was faced with many consequences of the adverse economy as local receipts and investment income were lower than expected. Compounding this issue was the cuts to State Aid.
- The Town responded well to reductions in State Aid and other local non-property tax receipts in fiscal years 2009 and 2010 and showed the ability to strategically lower appropriations in ways that preserved local service levels. However, possible revenue deficits, including a threat by the Commonwealth to cut State Aid by an additional 5 to 10%, inflationary pressures (particularly in healthcare costs) and other collateral challenges required the Town to make additional budget cuts in order to balance its budget for fiscal year 2011. The budget for fiscal year 2011 was adopted at the Annual Town Meeting in May 2010.
- The Town expects to set its tax rate for 2011 in December 2010.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Manager, Town Hall, 127 Elm Street, Millbury, Massachusetts 01527.

**Government-Wide Financial Analysis**  
**Exhibit I**  
**Net Assets**

|  | <u>Governmental Activities</u> |                          | <u>Business-Type Activities</u> |                          | <u>Total</u>             |                          |
|--|--------------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
|  | <u>June 30,<br/>2010</u>       | <u>June 30,<br/>2009</u> | <u>June 30,<br/>2010</u>        | <u>June 30,<br/>2009</u> | <u>June 30,<br/>2010</u> | <u>June 30,<br/>2009</u> |
| <u><b>Assets</b></u>                               |                                |                          |                                 |                          |                          |                          |
| Current and other assets                           | \$ 10,536                      | \$ 11,020                | \$ 11,565                       | \$ 13,540                | \$ 22,101                | \$ 24,560                |
| Capital assets, net                                | <u>45,019</u>                  | <u>45,784</u>            | <u>48,273</u>                   | <u>47,525</u>            | <u>93,292</u>            | <u>93,309</u>            |
| Total assets                                       | <u>55,555</u>                  | <u>56,804</u>            | <u>59,838</u>                   | <u>61,065</u>            | <u>115,393</u>           | <u>117,869</u>           |
| <u><b>Liabilities</b></u>                          |                                |                          |                                 |                          |                          |                          |
| Long-term liabilities                              | 8,318                          | 8,900                    | 26,791                          | 28,566                   | 35,109                   | 37,466                   |
| Other liabilities                                  | <u>4,420</u>                   | <u>2,522</u>             | <u>1,539</u>                    | <u>950</u>               | <u>5,959</u>             | <u>3,472</u>             |
| Total liabilities                                  | <u>12,738</u>                  | <u>11,422</u>            | <u>28,329</u>                   | <u>29,516</u>            | <u>41,068</u>            | <u>40,938</u>            |
| <u><b>Net Assets</b></u>                           |                                |                          |                                 |                          |                          |                          |
| Invested in capital assets,<br>net of related debt | 39,529                         | 39,703                   | 24,676                          | 23,294                   | 64,205                   | 62,997                   |
| Restricted   | 2,278                          | 1,955                    | -                               | -                        | 2,278                    | 1,955                    |
| Unrestricted                                       | <u>1,009</u>                   | <u>3,724</u>             | <u>6,832</u>                    | <u>8,255</u>             | <u>7,841</u>             | <u>11,979</u>            |
| Net Assets   | <u>\$ 42,816</u>               | <u>\$ 45,382</u>         | <u>\$ 31,509</u>                | <u>\$ 31,549</u>         | <u>\$ 74,325</u>         | <u>\$ 76,931</u>         |

**Government-Wide Financial Analysis**  
**Exhibit II**  
**Changes in Net Assets**

| Government-Wide Financial Analysis    |                         |                  |                          |                  |                  |                  |
|---------------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| Exhibit II                            |                         |                  |                          |                  |                  |                  |
| Changes in Net Assets                 |                         |                  |                          |                  |                  |                  |
|                                       | Governmental Activities |                  | Business-Type Activities |                  | Total            |                  |
|                                       | June 30,<br>2010        | June 30,<br>2009 | June 30,<br>2010         | June 30,<br>2009 | June 30,<br>2010 | June 30,<br>2009 |
| <b>Revenues</b>                       |                         |                  |                          |                  |                  |                  |
| Program revenues:                     |                         |                  |                          |                  |                  |                  |
| Charges for services                  | \$ 3,737                | \$ 4,254         | \$ 2,135                 | \$ 2,370         | \$ 5,872         | \$ 6,624         |
| Operating grants and contributions    | 13,152                  | 12,712           | -                        | -                | 13,152           | 12,712           |
| Capital grants and contributions      | 543                     | 898              | -                        | -                | 543              | 898              |
| General revenues:                     |                         |                  |                          |                  |                  |                  |
| Property taxes                        | 18,631                  | 17,214           | -                        | -                | 18,631           | 17,214           |
| Motor vehicle and other excise        | 1,608                   | 1,647            | -                        | -                | 1,608            | 1,647            |
| Intergovernmental                     | 1,953                   | 2,278            | 419                      | 174              | 2,372            | 2,452            |
| Other                                 | 121                     | 121              | 67                       | 157              | 188              | 278              |
| Total Revenues                        | 39,745                  | 39,124           | 2,621                    | 2,701            | 42,366           | 41,825           |
| <b>Expenses</b>                       |                         |                  |                          |                  |                  |                  |
| General government                    | 2,491                   | 2,158            | -                        | -                | 2,491            | 2,158            |
| Public safety                         | 4,034                   | 3,562            | -                        | -                | 4,034            | 3,562            |
| Education                             | 30,926                  | 29,867           | -                        | -                | 30,926           | 29,867           |
| Public works                          | 2,488                   | 2,551            | -                        | -                | 2,488            | 2,551            |
| Health and human services             | 603                     | 528              | -                        | -                | 603              | 528              |
| Culture and recreation                | 824                     | 852              | -                        | -                | 824              | 852              |
| Debt service                          | 204                     | 201              | -                        | -                | 204              | 201              |
| Sewer                                 | -                       | -                | 3,402                    | 3,815            | 3,402            | 3,815            |
| Total Expenses                        | 41,569                  | 39,719           | 3,402                    | 3,815            | 44,971           | 43,534           |
| Change in net assets before transfers | (1,825)                 | (595)            | (781)                    | (1,114)          | (2,606)          | (1,709)          |
| Transfers                             | (741)                   | (750)            | 741                      | 750              | -                | -                |
| Change in net assets                  | (2,565)                 | (1,345)          | (41)                     | (364)            | (2,606)          | (1,709)          |
| Net assets — beginning of year        | 45,382                  | 46,727           | 31,549                   | 31,913           | 76,931           | 78,640           |
| Net assets — end of year              | \$ 42,817               | \$ 45,382        | \$ 31,508                | \$ 31,549        | \$ 74,325        | \$ 76,931        |

**TOWN OF MILLBURY MASSACHUSETTS**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2010**

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|-------------------------------------|----------------------|
| <b>Assets</b>                                   |                                    |                                     |                      |
| Cash and cash equivalents                       | \$ 7,672,843                       | \$ 6,062,448                        | \$ 13,735,291        |
| Restricted cash and cash equivalents            | 101,051                            | -                                   | 101,051              |
| Restricted investments                          | 1,540,211                          | -                                   | 1,540,211            |
| Receivables (net):                              |                                    |                                     |                      |
| Property taxes                                  | 993,115                            | -                                   | 993,115              |
| User fees                                       | -                                  | 1,072,071                           | 1,072,071            |
| Betterments                                     | -                                  | 1,779,145                           | 1,779,145            |
| Departmental and other                          | 1,670                              | -                                   | 1,670                |
| Intergovernmental                               | 226,664                            | 2,651,501                           | 2,878,165            |
| Capital assets not being depreciated            | 3,398,489                          | -                                   | 3,398,489            |
| Capital assets, net of accumulated depreciation | 41,620,673                         | 48,272,871                          | 89,893,544           |
| <b>Total Assets</b>                             | <u>55,554,716</u>                  | <u>59,838,036</u>                   | <u>115,392,752</u>   |
| <b>Liabilities</b>                              |                                    |                                     |                      |
| Warrants and accounts payable                   | 1,160,227                          | 33,284                              | 1,193,511            |
| Accrued payroll and withholdings                | 949,430                            | -                                   | 949,430              |
| Accrued interest                                | 96,338                             | 211,638                             | 307,976              |
| Other liabilities                               | 13,555                             | -                                   | 13,555               |
| Noncurrent liabilities:                         |                                    |                                     |                      |
| Due within one year                             | 2,200,872                          | 1,293,830                           | 3,494,702            |
| Due in more than one year                       | 8,317,907                          | 26,790,663                          | 35,108,570           |
| <b>Total Liabilities</b>                        | <u>12,738,329</u>                  | <u>28,329,415</u>                   | <u>41,067,744</u>    |
| <b>Net Assets</b>                               |                                    |                                     |                      |
| Invested in capital assets, net of related debt | 39,529,162                         | 24,676,132                          | 64,205,294           |
| Restricted                                      | 2,278,373                          |                                     | 2,278,373            |
| Unrestricted                                    | 1,008,852                          | 6,832,489                           | 7,841,341            |
| <b>Total Net Assets</b>                         | <u>\$ 42,816,387</u>               | <u>\$ 31,508,621</u>                | <u>\$ 74,325,008</u> |

See accompanying notes to basic financial statements.

TOWN OF MILLBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2010

| Functions/Programs                            | Expenses      | Program Revenues     |                                    |                                  | Net (Expenses) Revenues and Changes in Net Assets |                          |                |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
|   |               | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total          |
| Primary government:                           |               |                      |                                    |                                  |   |                          |                |
| Governmental activities:                      |               |                      |                                    |                                  |   |                          |                |
| General government                            | \$ 2,490,996  | \$ 261,223           | \$ 303,457                         | \$ -                             | \$ (1,926,316)                                    | -                        | \$ (1,926,316) |
| Public safety                                 | 4,033,686     | 404,162              | 91,905                             | -                                | (3,537,619)                                       | -                        | (3,537,619)    |
| Education                                     | 30,926,044    | 825,622              | 12,400,171                         | -                                | (17,700,251)                                      | -                        | (17,700,251)   |
| Public works                                  | 2,487,919     | 2,180,208            | -                                  | 542,887                          | 235,176   | -                        | 235,176        |
| Health and human services                     | 602,548       | 48,965               | 17,990                             | -                                | (535,593)   | -                        | (535,593)      |
| Culture and recreation                        | 824,339       | 16,632               | 338,190                            | -                                | (469,517)   | -                        | (469,517)      |
| Debt service                                  | 203,549       | -                    | -                                  | -                                | (203,549)   | -                        | (203,549)      |
| Total governmental activities                 | 41,569,081    | 3,736,812            | 13,151,713                         | 542,887                          | (24,137,669)                                      | -                        | (24,137,669)   |
| Business-type activities:                     |               |                      |                                    |                                  |   |                          |                |
| Sewer   | 3,402,211     | 2,135,271            | -                                  | -                                | (1,266,940)                                       | -                        | (1,266,940)    |
| Total business-type activities                | 3,402,211     | 2,135,271            | -                                  | -                                | (1,266,940)                                       | -                        | (1,266,940)    |
| Total Primary Government                      | \$ 44,971,292 | \$ 5,872,083         | \$ 13,151,713                      | \$ 542,887                       | (24,137,669)                                      | -                        | (25,404,609)   |
| General Revenues:                             |               |                      |                                    |                                  |   |                          |                |
| Property taxes                                |               |                      |                                    |                                  |   |                          |                |
| Motor vehicle and other excise                |               |                      |                                    |                                  | 18,631,170  | -                        | 18,631,170     |
| Intergovernmental                             |               |                      |                                    |                                  | 1,608,034   | -                        | 1,608,034      |
| Penalties and interest on taxes               |               |                      |                                    |                                  | 1,952,752   | 419,207                  | 2,371,959      |
| Investment income                             |               |                      |                                    |                                  | 80,087  | -                        | 80,087         |
|   |               |                      |                                    |                                  | 41,046  | 66,529                   | 107,575        |
| Transfers (net)                               |               |                      |                                    |                                  | (740,641)   | 740,641                  | -              |
| Total general revenues and transfers          |               |                      |                                    |                                  | 21,572,448  | 1,226,377                | 22,798,825     |
| Change in Net Assets                          |               |                      |                                    |                                  | (2,565,221)                                       | (40,563)                 | (2,605,784)    |
| Net Assets:                                   |               |                      |                                    |                                  |   |                          |                |
| Beginning of year (as restated - see Note VI) |               |                      |                                    |                                  | 45,381,608  | 31,549,184               | 76,930,792     |
| End of year                                   |               |                      |                                    |                                  | \$ 42,816,387                                     | \$ 31,508,621            | \$ 74,325,008  |

See accompanying notes to basic financial statements.

**TOWN OF MILLBURY, MASSACHUSETTS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

|  | <u>General<br/>Fund</u>    | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------------|--|---|
| <b>Assets</b>                              |                            |  |   |
| Cash and cash equivalents                  | \$ 5,844,475               | \$ 1,828,368                               | \$ 7,672,843                            |
| Restricted cash and cash equivalents       | -                          | 101,051                                    | 101,051                                 |
| Restricted investments                     | -                          | 1,540,211                                  | 1,540,211                               |
| Receivables, net                           | 994,785                    | -  | 994,785                                 |
| Due from other government                  | 158,135                    | 68,529                                     | 226,664                                 |
| <b>Total Assets</b>                        | <u><u>\$ 6,997,395</u></u> | <u><u>\$ 3,538,159</u></u>                 | <u><u>\$ 10,535,554</u></u>             |
| <b>Liabilities and Fund Balances</b>       |                            |  |   |
| <b>Liabilities:</b>                        |                            |  |   |
| Warrants and accounts payable              | \$ 1,012,259               | \$ 147,969                                 | \$ 1,160,228                            |
| Accrued payroll and withholdings           | 949,430                    | -  | 949,430                                 |
| Deferred revenues                          | 994,785                    | -  | 994,785                                 |
| Other liabilities                          | 1,075                      | 12,480                                     | 13,555                                  |
| <b>Total Liabilities</b>                   | <u><u>2,957,549</u></u>    | <u><u>160,449</u></u>                      | <u><u>3,117,998</u></u>                 |
| <b>Fund Balances:</b>                      |                            |  |   |
| <b>Reserved for:</b>                       |                            |  |   |
| Encumbrances                               | 744,080                    | -  | 744,080                                 |
| Expenditures                               | 1,157,041                  | -  | 1,157,041                               |
| <b>Unreserved, reported in:</b>            |                            |  |   |
| General fund                               | 2,138,725                  | -  | 2,138,725                               |
| Special revenue funds                      | -                          | 2,795,095                                  | 2,795,095                               |
| Capital projects funds                     | -                          | 40,690                                     | 40,690                                  |
| Permanent funds                            | -                          | 541,925                                    | 541,925                                 |
| <b>Total Fund Balances</b>                 | <u><u>4,039,846</u></u>    | <u><u>3,377,710</u></u>                    | <u><u>7,417,556</u></u>                 |
| <b>Total Liabilities and Fund Balances</b> | <u><u>\$ 6,997,395</u></u> | <u><u>\$ 3,538,159</u></u>                 | <u><u>\$ 10,535,554</u></u>             |

See accompanying notes to basic financial statements.

**TOWN OF MILLBURY, MASSACHUSETTS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

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|  |                             |
|--|-----------------------------|
| <b>Total Governmental Fund Balances</b>  | <b>\$ 7,417,556</b>         |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                              | 45,019,162                  |
| Other long-term assets are not available to pay for current-period expenditures and are therefore deferred in the funds.                             | 994,785                     |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (96,338)                    |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:                          |                             |
| Landfill monitoring  | (270,000)                   |
| Bonds and notes payable  | (5,490,000)                 |
| Compensated absences   | (663,281)                   |
| Other post employment benefits   | <u>(4,095,497)</u>          |
| <b>Net Assets of Governmental Activities</b>   | <b><u>\$ 42,816,387</u></b> |

See accompanying notes to basic financial statements.



**TOWN OF MILLBURY, MASSACHUSETTS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2010**

|  | General<br>Fund     | Non-major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------------------|--------------------------------|
| Revenues:  |                     |                                    |                                |
| Property taxes   | \$ 18,556,373       | \$ -                               | \$ 18,556,373                  |
| Intergovernmental  | 12,830,766          | 2,791,768                          | 15,622,534                     |
| Motor vehicle and other excises                                  | 1,537,450           | -                                  | 1,537,450                      |
| Departmental and other revenue                                   | 2,336,460           | 1,031,857                          | 3,368,317                      |
| Licenses and permits   | 284,707             | -                                  | 284,707                        |
| Penalties and interest on taxes                                  | 80,087              | -                                  | 80,087                         |
| Fines and forfeitures  | 82,118              | -                                  | 82,118                         |
| Investment income  | 33,141              | 7,906                              | 41,047                         |
| Contributions and donations                                      | -                   | 143,655                            | 143,655                        |
| Total Revenues   | <u>35,741,102</u>   | <u>3,975,186</u>                   | <u>39,716,288</u>              |
| Expenditures:  |                     |                                    |                                |
| General government   | 1,590,330           | 390,801                            | 1,981,131                      |
| Public safety  | 2,823,669           | 90,771                             | 2,914,440                      |
| Education  | 18,191,485          | 2,495,456                          | 20,686,941                     |
| Public works   | 1,748,146           | 627,290                            | 2,375,436                      |
| Health and human services  | 360,966             | 77,604                             | 438,570                        |
| Culture and recreation   | 432,129             | 125,044                            | 557,173                        |
| Pension and fringe benefits                                      | 9,113,622           | -                                  | 9,113,622                      |
| State and county tax assessments                                 | 325,730             | -                                  | 325,730                        |
| Debt service   | 826,063             | -                                  | 826,063                        |
| Total Expenditures   | <u>35,412,140</u>   | <u>3,806,966</u>                   | <u>39,219,106</u>              |
| Excess of Revenues Over Expenditures                             | <u>328,962</u>      | <u>168,220</u>                     | <u>497,182</u>                 |
| Other Financing Sources (Uses):                                  |                     |                                    |                                |
| Transfers in   | 203,785             | -                                  | 203,785                        |
| Transfers out  | (944,426)           | -                                  | (944,426)                      |
| Total Other Financing Sources (Uses)                             | <u>(740,641)</u>    | <u>-</u>                           | <u>(740,641)</u>               |
| Net Change in Fund Balances                                      | (411,679)           | 168,220                            | (243,459)                      |
| FUND BALANCES - Beginning of year<br>(as restated - see Note VI) | <u>4,451,525</u>    | <u>3,209,490</u>                   | <u>7,661,015</u>               |
| FUND BALANCES - End of year                                      | <u>\$ 4,039,846</u> | <u>\$ 3,377,710</u>                | <u>\$ 7,417,556</u>            |

See accompanying notes to basic 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  
FISCAL YEAR ENDED JUNE 30, 2010**

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|  |                              |
|--|------------------------------|
| <b>Net Change in Fund Balances - Total Governmental Fund Balances</b>  | <b>\$ (243,459)</b>          |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital outlays amounted to \$1,357,012 and depreciation expense totaled \$2,110,449.  | (763,836)                    |
| The issuance of long-term debt 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 has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Principal debt repayments totaled \$590,000 in 2010; there were no borrowings in 2010. | 590,000                      |
| 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 differ between the two statements. The amount presented represents the difference in deferred revenue.  | 28,214                       |
| 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:  |                              |
| Accrued interest   | 32,514                       |
| Landfill monitoring  | 15,000                       |
| Compensated absences   | (135,691)                    |
| Other post employment benefits   | <u>(2,087,963)</u>           |
| <b>Change in Net Assets of Governmental Activities</b>   | <b><u>\$ (2,565,221)</u></b> |

See accompanying notes to basic financial statements.

**TOWN OF MILLBURY, MASSACHUSETTS**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010**

|   | <u>Business-Type<br/>Activities</u> |
|---|-------------------------------------|
|   | <u>Sewer</u>                        |
| <b>Assets</b>                                   |                                     |
| Current assets:                                 |                                     |
| Cash and cash equivalents                       | \$ 6,062,448                        |
| Receivables (net):                              |                                     |
| User charges                                    | 1,072,071                           |
| Betterments                                     | 177,915                             |
| Intergovernmental                               | 800,415                             |
| Total current assets                            | <u>8,112,849</u>                    |
| Noncurrent assets:                              |                                     |
| Receivables (net):                              |                                     |
| Betterments                                     | 1,601,230                           |
| Intergovernmental                               | 1,851,086                           |
| Capital assets (net)                            | 48,272,871                          |
| Total noncurrent assets                         | <u>51,725,187</u>                   |
| Total Assets                                    | <u>59,838,036</u>                   |
| <b>Liabilities</b>                              |                                     |
| Current liabilities:                            |                                     |
| Warrants and accounts payable                   | 33,284                              |
| Accrued interest                                | 211,638                             |
| Bonds and notes payable                         | 1,281,790                           |
| Compensated absences                            | 12,040                              |
| Total current liabilities                       | <u>1,538,752</u>                    |
| Noncurrent liabilities:                         |                                     |
| Compensated absences                            | 12,040                              |
| Other post employment benefits                  | 33,028                              |
| Bonds and notes payable                         | 26,745,595                          |
| Total noncurrent liabilities                    | <u>26,790,663</u>                   |
| Total Liabilities                               | <u>28,329,415</u>                   |
| <b>Net Assets</b>                               |                                     |
| Invested in capital assets, net of related debt | 24,676,132                          |
| Unrestricted                                    | 6,832,489                           |
| Total Net Assets                                | <u><u>\$ 31,508,621</u></u>         |

See accompanying notes to basic financial statements.

**TOWN OF MILLBURY, MASSACHUSETTS**

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

**FISCAL YEAR ENDED JUNE 30, 2010**

|  | <b>Business-Type<br/>Activities</b> |
|--|-------------------------------------|
|  | <b>Sewer</b>                        |
| Operating Revenues:  |                                     |
| Charges for services   | \$ 1,746,787                        |
| Betterments  | 358,484                             |
| Other  | 30,000                              |
| Total Operating Revenues   | <u>2,135,271</u>                    |
| Operating Expenses:  |                                     |
| Operating costs  | 1,165,292                           |
| Depreciation   | 1,410,260                           |
| Total Operating Expenses   | <u>2,575,552</u>                    |
| Operating Loss   | <u>(440,281)</u>                    |
| Nonoperating Revenues (Expenses):                                    |                                     |
| Intergovernmental  | 419,207                             |
| Interest income  | 66,529                              |
| Interest expense   | (826,659)                           |
| Total Nonoperating Revenues (Expenses)                               | <u>(340,923)</u>                    |
| Loss Before Transfers  | (781,204)                           |
| Transfers (net)  | <u>740,641</u>                      |
| Change in Net Assets   | (40,563)                            |
| Total Net Assets - Beginning of the Year (as restated - see Note IV) | <u>31,549,184</u>                   |
| Total Net Assets - End of the Year                                   | <u><u>\$ 31,508,621</u></u>         |

See accompanying notes to basic financial statements.

**TOWN OF MILLBURY, MASSACHUSETTS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2010**

|   | <u>Business-Type<br/>Activities</u> |
|---|-------------------------------------|
|   | <u>Sewer</u>                        |
| Cash Flows from Operating Activities:   |                                     |
| Receipts from users   | \$ 2,106,513                        |
| Other income  | 30,000                              |
| Payments to vendors   | <u>(1,813,096)</u>                  |
| Net Cash Provided by Operating Activities   | <u>323,417</u>                      |
| Cash Flows from Noncapital Financing Activities:                                      |                                     |
| Intergovernmental grants  | 2,390,099                           |
| Transfers, net  | <u>740,641</u>                      |
| Net Cash Provided by Noncapital Related Financing Activities                          | <u>3,130,740</u>                    |
| Cash Flows from Capital and Related Financing Activities:                             |                                     |
| Acquisition and construction of capital assets  | (2,157,887)                         |
| Principal payments on bonds and notes   | (538,574)                           |
| Interest expense  | <u>(826,659)</u>                    |
| Net Cash Used in Capital and Related Financing Activities                             | <u>(3,523,120)</u>                  |
| Cash Flows from Investing Activities:   |                                     |
| Interest income   | <u>66,529</u>                       |
| Net Cash Provided by Investing Activities   | <u>66,529</u>                       |
| Net Change in Cash and Cash Equivalents   | (2,434)                             |
| Cash and Cash Equivalents:  |                                     |
| Beginning of the year   | <u>6,064,882</u>                    |
| End of the year   | <u><u>\$ 6,062,448</u></u>          |
| Reconciliation of Operating Loss to Net Cash<br>Provided by Operating Activities:     |                                     |
| Operating loss  | \$ (440,281)                        |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |                                     |
| to net cash provided (used) by operating activities:                                  |                                     |
| Depreciation  | 1,410,260                           |
| Nonoperating income (expense), net  | (340,923)                           |
| Transfers, net  | 740,641                             |
| Changes in assets and liabilities:  |                                     |
| Receivables   | (597,011)                           |
| Accounts payable  | <u>(889,550)</u>                    |
| Net Cash Provided by Operating Activities   | <u><u>\$ 323,417</u></u>            |

See accompanying notes to basic financial statements.

**TOWN OF MILLBURY, MASSACHUSETTS**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUNDS**

**JUNE 30, 2010**

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|                                  | <u>Agency<br/>Funds</u> |
|----------------------------------|-------------------------|
| <b>Assets</b>                    |                         |
| Police detail receivables        | <u>\$ 86,924</u>        |
| <b>Total Assets</b>              | <u>86,924</u>           |
| <b>Liabilities</b>               |                         |
| Overdrawn cash                   | 1,198                   |
| Student activities               | <u>85,726</u>           |
| <b>Total Liabilities</b>         | <u>86,924</u>           |
| <b>Net Assets</b>                |                         |
| Held in trust for other purposes | <u>-</u>                |
| <b>Total Net Assets</b>          | <u><u>\$ -</u></u>      |

See accompanying notes to basic financial statements.

## TOWN OF MILLBURY, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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#### **I. Summary of Significant Accounting Policies**

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board ("GASB"), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

- A. Reporting Entity** – The Town is located in Worcester County and was incorporated in 1813. An elected five-member Board of Selectmen governs the Town and a Town Manager oversees the Town's daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K to 12, street maintenance, parks and recreational facilities. Sewer services, which are funded almost entirely with user charges, are provided via connections installed and maintained by the Town directly. Sewer services are available to the majority of the Town.
- B. Individual Component Unit Disclosures** – Component units, while separate entities, are in substance part of the governmental operations of the Town due to the significance of their operations and financial relationship with the Town. Pursuant to this standard, there are no entities classified as component units in this report.
- C. Government-Wide and Fund 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 non-fiduciary 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 user fees and charges for support. Likewise, the *primary government* is reported separately from certain legal *component units* if they exist, for which the primary government is financially accountable. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods or 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*. Separate financial statements are provided for Governmental Funds, Proprietary Funds and Fiduciary Funds, even though the latter are excluded from Government-Wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.
- D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation** – The Government-Wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are Proprietary Funds and Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized

as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, if material, to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However expenditures related to debt service, compensated absences, claims and judgments, and risk financing are recorded only when payment is due. Interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major Governmental Fund:

*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 *Nonmajor Governmental Funds* consist of special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Permanent Funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The government reports the following major proprietary fund:

*Enterprise Fund* – uses the “economic resources” measurement focus to account for the following specific operations in a manner similar to private business enterprises:

*Sewer* – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

In addition, the Town reports funds it possesses that are legally held in trust for use in student activities and police details as private purpose and agency funds. The year-end balances of these funds are reported as cash and liabilities in the Statement of Fiduciary Net Assets.



In general, private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the Government-Wide and Proprietary Fund financial statements, to the extent that those standards do not conflict with or contradict GASB guidance. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected to follow private-sector guidance. As a general rule, the *effect* of interfund activity has been eliminated from the Government-Wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the Town's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise general revenues include all taxes. Proprietary Funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All activities not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed.

*Deposits and Investments* – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. The Town's investments are reported at their fair value.

#### **E. Assets, Liabilities, and Net Assets or Equity**

*Interfund Balances* – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide financial statements as *internal balances*.

*Receivables* – All property tax and trade receivables are shown net of an allowance for doubtful collections. Real estate and personal property taxes are assessed each year on January 1st. Bills are sent quarterly and are due on August 1st, November 1st, February 1st, and May 1st, or thirty (30) days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen (14) days subsequent to the mailing of demand of delinquent taxes.

*Inventories and Prepaid Items* – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Restricted Assets – Certain cash and investment balances are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by the provisions of certain trust documents.

Capital Assets – Capital assets, including property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the Government-Wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Town does not capitalize costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives.

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.

The Town uses the straight line method of calculated depreciation for its property, plant and equipment over the following estimated useful lives:

|   |          |
|---|----------|
| Buildings                                   | 40 years |
| Building improvements and infrastructure    | 20 years |
| Equipment, furniture, fixtures and vehicles | 5 years  |

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and sick pay benefits. Amounts related to these benefits are accrued when incurred and material in the Government-Wide and Proprietary Fund financial statements. A liability for these amounts is reported in the Governmental Funds financial statements only if they have matured.

Long-term Obligations – Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities and proprietary fund type Statements of Net Assets in the Government-Wide financial statements. Bond premiums and discounts, in addition to issuance costs, are deferred and amortized over the life of the bonds. Bond anticipation notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Governmental Fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts as other financing uses. Issuance costs are exclusively reported as debt service expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town insures for workers' compensation, health, unemployment benefits, casualty, theft, or other losses. Uninsured losses are recorded as expenditures when incurred.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds, is employed in order to reserve that portion of the applicable appropriation that the Town is legally obligated has not yet met the accounting criteria for an expenditure. Encumbrance accounting is used as a significant aspect of budgetary control

in the Governmental Fund types. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Fund Equity – In the Governmental 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.

- F. Use of Estimates** – The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

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

- A. Budgetary Information** – An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by Town Meeting annually in May. Expenditures may legally exceed appropriations at the department line item level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. In addition, in certain extraordinary or unforeseen situations, the Finance Committee is empowered to transfer funds from the Town's reserves to a departmental appropriation. The Town Meeting and the department head however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance. The Town made several supplemental budgetary appropriations throughout the year. These were not significant and amounted to less than 1% of total budget.
- B. Excess of Expenditures Over Appropriations** – During the fiscal year ended, the Town exceeded its appropriations for snow and ice removal. The snow and ice deficit will be raised when the 2011 tax rate is set.

## **III. Detailed Notes to All Funds**

- A. Deposits and Investments** – Cash and cash equivalents include cash on hand, money markets and certificates of deposit with maturities of three (3) months or less. Investments consist of mutual funds, corporate fixed income securities and government-backed securities. The Town maintains a separate cash account for all funds.

GAAP requires disclosure for any investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The Town does not maintain any investments subject to these classifications.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town has a deposit policy for custodial credit risk. To that end, for bank balances not covered by federal depository insurance or the depositors' insurance fund, the Town has private secured collateralization agreements covering the uninsured portions of their bank balances. At June 30, 2010, all of the

Town's deposits in bank accounts, money markets and certificates of deposit were insured or collateralized by third parties.

Credit Risk – Statutes require the Treasurer to invest Town funds in bonds or notes which are legal investments for savings banks, including U.S. obligations, certificates of deposit, money market accounts, bank deposits, repurchase agreements and the State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety (90) days, and the underlying security must be a U.S. obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

At June 30, 2010, all of the Town's investments in U.S. government obligation were rated Aaa by Moody's Investors Service, Inc ("Moody's"). Of the Town's investments in corporate fixed income, securities with a fair value of \$106,608 and \$49,290 were rated Aa2 and B1 by Moody's, respectively. No other investment types were rated by Moody's or any other recognizable credit rating agency.

Investment Maturities – The Town had the following investments at June 30, 2010:

| Investments                       | Fair Value           | Maturity in Years   |                     |                   |                       |
|-----------------------------------|----------------------|---------------------|---------------------|-------------------|-----------------------|
|                                   |                      | Less than Year      | 1 to 5 Years        | 6 to 10 Years     | Greater than 10 Years |
| <u>Debt securities:</u>           |                      |                     |                     |                   |                       |
| U.S. Government obligations       | \$ 1,332,310         | \$ -                | \$ 692,463          | \$ 639,847        | \$ -                  |
| Corporate fixed income            | 155,898              | -                   | 155,898             | -                 | -                     |
| Certificates of deposit           | 2,742,225            | 2,486,742           | 255,483             | -                 | -                     |
| Total investments with maturities | 4,230,433            | <u>\$ 2,486,742</u> | <u>\$ 1,103,844</u> | <u>\$ 639,847</u> | <u>\$ -</u>           |
| <u>Other investments:</u>         |                      |                     |                     |                   |                       |
| Money markets                     | 8,739,840            |                     |                     |                   |                       |
| Mutual funds                      | 52,003               |                     |                     |                   |                       |
| Total Investments                 | <u>\$ 13,022,276</u> |                     |                     |                   |                       |
| Cash deposits held                | <u>\$ 2,353,079</u>  |                     |                     |                   |                       |

Following is a reconciliation of investments and cash and cash equivalents as summarized above to the balance as recorded in the balance sheet:

|  | Investments   | Cash and Cash Equivalents |
|--|---------------|---------------------------|
| As presented above   | \$ 13,022,276 | \$ 2,353,079              |
| Reclass: Short-term investments reported in the combined balance sheet as cash and short-term investments; as follows: |               |                           |
| Certificates of deposit  | (2,742,225)   | 2,742,225                 |
| Money markets  | (8,739,840)   | 8,739,840                 |
| Totals   | \$ 1,540,211  | \$ 13,835,144             |

Concentration of Credit Risk – The Town has a formal investment policy that seeks to limit the impact of potential losses from any one type of security or issuer. Investments that represent 5% (excluding investments in U.S. Treasury securities) or more of total investments at June 30, 2010 include:

|   |            |
|---|------------|
| General Electric – 4.80% corporate fixed income | \$ 106,608 |
| Federal National Mortgage Association           | 920,133    |
| Federal Home Loan Mortgage Corp.                | 201,595    |

Interest Rate Risk – The Town has a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## B. Receivables

Presentation Breakdown – Receivables as of year-end for the government's individual major and proprietary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

Receivables as of year-end for the individual major governmental and non major funds are as follows:

|  |                     |
|--|---------------------|
| Property taxes                             | \$ 325,455          |
| Tax liens and foreclosures                 | 438,010             |
| Motor vehicle excise                       | 229,650             |
| Due from the Commonwealth of Massachusetts | 226,664             |
| Other                                      | <u>1,670</u>        |
| Gross receivables                          | 1,221,449           |
| Allowance for uncollectible accounts       | <u>—</u>            |
| Net receivables                            | <u>\$ 1,221,449</u> |

Receivables as of year-end for the sewer enterprise fund are as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| Sewer use charges                    | \$ 1,072,071        |
| Due from the MWPAT – draw down       | 669,035             |
| Due from the MWPAT – subsidies       | 1,982,466           |
| Betterments                          | <u>1,779,145</u>    |
| Gross receivables                    | 5,502,717           |
| Allowance for uncollectible accounts | <u>—</u>            |
| Net receivables                      | <u>\$ 5,502,717</u> |

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. Governmental Funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2010, deferred revenue reported in Governmental Funds amounted to \$994,785.

The Town also records in its Business Type activities a receivable for sewer betterments. These receivables will be collected over many years and the funds received are being applied against the related debt incurred as a result of construction. At June 30, 2010, this receivable balance totaled \$1,779,145.

MWPAT Loan Subsidies – The Town has entered into a number of loan agreements since February 1997 with the Massachusetts Water Pollution Abatement Trust (“MWPAT”). It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$1,982,466 through the maturity of these agreements.

### C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

|  | Beginning<br>Balance | Increases    | Decreases | Ending<br>Balance |
|--|----------------------|--------------|-----------|-------------------|
| <u>Governmental Activities:</u>              |                      |              |           |                   |
| Capital assets not being depreciated:        |                      |              |           |                   |
| Land   | \$ 3,158,489         | \$ 240,000   | \$ -      | \$ 3,398,489      |
| Total capital assets not being depreciated   | 3,158,489            | 240,000      | -         | 3,398,489         |
| Capital assets being depreciated:            |                      |              |           |                   |
| Land improvements                            | 313,449              | -            | -         | 313,449           |
| Buildings and improvements                   | 50,633,086           | 26,339       | -         | 50,659,425        |
| Infrastructure                               | 12,231,715           | 634,796      | -         | 12,866,511        |
| Machinery and equipment                      | 4,274,341            | 380,382      | -         | 4,654,723         |
| Vehicles                                     | 3,301,752            | 75,495       | -         | 3,377,247         |
| Total capital assets being depreciated       | 70,754,343           | 1,117,012    | -         | 71,871,355        |
| Less accumulated depreciation for:           |                      |              |           |                   |
| Land improvements                            | (149,311)            | (10,933)     | -         | (160,244)         |
| Buildings and improvements                   | (17,376,177)         | (1,190,720)  | -         | (18,566,897)      |
| Infrastructure                               | (5,571,900)          | (329,836)    | -         | (5,901,736)       |
| Machinery and equipment                      | (2,846,647)          | (402,569)    | -         | (3,249,216)       |
| Vehicles                                     | (2,196,198)          | (176,391)    | -         | (2,372,589)       |
| Total accumulated depreciation               | (28,140,233)         | (2,110,449)  | -         | (30,250,682)      |
| Total capital assets being depreciated, net  | 42,614,110           | (993,437)    | -         | 41,620,673        |
| Governmental activities capital assets, net  | \$ 45,772,599        | \$ (753,437) | \$ -      | \$ 45,019,162     |
| <u>Business Activities:</u>                  |                      |              |           |                   |
| Capital assets being depreciated:            |                      |              |           |                   |
| Buildings and improvements                   | 6,046,521            | -            | -         | 6,046,521         |
| Infrastructure                               | 56,400,326           | 2,714,909    | -         | 59,115,235        |
| Machinery and equipment                      | 52,272               | 54,989       | -         | 107,261           |
| Vehicles                                     | 152,258              | -            | -         | 152,258           |
| Total capital assets being depreciated       | 62,651,377           | 2,769,898    | -         | 65,421,275        |
| Less accumulated depreciation for:           |                      |              |           |                   |
| Buildings and improvements                   | (4,886,621)          | (151,378)    | -         | (5,037,999)       |
| Infrastructure                               | (10,740,752)         | (1,242,866)  | -         | (11,983,618)      |
| Machinery and equipment                      | (36,627)             | (5,688)      | -         | (42,315)          |
| Vehicles                                     | (74,144)             | (10,328)     | -         | (84,472)          |
| Total accumulated depreciation               | (15,738,144)         | (1,410,260)  | -         | (17,148,404)      |
| Business-Type activities capital assets, net | \$ 46,913,233        | \$ 1,359,638 | \$ -      | \$ 48,272,871     |

For the fiscal year ended June 30, 2010, depreciation expense was charged to functions/programs as follows:

Governmental Activities:

|                                 |                     |
|---------------------------------|---------------------|
| General government              | \$ 107,029          |
| Public safety                   | 167,253             |
| Education                       | 1,170,567           |
| Public works                    | 433,645             |
| Health and human services       | 20,275              |
| Culture and recreation          | <u>211,680</u>      |
| Total – Governmental Activities | <u>\$ 2,110,449</u> |

Business-Type Activities:

|                  |                     |
|------------------|---------------------|
| Sewer Enterprise | <u>\$ 1,410,260</u> |
|------------------|---------------------|

- D. Interfund Receivables, Payables and Transfers** – Interfund transfers during the year were as follows and were made to supplement the operating budget:

|                  | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------|---------------------|----------------------|
| General          | \$ —                | \$ 740,641           |
| Sewer Enterprise | <u>740,641</u>      | <u>—</u>             |
| Totals           | <u>\$ 740,641</u>   | <u>\$ 740,641</u>    |

**E. Temporary Debt**

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of a revenue or tax anticipation notes (“RAN” or “TAN”).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of a bond anticipation note (“BAN”), state aid anticipation note (“SAAN”) or grant anticipation note (“GAN”). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. There were no temporary notes outstanding at June 30, 2010. The Town repaid the outstanding \$552,000 SAN at June 30, 2009 in December 2009.

**F. Long-Term Debt**

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

| Description of Issue                           | Maturing Year | Interest Rate  | Beginning Balance    | Additions         | Maturities            | Ending Balance              |
|--|---------------|----------------|----------------------|-------------------|-----------------------|-----------------------------|
| <b><u>Governmental Activities:</u></b>         |               |                |                      |                   |                       |                             |
| General obligation bond                        | 2011          | 4.25%          | \$ 130,000           | \$ -              | \$ (65,000)           | \$ 65,000                   |
| General obligation bond                        | 2011          | 4.30%          | 350,000              | -                 | (175,000)             | 175,000                     |
| General obligation bond                        | 2025          | 3.50% to 4.13% | 5,600,000            | -                 | (350,000)             | 5,250,000                   |
| Total Governmental Activities                  |               |                | <u>\$ 6,080,000</u>  | <u>\$ -</u>       | <u>\$ (590,000)</u>   | <u>5,490,000</u>            |
| <b><u>Business-type Activities - Sewer</u></b> |               |                |                      |                   |                       |                             |
| General obligation bond                        | 2009          | 7.25%          | 85,000               | -                 | (85,000)              | -                           |
| General obligation bond                        | 2018          | 4.25% to 5.00% | 235,000              | -                 | (35,000)              | 200,000                     |
| General obligation bond                        | 2018          | 4.25% to 5.00% | 45,000               | -                 | (5,000)               | 40,000                      |
| General obligation bond                        | 2023          | 3.25% to 4.50% | 2,065,000            | -                 | (140,000)             | 1,925,000                   |
| MWPAT (sewer 94-17)                            | 2015          | 5.62% to 5.70% | 525,958              | -                 | (76,021)              | 449,937                     |
| MWPAT (sewer 95-24)                            | 2017          | 5.40% to 5.63% | 1,860,884            | -                 | (209,809)             | 1,651,075                   |
| MWPAT (sewer 98-52)                            | 2019          | 5.25% to 5.75% | 825,326              | -                 | (65,326)              | 760,000                     |
| MWPAT (sewer CW-01-23)                         | 2023          | 5.00% to 5.50% | 1,499,706            | -                 | (79,643)              | 1,420,063                   |
| MWPAT (sewer CW-04-36)                         | 2025          | 2.00%          | 542,898              | -                 | (27,083)              | 515,815                     |
| MWPAT (sewer CW-02-39)                         | 2025          | 3.00% to 5.25% | 4,178,630            | -                 | (204,877)             | 3,973,753                   |
| MWPAT (sewer CW-02-39A)                        | 2025          | 0.00%          | 334,666              | -                 | (19,686)              | 314,980                     |
| MWPAT (sewer CW-05-31)                         | 2036          | 2.35%          | 3,400,095            | -                 | (86,911)              | 3,313,184                   |
| MWPAT (sewer CW-05-31A)                        | 2037          | 2.41%          | 6,217,421            | -                 | (149,833)             | 6,067,588                   |
| MWPAT (sewer CW-05-31B)                        | 2038          | 2.42%          | 6,750,375            | -                 | (182,579)             | 6,567,796                   |
| MWPAT (sewer CW-05-31C)                        | 2039          | 2.00%          | -                    | 828,194           | -                     | 828,194                     |
| Total Business-type Activities                 |               |                | <u>\$ 28,565,959</u> | <u>\$ 828,194</u> | <u>\$ (1,366,768)</u> | <u>28,027,385</u>           |
| <b>Total Bond and Note Debt</b>                |               |                |                      |                   |                       | <b><u>\$ 33,517,385</u></b> |

**Future Debt Payoff** - Payments on general long-term debt obligation bonds due in future years consist of the following:

| Year Ending<br>June 30, | Governmental Activities |            |              |              |            |              |              |
|-------------------------|-------------------------|------------|--------------|--------------|------------|--------------|--------------|
|                         | Principal               |            |              | Interest     |            |              | Total        |
|                         | Gross                   | Subsidized | Net          | Gross        | Subsidized | Net          |              |
| 2011                    | \$ 590,000              | \$ -       | \$ 590,000   | \$ 243,788   | \$ -       | \$ 243,788   | \$ 833,788   |
| 2012                    | 350,000                 | -          | 350,000      | 188,825      | -          | 188,825      | 538,825      |
| 2013                    | 350,000                 | -          | 350,000      | 176,575      | -          | 176,575      | 526,575      |
| 2014                    | 350,000                 | -          | 350,000      | 90,425       | -          | 90,425       | 440,425      |
| 2015                    | 350,000                 | -          | 350,000      | 151,725      | -          | 151,725      | 501,725      |
| 2016 - 2020             | 1,750,000               | -          | 1,750,000    | 561,313      | -          | 561,313      | 2,311,313    |
| 2021 - 2025             | 1,750,000               | -          | 1,750,000    | 213,590      | -          | 213,590      | 1,963,590    |
| Total                   | \$ 5,490,000            | \$ -       | \$ 5,490,000 | \$ 1,626,241 | \$ -       | \$ 1,626,241 | \$ 7,116,241 |

| Year Ending<br>June 30, | Business-Type Activities: Sewer |                |               |              |                |              |               |
|-------------------------|---------------------------------|----------------|---------------|--------------|----------------|--------------|---------------|
|                         | Principal                       | Principal      |               | Interest     |                |              |               |
|                         | Gross                           | Subsidized     | Net           | Gross        | Subsidized     | Net          | Total         |
| 2011                    | \$ 1,281,790                    | (131,380)      | \$ 1,150,410  | \$ 883,974   | \$ (276,637)   | \$ 607,337   | \$ 1,889,127  |
| 2012                    | 1,343,407                       | (138,449)      | 1,204,958     | 845,414      | (257,169)      | 588,245      | 1,931,652     |
| 2013                    | 1,368,852                       | (142,562)      | 1,226,290     | 794,748      | (239,860)      | 554,888      | 1,923,740     |
| 2014                    | 1,407,796                       | (151,689)      | 1,256,107     | 739,436      | (216,927)      | 522,509      | 1,930,305     |
| 2015                    | 1,445,806                       | (159,936)      | 1,285,870     | 680,376      | (193,237)      | 487,139      | 1,932,945     |
| 2016 - 2020             | 6,322,453                       | (704,417)      | 5,618,036     | 2,581,097    | (586,866)      | 1,994,231    | 8,316,684     |
| 2021 - 2025             | 5,714,533                       | (554,033)      | 5,160,500     | 1,505,920    | (140,846)      | 1,365,074    | 7,079,607     |
| 2026 - 2030             | 3,305,792                       | -              | 3,305,792     | 897,337      | -              | 897,337      | 4,203,129     |
| 2031 - 2035             | 3,448,856                       | -              | 3,448,856     | 496,056      | -              | 496,056      | 3,944,912     |
| 2036 - 2039             | 2,388,100                       | -              | 2,388,100     | 98,275       | -              | 98,275       | 2,486,375     |
| Total                   | \$ 28,027,385                   | \$ (1,982,466) | \$ 26,044,919 | \$ 9,522,633 | \$ (1,911,542) | \$ 7,611,091 | \$ 35,638,476 |



MWPAT Loan Subsidies – The Town has entered into a number of loan agreements since 1997 with the MWPAT. Under these agreements, the Town is expected to be subsidized by \$1,982,466 for future principal payments and \$1,911,542 for future interest costs. The expected subsidized future principal payments of \$1,982,466 has been reflected as a receivable in the sewer enterprise fund as of June 30, 2010. See Note B to these financial statements.

Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements under business type activities. In addition, the Town has \$669,035 to draw down under these agreements for projects that are still in progress. The gross amount of these agreements have been recorded in the accompanying basic financial statements under business type activities, and the amounts left to draw down have been reflected as a receivable in the Enterprise Funds.

Legal Debt Margin – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The current debt limitation for the Town is approximately \$69.2 million, which is significantly in excess of the Town’s outstanding general obligation debt and is based on an equalized valuation of approximately \$1.4 billion.

Overlapping Debt – The Town’s is responsible for it proportionate share of debt of other governmental units which provide services within the Town’s boundaries, and which is annually assessed to the Town. The Town has such debt with Worcester County and the Blackstone Valley Vocational Technical School District.

Unauthorized and unissued debt – At June 30, 2010, the Town has approximately \$4.8 million in authorized and unissued debt. Of this total, approximately \$3.8 million is earmarked for improvements to the Town’s sewer system and approximately \$0.7 million for the acquisition of a new fire engine. The remainder is earmarked for land acquisitions.

Changes in General Long-term Debt – The Town incurs various other long-term obligations relative to personnel costs and landfill closure monitoring costs. During the year ended June 30, 2010, the following reflects the activity in the long-term liability accounts:

|  | Beginning<br>Balance | Additions            | Deletions             | Ending<br>Balance    | Due within<br>one year |
|--|----------------------|----------------------|-----------------------|----------------------|------------------------|
| <b>Governmental Activities:</b>            |                      |                      |                       |                      |                        |
| General obligation bonds and notes payable | \$ 6,632,000         | \$ -                 | \$ (1,142,000)        | \$ 5,490,000         | \$ 1,854,231           |
| Compensated absences                       | 527,591              | 135,691              | -                     | 663,282              | 331,641                |
| Landfill closure                           | 285,000              | -                    | (15,000)              | 270,000              | 15,000                 |
| Other post employment benefits, net        | 2,023,724            | 2,071,773            | -                     | 4,095,497            | -                      |
| Total Governmental Activities              | <u>\$ 9,468,315</u>  | <u>\$ 2,207,464</u>  | <u>\$ (1,157,000)</u> | <u>\$ 10,518,779</u> | <u>\$ 2,200,872</u>    |
| <b>Business-type Activities: Sewer</b>     |                      |                      |                       |                      |                        |
| General obligation bonds and notes payable | \$ 28,565,959        | \$ 828,194           | \$ (1,366,768)        | \$ 28,027,385        | \$ 1,281,790           |
| Compensated absences                       | -                    | 24,080               | -                     | 24,080               | 12,040                 |
| Other post employment benefits, net        | 16,190               | 16,838               | -                     | 33,028               | -                      |
| Total Business-Type Activities             | <u>\$ 28,582,149</u> | <u>\$ 869,112</u>    | <u>\$ (1,366,768)</u> | <u>\$ 28,084,493</u> | <u>\$ 1,293,830</u>    |
| Total Long-Term Obligations                | <u>\$ 38,050,464</u> | <u>\$3,076,576.0</u> | <u>\$ (2,523,768)</u> | <u>\$ 38,603,272</u> | <u>\$ 3,494,702</u>    |

#### **IV. Other Information**

##### **A. Retirement System**

*System Description* – The Town contributes to the Worcester County Retirement System (the “System”), an agency multiple-employer defined benefit pension plan for the Town and other governmental agencies within Worcester County. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts.

Substantially all employees of the Town, except teachers and certain administrative personnel employed by the School Department, participate in the System. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission (“PERAC”) that includes financial statements and required supplementary information, which is available at the Worcester County Retirement System, 23 Midstate Drive, Suite 106, Auburn, MA 01501.

*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 for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town contributed \$818,384, \$753,024 and \$751,335 to the System for the fiscal years ended June 30, 2010, 2009, and 2008, respectively. These contributions were equal to the required contribution for each year as set by the Board. Schedules of funding progress and contribution funding are included as required supplementary information.

##### **B. Massachusetts Teachers’ Retirement System**

Teachers and certain administrative employees of the School Department participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$3,849,337 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

##### **C. Other Post Employment Benefits (“OPEB”)**

*Plan Description* – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand-alone financial report as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

As of January 1, 2008, the date of the latest actuarial valuation report, the number of participants in the Plan consists of 347 active employees and 248 retired employees, which include spouses, for a total of 595 participants.

Funding Policy – The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 25% of the cost of the health insurance premiums. The remainder of the health insurance premiums is funded by the Town. Surviving spouses contribute 50% of the cost of health insurance premiums; the Town pays the remainder. In addition, retirees contribute 50% towards life insurance premiums (face value is \$2,000); the Town pays the remainder. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty (30) years.

The following table reflects the activity regarding the Town's OPEB obligation:

|                                      |                         |
|--------------------------------------|-------------------------|
| OPEB obligation at beginning of year | \$ 2,023,724            |
| Annual required contribution ("ARC") | 3,286,179               |
| Contributions made                   | <u>(1,181,378)</u>      |
| <br>OPEB obligation at end of year   | <br>\$ <u>4,128,525</u> |

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

| <u>Fiscal Year<br/>Ending</u> | <u>Annual<br/>OPEB Cost<br/>(AOPEBC)*</u> | <u>Percentage of<br/>AOPEBC<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|-------------------------------|---|---|--------------------------------|
| June 30, 2010                 | \$ 3,286,179                              | 36 %  | \$ 4,128,525                   |
| June 30, 2009                 | 3,092,655                                 | 35 %  | 2,023,724                      |

\* The AOPEBC was charged to the following functional programs: General Government \$157,501; Public Safety \$363,750; Education \$2,548,769; Public Works \$110,609; Health and Human Services \$49,010; and Culture and Recreation \$39,701. In the Business-Type Funds, Sewer activities were charged \$16,839.

**Funding Status and Funding Progress** – The funded status of the Plan at July 1, 2008, which was the date of the most recent actuarial valuation performed, was as follows:

| Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability<br>(AAL) Entry<br>Age Normal<br>Cost<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B – A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--|---|--------------------------------------|--------------------------|---------------------------|---|
| \$ -                                   | \$39,228,118  | \$39,228,118                         | 0.0%                     | N/A                       | N/A   |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

**Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the 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. The significant methods and assumptions as of the latest valuation dated July 1, 2008 are as follows:

|                                     |   |
|-------------------------------------|---|
| Valuation date:                     | July 1, 2008  |
| Actuarial cost method               | Entry age normal                                    |
| Remaining amortization period:      | 29 years as of June 30, 2009                        |
| Interest discount rate:             | 4.25%   |
| Healthcare/Medical cost trend rate: | 9.0% grading down to 5% in year 2012 and thereafter |

**D. Risk Financing** – The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker’s compensation, and unemployment compensation.

**E. Contingencies** – The Town is party to certain legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these other legal matters will have a material adverse effect on the basic financial statements of the Town at June 30, 2010.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

- F. Landfill Closure and Post-Closure Care Costs** – The Town’s landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions (“post-closure care”) at the site for thirty (30) years after the landfill cover is installed. The Town presently appropriates \$15,000 per year for post-closure care costs and has recorded a liability of \$270,000 in the governmental activities fund in the Statement of Net Assets as result of this activity.

#### **V. Implementation of New GASB Pronouncements**

In June 2007, the GASB issued GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, which was effective for the Town beginning on July 1, 2009. The objective of GASB 51 was to establish accounting and financial reporting requirements for intangible assets such as easements, water rights, timber rights, patents, trademarks and computer software, and reduce inconsistencies in current reporting practices, thereby enhancing the comparability of the accounting and reporting of such assets among state and local governments. The adoption of GASB 51 did not have a material impact on the Town’s financial position or its results from operations.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which was effective for the Town beginning on July 1, 2009. GASB 53 was intended to improve how state and local governments report information about derivative instruments (financial arrangements used by governments to manage specific risks or make investments) in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The adoption of GASB 53 did not have a material impact on the Town’s financial position or its results from operations.

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to alter the focus to bring greater clarity and consistency to fund balance reporting and terminology used to report fund balance in governmental funds. GASB 54 is effective for periods beginning after June 15, 2010. The Town will adopt GASB 54 for the fiscal year ended June 30, 2011. The Town is currently evaluating whether the adoption of GASB 54 will have a material impact on its financial statements.

In June 2010, the GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of GASB 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of GASB 59 are effective for financial statements for periods beginning after June 15, 2010. The Town does not expect that the adoption of GASB 59 will have a material effect on its financial statements.

## VI. Restatement of Prior Year Balances

The following restatements were made to the prior year ending balances in order to conform to the current year presentation:

|  | General<br>Fund     | Sewer<br>Fund | Sewer<br>Stabilization | Sewer<br>Expansion | Proprietary          |
|--|---------------------|---------------|------------------------|--------------------|----------------------|
| As previously recorded                       | \$ 3,661,441        | \$ 2,366,759  | \$ 3,590,800           | \$ 2,014,817       | \$ -                 |
| Remove tax refunds payable                   | 534,221             |               |                        |                    |                      |
| Adjust employee insurance withholdings       | 255,863             |               |                        |                    |                      |
| Reclassified to Proprietary from Major Funds |                     | (2,366,759)   | (3,590,800)            | (2,014,817)        | 7,972,376            |
| Record receivables on accrual basis          |                     |               |                        |                    | 220,277              |
| Record unbilled receivables                  |                     |               |                        |                    | 817,218              |
| Record assessments on an accrual basis       |                     |               |                        |                    | 1,814,963            |
| Record fixed assets                          |                     |               |                        |                    | 47,525,244           |
| Record bonds payable                         |                     |               |                        |                    | (28,565,959)         |
| Record bond interest accrual                 |                     |               |                        |                    | (286,799)            |
| Record MWPAT subsidy                         |                     |               |                        |                    | 2,102,888            |
| Record other post employment benefits        |                     |               |                        |                    | (16,190)             |
| Record compensated absences                  |                     |               |                        |                    | (34,834)             |
| As restated                                  | <u>\$ 4,451,525</u> | <u>\$ -</u>   | <u>\$ -</u>            | <u>\$ -</u>        | <u>\$ 31,549,184</u> |

|  | Governmental<br>Activities | Business<br>Activities |
|--|----------------------------|------------------------|
| As previously recorded                 | \$ 73,220,602              | \$ -                   |
| Reclassify Sewer Retained Earnings     | (7,972,376)                | 7,972,376              |
| Remove tax refunds payable             | 534,221                    | -                      |
| Adjust employee insurance withholdings | 255,863                    | -                      |
| Reclass receivables to business type   | (220,277)                  | 220,277                |
| Record unbilled receivables            | -                          | 817,218                |
| Reclass assessments to business type   | (1,814,963)                | 1,814,963              |
| Record fixed assets                    | (47,525,244)               | 47,525,244             |
| Record bonds payable                   | 28,565,959                 | (28,565,959)           |
| Record bond interest accrual           | 286,799                    | (286,799)              |
| Record MWPAT subsidy                   | -                          | 2,102,888              |
| Record other post employment benefits  | 16,190                     | (16,190)               |
| Record compensated absences            | 34,834                     | (34,834)               |
|  | <u>\$ 45,381,608</u>       | <u>\$ 31,549,184</u>   |

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**TOWN OF MILLBURY, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010**

**SCHEDULES OF FUNDING PROGRESS**

**Pension System - Worcester Regional Retirement System (All Participants)**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll |
|--------------------------------|---------------------------------|---|---------------------------|-----------------|--------------------|--|
|                                | (a)                             | (b)                                     | (b-a)                     | (a/b)           | (c)                | (b-a/c)  |
| 1/1/2007                       | \$ 389,758,785                  | \$ 692,768,325                          | \$ 303,009,540            | 56.3%           | \$ 211,518,755     | 143.30%  |
| 1/1/2004                       | 350,879,900                     | 552,773,549                             | 201,893,649               | 63.5%           | 170,669,442        | 118.30%  |
| 01/01/01                       | 316,389,108                     | 426,280,953                             | 109,891,845               | 74.2%           | 145,000,347        | 75.80%   |

**Other Post Employment Benefits**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage<br>of Covered<br>Payroll |
|--------------------------------|---------------------------------|---|---------------------------|-----------------|--------------------|--|
|                                | (a)                             | (b)                                     | (b-a)                     | (a/b)           | (c)                | (b-a/c)  |
| 7/1/2008                       | \$ -                            | \$ 39,228,118                           | \$ 39,228,118             | 0.0%            | N/A                | N/A  |

**SCHEDULES OF CONTRIBUTION FUNDING**

**Pension System**

| Year Ended<br>June 30, | Worcester Regional Retirement System |                         |                           | Town                   |   |
|------------------------|--------------------------------------|-------------------------|---------------------------|------------------------|---|
|                        | Annual<br>Required<br>Contributions  | Actual<br>Contributions | Percentage<br>Contributed | Actual<br>Contribution | Town's Percentage<br>of System Wide<br>Actual Contributions |
|                        |                                      | (a)                     |                           | (b)                    | (b/a)   |
| 2010                   | \$ 28,800,000                        | \$ 28,800,000           | 100%                      | \$ 818,384             | 2.8%  |
| 2009                   | 26,400,000                           | 26,400,000              | 100%                      | 753,024                | 2.9%  |
| 2008                   | 22,997,682                           | 22,997,682              | 100%                      | 751,355                | 3.3%  |

**Other Post Employment Benefits**

| Year Ended<br>June 30, | Annual<br>Required<br>Contributions | Actual<br>Contributions | Percentage<br>Contributed |
|------------------------|-------------------------------------|-------------------------|---------------------------|
|                        |                                     |                         |                           |
| 2010                   | \$ 3,286,179                        | \$ 1,181,378            | 35.9%                     |
| 2009                   | 3,092,655                           | 1,068,931               | 34.6%                     |

See accompanying independent auditors' report.

**TOWN OF MILLBURY, MASSACHUSETTS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED JUNE 30, 2010**

|   | Budgeted Amounts  |                   | Actual              |                   | Actual            | Variance            |
|---|-------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
|   | Original          | Final             | Budgetary           |                   | Budgetary         | Favorable           |
|   | Budget            | Budget            | Amounts             | Encumbrances      | Adjusted          | (Unfavorable)       |
| <b>Revenues:</b>  |                   |                   |                     |                   |                   |                     |
| Property taxes  | \$ 18,347,048     | \$ 18,347,048     | \$ 18,556,373       |                   | \$ 18,556,373     | \$ 209,325          |
| Intergovernmental   | 8,600,747         | 8,600,747         | 8,981,429           |                   | 8,981,429         | 380,682             |
| Motor vehicle and other excise  | 1,577,500         | 1,577,500         | 1,537,450           |                   | 1,537,450         | (40,050)            |
| Departmental and other revenue  | 2,498,319         | 2,498,319         | 2,336,460           |                   | 2,336,460         | (161,859)           |
| Licenses and permits  | 223,150           | 223,150           | 284,707             |                   | 284,707           | 61,557              |
| Fines and forfeitures   | 72,000            | 72,000            | 80,087              |                   | 80,087            | 8,087               |
| Penalties and interest on taxes   | 60,600            | 60,600            | 82,118              |                   | 82,118            | 21,518              |
| Investment income   | 50,000            | 50,000            | 33,141              |                   | 33,141            | (16,859)            |
| Total Revenues  | <u>31,429,364</u> | <u>31,429,364</u> | <u>31,891,765</u>   |                   | <u>31,891,765</u> | <u>462,401</u>      |
| <b>Expenditures:</b>  |                   |                   |                     |                   |                   |                     |
| General government  | 1,670,415         | 1,670,415         | 1,590,330           | \$ 69,260         | 1,659,590         | 10,825              |
| Public safety   | 3,017,540         | 3,017,540         | 2,823,669           | 16,951            | 2,840,620         | 176,920             |
| Education   | 18,924,663        | 18,924,663        | 18,191,485          | 647,290           | 18,838,775        | 85,888              |
| Public works  | 1,701,942         | 1,701,942         | 1,748,146           | 10,579            | 1,758,725         | (56,783)            |
| Health and human services   | 407,043           | 407,043           | 360,966             | -                 | 360,966           | 46,077              |
| Culture and recreation  | 437,285           | 437,285           | 432,129             | -                 | 432,129           | 5,156               |
| Pension and fringe benefits   | 5,764,247         | 5,764,247         | 5,264,285           | -                 | 5,264,285         | 499,962             |
| State and county tax assessments  | 369,999           | 369,999           | 325,730             | -                 | 325,730           | 44,269              |
| Debt service  | 855,012           | 855,012           | 826,063             | -                 | 826,063           | 28,949              |
| Total Expenditures  | <u>33,148,146</u> | <u>33,148,146</u> | <u>31,562,803</u>   | <u>\$ 744,080</u> | <u>32,306,883</u> | <u>841,263</u>      |
| <b>Other Financing Sources (Uses):</b>  |                   |                   |                     |                   |                   |                     |
| Transfers in  | 1,103,758         | 1,103,758         | 1,103,758           |                   | 1,103,758         | -                   |
| Transfers out   | -                 | -                 | -                   |                   | -                 | -                   |
| Total Other Financing Sources (Uses)  | <u>1,103,758</u>  | <u>1,103,758</u>  | <u>1,103,758</u>    |                   | <u>1,103,758</u>  | <u>-</u>            |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND<br/>OTHER FINANCING SOURCES OVER<br/>EXPENDITURES/USE OF PRIOR YEAR<br/>BUDGETARY FUND BALANCE</b> | <u>(615,024)</u>  | <u>(615,024)</u>  | <u>\$ 1,432,720</u> |                   | <u>\$ 688,640</u> | <u>\$ 1,303,664</u> |
| <b>Other Budgetary Items:</b>   |                   |                   |                     |                   |                   |                     |
| Prior year encumbrances   | 1,035,880         | 1,035,880         |                     |                   |                   |                     |
| Free cash   | 1,588,550         | 1,588,550         |                     |                   |                   |                     |
| Debt service funded by Sewer Enterprise   | (1,844,399)       | (1,844,399)       |                     |                   |                   |                     |
| Other   | (165,007)         | (165,007)         |                     |                   |                   |                     |
| Total Other Budgetary Items   | <u>615,024</u>    | <u>615,024</u>    |                     |                   |                   |                     |
| <b>NET BUDGET</b>   | <u>\$ -</u>       | <u>\$ -</u>       |                     |                   |                   |                     |

See accompanying independent auditors' report.



## TOWN OF MILLBURY, MASSACHUSETTS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2010

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#### I. Budgetary Basis of Accounting

An annual budget is legally adopted for the General Fund and the Sewer Enterprise Fund. Financial orders are initiated by department heads, recommended by the Finance Committee and approved by Town Meeting annually in March. Expenditures may legally exceed appropriations at the department line item level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting and the department head however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance. The Town made several supplemental budgetary appropriations throughout the year. These were not significant and amounted to less than 1% of total budget.

The Town's general fund is prepared on a basis other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. Primary differences include the grossing up of revenues and expenditures to reflect On Behalf Teacher's Retirement paid by the Commonwealth. The reconciliation is provided below.

|                                   |                      |
|-----------------------------------|----------------------|
| Revenues on a GAAP basis          | \$ 35,741,102        |
| On Behalf Teacher's receipts      | <u>(3,849,337)</u>   |
| Revenues on a Budgetary basis     | <u>\$ 31,891,765</u> |
| Expenditures on a GAAP basis      | \$ 35,412,140        |
| On Behalf Teacher's expenditures  | <u>(3,849,337)</u>   |
| Expenditures on a Budgetary basis | <u>\$ 31,562,803</u> |
| Transfers on a GAAP basis         | \$ 1,103,758         |
| Debt service funded by sewer      | <u>(1,844,399)</u>   |
| Transfers on a Budgetary basis    | <u>\$ (740,641)</u>  |