

**TOWN OF MILLIS, MASSACHUSETTS**

**Annual Financial Statements**

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

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	17
<b>Proprietary Funds:</b>	
Statement of Net Assets	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets	19
Statement of Cash Flows	20
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22
<b>Notes to Financial Statements</b>	<b>23</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress	46



## MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

10 New England Business Center Drive • Suite 112  
Andover, MA 01810-1096  
(978) 749-0005 • Fax (987) 749-0006  
[www.melansonheath.com](http://www.melansonheath.com)

### INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Millis, 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 Millis, Massachusetts, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Millis' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Millis, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis appearing on the following pages, and the supplementary information on page 46 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 2, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
July 2, 2010

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

As management of the Town of Millis, we offer readers this narrative overview and analysis of the financial activities of the Town of Millis for the fiscal year ended June 30, 2009.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include water and sewer activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be

divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

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

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

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

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 48,780,533 (i.e., net assets), a change of \$ 6,989,550 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 5,605,619, a change of \$ 1,020,359 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 774,811, a change of \$ 214,812 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 13,775,000, a change of \$ (1,635,000) in comparison to the prior year.

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 14,792	\$ 7,422	\$ 1,686	\$ 1,727	\$ 16,478	\$ 9,149
Capital assets	37,028	37,554	13,174	13,148	50,202	50,702
Total assets	51,820	44,976	14,860	14,875	66,680	59,851
Long-term liabilities outstanding	10,280	10,423	5,846	6,376	16,126	16,799
Other liabilities	1,297	1,103	477	158	1,774	1,261
Total liabilities	11,577	11,526	6,323	6,534	17,900	18,060
Net assets:						
Invested in capital assets, net	29,465	29,587	7,927	7,747	37,392	37,334
Restricted	3,484	2,852	-	-	3,484	2,852
Unrestricted	7,294	1,011	610	594	7,904	1,605
Total net assets	\$ 40,243	\$ 33,450	\$ 8,537	\$ 8,341	\$ 48,780	\$ 41,791

### CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,418	\$ 2,841	\$ 1,642	\$ 1,830	\$ 4,060	\$ 4,671
Operating grants and contributions	7,970	6,487	-	-	7,970	6,487
Capital grants and contributions	263	756	-	-	263	756
General revenues:						
Property taxes	15,026	13,737	-	-	15,026	13,737
Excises	1,001	913	-	-	1,001	913
Penalties and interest on taxes	74	69	-	-	74	69
Grants and contributions not restricted to specific programs	7,876 (A)	1,308	-	-	7,876	1,308
Investment income	139	184	-	-	139	184
Other	867	196	-	-	867	196
<b>Total revenues</b>	<u>35,634</u>	<u>26,491</u>	<u>1,642</u>	<u>1,830</u>	<u>37,276</u>	<u>28,321</u>
<b>Expenses:</b>						
General government	2,263	1,999	-	-	2,263	1,999
Public safety	2,836	2,715	-	-	2,836	2,715
Education	16,044	15,500	-	-	16,044	15,500
Public works	2,316	1,971	-	-	2,316	1,971
Human services	203	165	-	-	203	165
Culture and recreation	410	557	-	-	410	557
Employee benefits	3,625 (B)	2,147	-	-	3,625	2,147
Intergovernmental	389	988	-	-	389	988
Interest on long-term debt	366	469	-	-	366	469
Water	-	-	1,018	850	1,018	850
Sewer	-	-	820	748	820	748
<b>Total expenses</b>	<u>28,452</u>	<u>26,511</u>	<u>1,838</u>	<u>1,598</u>	<u>30,290</u>	<u>28,109</u>
Change in net assets before permanent fund contributions	7,182	(20)	(196)	232	6,986	212
Transfers in (out)	(392)	(386)	392	386	-	-
Permanent fund contributions	<u>3</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>4</u>
Increase in net assets	6,793	(402)	196	618	6,989	216
Net assets - beginning of year (as restated)	<u>33,450</u>	<u>33,852</u>	<u>8,341</u>	<u>7,723</u>	<u>41,791</u>	<u>41,575</u>
Net assets - end of year	<u>\$ 40,243</u>	<u>\$ 33,450</u>	<u>\$ 8,537</u>	<u>\$ 8,341</u>	<u>\$ 48,780</u>	<u>\$ 41,791</u>

(A) MSBA projects finalized in FY09.

(B) Includes net OPEB obligation.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 48,780,533, a change of \$ 6,989,550 from the prior year.



The largest portion of net assets \$ 37,392,915 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 3,483,781 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 7,903,837 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 6,793,361. Key elements of this change are as follows (in thousands):

General fund revenues in excess of expenditures	\$ 683
Sewer betterments major fund revenues in excess of expenditures	261
MSBA projects finalized in FY09	5,914
Nonmajor funds revenues in excess of expenditures	269
Excess depreciation over principal maturities	(550)
OPEB liability	(1,081)
Other	1,297
Total	<u>\$ 6,793</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 196,189. Key elements of this change are as follows (in thousands):

Water operations	\$ (218)
Sewer operations	414
Total	<u>\$ 196</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 5,605,619, a change of \$ 1,020,359 in comparison with the prior year. Most of this change was attributable to the following (in thousands):

General fund revenues and transfers in over expenditures and transfers out	\$ 837
Sewer betterments major fund expenditures and transfers out in excess of revenues and transfers in	(28)
Nonmajor funds revenues and transfers in over expenditures and transfers out	<u>211</u>
Total	<u>\$ 1,020</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 774,811, while total fund balance was \$ 1,871,380. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.2 percent of total general fund expenditures, while total fund balance represents 7.7 percent of that same amount.

The fund balance of the general fund changed by \$ 837,172 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash	\$ (403)
Raising of prior year deficits	254
Revenues less than budget	(598)
Budgetary appropriation turnbacks by departments	836
Excess tax collections over budget	169
Excess of current encumbered appropriations to be spent in subsequent year over prior year encumbrances spent in current year	65
Other timing differences	<u>514</u>
Total	<u>\$ 837</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 609,829, a change of \$ 15,849 in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ (84,138). Major reasons for these amendments include (in thousands):

- \$ (346) decrease in employee benefit and other insurances.
- \$ 100 increase in transfers out to the Stabilization fund.
- \$ 140 increase in snow and ice expenditures.
- \$ 22 net increases in various department expenses.

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

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 50,201,531 (net of accumulated depreciation), a change of \$ (500,891) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Major capital asset events included the following (in thousands):

- Purchase of school buses of \$ 448.
- Purchase of Fire department pumper of \$ 343.
- Construction in progress on the Water/Sewer SCADA project of \$ 361.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 13,775,000, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Millis' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director  
Town of Millis, Massachusetts  
900 Main Street  
Millis, Massachusetts 02054

## TOWN OF MILLIS, MASSACHUSETTS

## STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 6,341,583	\$ 1,176,760	\$ 7,518,343
Investments	132,236	-	132,236
Receivables, net of allowance for uncollectibles:			
Property taxes	490,512	-	490,512
Excises	83,462	-	83,462
User fees	-	509,666	509,666
Departmental and other	115,360	-	115,360
Intergovernmental	980,366	-	980,366
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	91,840	-	91,840
Betterments	1,395,653	-	1,395,653
Intergovernmental	5,161,856	-	5,161,856
Capital assets:			
Land and construction in progress	2,505,310	3,509,632	6,014,942
Other capital assets, net of accumulated depreciation	<u>34,522,479</u>	<u>9,664,110</u>	<u>44,186,589</u>
<b>TOTAL ASSETS</b>	<b>51,820,657</b>	<b>14,860,168</b>	<b>66,680,825</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	360,475	311,925	672,400
Accrued liabilities	412,704	73,034	485,738
Notes payable	364,533	92,106	456,639
Tax refunds payable	140,781	-	140,781
Other current liabilities	18,532	-	18,532
Current portion of long-term liabilities:			
Bonds payable	770,000	530,000	1,300,000
Compensated absence	23,374	1,046	24,420
Landfill	13,925	-	13,925
Capital Leases	58,615	-	58,615
Noncurrent:			
Bonds payable, net of current portion	7,217,000	5,258,000	12,475,000
Compensated absence, net of current portion	444,111	19,883	463,994
Landfill, net of current portion	349,337	-	349,337
Capital Leases, net of current portion	322,935	-	322,935
OPEB liability	<u>1,080,871</u>	<u>37,105</u>	<u>1,117,976</u>
<b>TOTAL LIABILITIES</b>	<b>11,577,193</b>	<b>6,323,099</b>	<b>17,900,292</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	29,465,675	7,927,240	37,392,915
Restricted for:			
Grants and other statutory restrictions	3,311,166	-	3,311,166
Permanent funds:			
Nonexpendable	161,045	-	161,045
Expendable	11,570	-	11,570
Unrestricted	<u>7,294,008</u>	<u>609,829</u>	<u>7,903,837</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>40,243,464</u></b>	<b>\$ <u>8,537,069</u></b>	<b>\$ <u>48,780,533</u></b>

See notes to financial statements.

TOWN OF MILLIS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-	
	Expenses	Services	Grants and	Grants and	Activities	Type	Total
			Contributions	Contributions		Activities	
<b>Governmental Activities:</b>							
General government	\$ 2,263,237	\$ 205,359	\$ 551,768	\$ 68,211	\$ (1,437,899)	\$ -	\$ (1,437,899)
Public safety	2,835,679	354,616	54,189	-	(2,426,874)	-	(2,426,874)
Education	16,044,423	1,143,223	7,265,924	-	(7,635,276)	-	(7,635,276)
Public works	2,316,298	502,444	31,436	194,499	(1,587,919)	-	(1,587,919)
Health and human services	202,802	66,783	47,767	-	(88,252)	-	(88,252)
Culture and recreation	410,139	146,023	19,177	-	(244,939)	-	(244,939)
Employee benefits	3,624,761	-	-	-	(3,624,761)	-	(3,624,761)
Intergovernmental	388,839	-	-	-	(388,839)	-	(388,839)
Interest	366,234	-	-	-	(366,234)	-	(366,234)
Total Governmental Activities	28,452,412	2,418,448	7,970,261	262,710	(17,800,993)	-	(17,800,993)
<b>Business-Type Activities:</b>							
Water services	1,018,192	1,011,684	-	-	-	(6,508)	(6,508)
Sewer services	820,006	630,637	-	-	-	(189,369)	(189,369)
Total Business-Type Activities	1,838,198	1,642,321	-	-	-	(195,877)	(195,877)
Total	\$ 30,290,610	\$ 4,060,769	\$ 7,970,261	\$ 262,710	(17,800,993)	(195,877)	(17,996,870)
<b>General Revenues, Transfers, and Contributions:</b>							
Property taxes					15,025,949	-	15,025,949
Excises					1,001,164	-	1,001,164
Penalties, interest and other taxes					73,967	-	73,967
Grants and contributions not restricted to specific programs					7,875,815	-	7,875,815
Investment income					139,052	-	139,052
Miscellaneous					867,380	-	867,380
Transfers, net					(392,066)	392,066	-
Permanent fund contributions					3,093	-	3,093
Total general revenues, transfers, and contributions					24,594,354	392,066	24,986,420
Change in Net Assets					6,793,361	196,189	6,989,550
<b>Net Assets:</b>							
Beginning of year					33,450,103	8,340,880	41,790,983
End of year					\$ 40,243,464	\$ 8,537,069	\$ 48,780,533

See notes to financial statements.

## TOWN OF MILLIS, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2009

	<u>General</u>	<u>Sewer Betterment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 2,319,893	\$ 1,495,297	\$ 2,526,393	\$ 6,341,583
Investments	132,236	-	-	132,236
Receivables:				
Property taxes	697,550	-	2,012	699,562
Excises	167,809	-	-	167,809
Departmental and other	-	-	115,360	115,360
Intergovernmental	-	-	228,344	228,344
Betterments	-	1,521,601	26,212	1,547,813
TOTAL ASSETS	<u>\$ 3,317,488</u>	<u>\$ 3,016,898</u>	<u>\$ 2,898,321</u>	<u>\$ 9,232,707</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 223,024	\$ -	\$ 137,451	\$ 360,475
Accrued liabilities	317,337	-	-	317,337
Notes payable	-	-	150,000	150,000
Deferred revenues	746,434	1,521,601	371,928	2,639,963
Tax refunds payable	140,781	-	-	140,781
Other current liabilities	18,532	-	-	18,532
TOTAL LIABILITIES	1,446,108	1,521,601	659,379	3,627,088
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	313,205	-	-	313,205
Expenditures	783,364	-	-	783,364
Perpetual (nonexpendable) permanent funds	-	-	161,045	161,045
Unreserved:				
Undesignated, reported in:				
General fund	774,811	-	-	774,811
Special revenue funds	-	1,495,297	2,149,268	3,644,565
Capital project funds	-	-	(82,941)	(82,941)
Permanent funds	-	-	11,570	11,570
TOTAL FUND BALANCES	<u>1,871,380</u>	<u>1,495,297</u>	<u>2,238,942</u>	<u>5,605,619</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,317,488</u>	<u>\$ 3,016,898</u>	<u>\$ 2,898,321</u>	<u>\$ 9,232,707</u>

See notes to financial statements.

TOWN OF MILLIS, MASSACHUSETTS

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

JUNE 30, 2009

<b>Total governmental fund balances</b>	\$ 5,605,619
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	37,027,789
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	2,286,248
<ul style="list-style-type: none"><li>• Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore are not reported in the governmental funds</li></ul>	5,913,878
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(95,369)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable and OPEB, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(10,494,701)</u>
<b>Net assets of governmental activities</b>	\$ <u>40,243,464</u>

See notes to financial statements.



TOWN OF MILLIS, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>ARRA Fund</u>	<u>Sewer Betterment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 14,633,729	\$ -	\$ -	\$ 106,622	\$ 14,740,351
Excises	957,859	-	-	-	957,859
Penalties, interest and other taxes	73,967	-	-	-	73,967
Charges for services	243,330	-	260,571	1,724,191	2,228,092
Intergovernmental	7,800,989	374,928	-	1,239,468	9,415,385
Licenses and permits	132,327	-	-	-	132,327
Fines and forfeitures	23,658	-	-	-	23,658
Investment income	137,801	-	-	14,451	152,252
Contributions	-	-	-	819,972	819,972
Miscellaneous	843,227	-	-	24,155	867,382
Total Revenues	<u>24,846,887</u>	<u>374,928</u>	<u>260,571</u>	<u>3,928,859</u>	<u>29,411,245</u>
<b>Expenditures:</b>					
Current:					
General government	1,458,950	-	-	373,362	1,832,312
Public safety	2,837,445	-	-	345,668	3,183,113
Education	13,836,618	374,928	-	2,215,665	16,427,211
Public works	1,050,838	-	-	554,655	1,605,493
Health and human services	163,311	-	-	38,563	201,874
Culture and recreation	333,585	-	-	131,643	465,228
Employee benefits	2,543,890	-	-	-	2,543,890
Debt service	1,550,860	-	-	-	1,550,860
Intergovernmental	388,839	-	-	-	388,839
Total Expenditures	<u>24,164,336</u>	<u>374,928</u>	<u>-</u>	<u>3,659,556</u>	<u>28,198,820</u>
Excess (deficiency) of revenues over expenditures	682,551	-	260,571	269,303	1,212,425
<b>Other Financing Sources (Uses):</b>					
Proceeds from notes	-	-	-	200,000	200,000
Transfers in	1,547,533	-	-	124,000	1,671,533
Transfers out	(1,392,912)	-	(288,547)	(382,140)	(2,063,599)
Total Other Financing Sources (Uses)	<u>154,621</u>	<u>-</u>	<u>(288,547)</u>	<u>(58,140)</u>	<u>(192,066)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	837,172	-	(27,976)	211,163	1,020,359
Fund Equity, at Beginning of Year	<u>1,034,208</u>	<u>-</u>	<u>1,523,273</u>	<u>2,027,779</u>	<u>4,585,260</u>
Fund Equity, at End of Year	<u>\$ 1,871,380</u>	<u>\$ -</u>	<u>\$ 1,495,297</u>	<u>\$ 2,238,942</u>	<u>\$ 5,605,619</u>

See notes to financial statements.

TOWN OF MILLIS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2009

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 1,020,359</b>																		
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases</td><td style="text-align: right;">1,201,000</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,714,507)</td></tr> <tr> <td>Gain (Loss) on disposition of assets</td><td style="text-align: right;">(13,200)</td></tr> </table> </li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <div style="text-align: right;">325,917</div> </li> <li>Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance projects, do not provide current financial resources, and therefore, are not reported as revenues in the governmental funds. <div style="text-align: right;">5,913,878</div> </li> <li>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table> <tr> <td>Repayments of debt</td><td style="text-align: right;">1,164,608</td></tr> <tr> <td>Paydown and bonding of notes</td><td style="text-align: right;">(214,533)</td></tr> </table> </li> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="text-align: right;">34,551</div> </li> <li>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td>Other post-employment benefits liability</td><td style="text-align: right;">(1,080,871)</td></tr> <tr> <td>Increase in compensated absence liability</td><td style="text-align: right;">(98,691)</td></tr> <tr> <td>Decrease in landfill liability</td><td style="text-align: right;">636,400</td></tr> <tr> <td>Change in capital leases</td><td style="text-align: right;">(381,550)</td></tr> </table> </li> </ul>	Capital outlay purchases	1,201,000	Depreciation	(1,714,507)	Gain (Loss) on disposition of assets	(13,200)	Repayments of debt	1,164,608	Paydown and bonding of notes	(214,533)	Other post-employment benefits liability	(1,080,871)	Increase in compensated absence liability	(98,691)	Decrease in landfill liability	636,400	Change in capital leases	(381,550)	
Capital outlay purchases	1,201,000																		
Depreciation	(1,714,507)																		
Gain (Loss) on disposition of assets	(13,200)																		
Repayments of debt	1,164,608																		
Paydown and bonding of notes	(214,533)																		
Other post-employment benefits liability	(1,080,871)																		
Increase in compensated absence liability	(98,691)																		
Decrease in landfill liability	636,400																		
Change in capital leases	(381,550)																		
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>6,793,361</u></b>																		

See notes to financial statements.

## TOWN OF MILLIS, MASSACHUSETTS

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 14,814,246	\$ 14,506,270	\$ 14,506,270	\$ -
Excise taxes	782,314	782,314	957,859	175,545
Interest, penalties and other taxes	72,172	72,172	73,967	1,795
Licenses and permits	165,000	165,000	132,327	(32,673)
Fines and forfeitures	23,374	23,374	23,658	284
Charges for services	250,732	250,732	243,330	(7,402)
Intergovernmental	5,960,545	5,960,545	5,221,798	(738,747)
Interest earnings	163,081	163,081	137,801	(25,280)
Miscellaneous	291,993	291,993	314,503	22,510
Transfers in	999,916	1,043,550	1,049,154	5,604
Free cash	223,207	403,411	403,411	-
Total Revenues and Other Sources	23,746,580	23,662,442	23,064,078	(598,364)
<b>Expenditures and Other Uses:</b>				
General government	1,671,926	1,684,106	1,498,634	185,472
Public safety	2,986,703	2,973,588	2,903,711	69,877
Education	11,351,164	11,336,364	11,261,352	75,012
Public works	929,544	1,079,204	1,048,835	30,369
Health and human services	163,231	171,488	163,083	8,405
Culture and recreation	309,171	353,171	348,437	4,734
Employee benefits	3,260,530	2,902,210	2,514,396	387,814
Intergovernmental	2,359,000	2,359,000	2,321,292	37,708
Debt service	425,592	425,592	388,839	36,753
Transfers out	36,000	124,000	124,000	-
Other uses	253,719	253,719	253,719	-
Total Expenditures and Other Uses	23,746,580	23,662,442	22,826,298	836,144
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 237,780	\$ 237,780

See notes to financial statements.

## TOWN OF MILLIS, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b><u>ASSETS</u></b>			
Current:			
Cash and short-term investments	\$ 403,673	\$ 773,087	\$ 1,176,760
User fees, net of allowance for uncollectibles	<u>292,228</u>	<u>217,438</u>	<u>509,666</u>
Total current assets	695,901	990,525	1,686,426
Noncurrent:			
Capital assets:			
Land and construction in progress	1,375,503	2,134,129	3,509,632
Other capital assets, net of accumulated depreciation	<u>5,586,433</u>	<u>4,077,677</u>	<u>9,664,110</u>
Total noncurrent assets	<u>6,961,936</u>	<u>6,211,806</u>	<u>13,173,742</u>
<b>TOTAL ASSETS</b>	7,657,837	7,202,331	14,860,168
<b><u>LIABILITIES</u></b>			
Current:			
Warrants payable	43,598	268,327	311,925
Accrued liabilities	37,133	35,901	73,034
Bonds payable	305,000	225,000	530,000
Compensated absence	637	409	1,046
Notes payable	<u>-</u>	<u>92,106</u>	<u>92,106</u>
Total current liabilities	386,368	621,743	1,008,111
Noncurrent:			
Bonds payable, net of current portion	2,501,000	2,757,000	5,258,000
OPEB	22,720	14,385	37,105
Compensated absence, net of current portion	<u>12,111</u>	<u>7,772</u>	<u>19,883</u>
Total noncurrent liabilities	<u>2,535,831</u>	<u>2,779,157</u>	<u>5,314,988</u>
<b>TOTAL LIABILITIES</b>	2,922,199	3,400,900	6,323,099
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	4,306,355	3,620,885	7,927,240
Unrestricted	<u>429,283</u>	<u>180,546</u>	<u>609,829</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 4,735,638</u>	<u>\$ 3,801,431</u>	<u>\$ 8,537,069</u>

See notes to financial statements.

## TOWN OF MILLIS, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 1,000,452	\$ 624,002	\$ 1,624,454
Other	<u>11,232</u>	<u>6,635</u>	<u>17,867</u>
Total Operating Revenues	1,011,684	630,637	1,642,321
<b>Operating Expenses:</b>			
Operating expenses	690,612	574,734	1,265,346
Depreciation	<u>203,374</u>	<u>144,895</u>	<u>348,269</u>
Total Operating Expenses	<u>893,986</u>	<u>719,629</u>	<u>1,613,615</u>
Operating Income (Loss)	117,698	(88,992)	28,706
<b>Nonoperating Revenues (Expenses):</b>			
Interest expense	<u>(124,206)</u>	<u>(100,377)</u>	<u>(224,583)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(124,206)</u>	<u>(100,377)</u>	<u>(224,583)</u>
Income (Loss) Before Transfers	(6,508)	(189,369)	(195,877)
<b>Transfers:</b>			
Transfers in	103,519	603,146	706,665
Transfers out	<u>(314,599)</u>	<u>-</u>	<u>(314,599)</u>
Change in Net Assets	(217,588)	413,777	196,189
Net Assets at Beginning of Year	<u>4,953,226</u>	<u>3,387,654</u>	<u>8,340,880</u>
Net Assets at End of Year	<u>\$ 4,735,638</u>	<u>\$ 3,801,431</u>	<u>\$ 8,537,069</u>

See notes to financial statements.

## TOWN OF MILLIS, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 1,082,837	\$ 625,322	\$ 1,708,159
Payments to vendors and employees	<u>(660,238)</u>	<u>(302,550)</u>	<u>(962,788)</u>
Net Cash Provided By Operating Activities	422,599	322,772	745,371
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfer in	103,519	603,146	706,665
Transfers out	<u>(314,599)</u>	<u>-</u>	<u>(314,599)</u>
Net Cash Provided By Noncapital Financing Activities	(211,080)	603,146	392,066
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	(13,227)	(360,858)	(374,085)
Principal payments on bonds and notes	(342,400)	(225,200)	(567,600)
Proceeds from notes	-	92,106	92,106
Interest expense	<u>(127,405)</u>	<u>(135,484)</u>	<u>(262,889)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(483,032)</u>	<u>(629,436)</u>	<u>(1,112,468)</u>
Net Change in Cash and Short-Term Investments	(271,513)	296,482	24,969
Cash and Short-Term Investments, Beginning of Year	<u>675,186</u>	<u>476,605</u>	<u>1,151,791</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 403,673</u></u>	<u><u>\$ 773,087</u></u>	<u><u>\$ 1,176,760</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ 117,698	\$ (88,992)	\$ 28,706
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	203,374	144,895	348,269
Changes in assets and liabilities:			
User fees	71,153	(5,315)	65,838
Warrants and accounts payable	9,063	256,407	265,470
Compensated absence, net of current portion	(1,409)	1,392	(17)
Other post employment benefits	<u>22,720</u>	<u>14,385</u>	<u>37,105</u>
Net Cash Provided By Operating Activities	<u><u>\$ 422,599</u></u>	<u><u>\$ 322,772</u></u>	<u><u>\$ 745,371</u></u>

See notes to financial statements.

TOWN OF MILLIS, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2009

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ <u>137,786</u>	\$ <u>141,612</u>
Total Assets	137,786	141,612
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Warrants payable	-	36,640
Other liabilities	<u>-</u>	<u>104,972</u>
Total Liabilities	<u>-</u>	<u>141,612</u>
<b><u>NET ASSETS</u></b>		
Total net assets held in trust	\$ <u><u>137,786</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF MILLIS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	Private Purpose <u>Trust Funds</u>
<b>Additions:</b>	
Investment Income (Loss)	\$ 3,768
Contributions	<u>5,050</u>
Total additions	8,818
<b>Deductions:</b>	
Education	<u>-</u>
Total deductions	<u>-</u>
Net increase (decrease)	8,818
<b>Net assets:</b>	
Beginning of year	<u>128,968</u>
End of year	<u><u>\$ 137,786</u></u>

See notes to financial statements.



## TOWN OF MILLIS, MASSACHUSETTS

### Notes to Financial Statements

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

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

##### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2009, it was determined that no entities met the required GASB-39 criteria of component units.

##### B. Government-Wide and Fund Financial Statements

###### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

###### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual govern-

mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *ARRA (American Recovery and Reinvestment Act) Fund* is used to account for the receipt and expenditure of federal "stimulus"

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

- The *sewer betterments* fund is used to track receivables due from residents resulting from sewer betterments. These proceeds are used to help fund related debt service costs.

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 fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The government reports the following major proprietary funds:

- Water Fund
- Sewer Fund

The private-purpose trust fund is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment

pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

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

*E. Investments*

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

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

*F. Property Tax Limitations*

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2009 tax levy reflected an excess capacity of \$ 2,909.

*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

#### *H. Compensated Absences*

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

#### *I. Long-Term Obligations*

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

#### *J. Fund Equity*

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

#### *K. Use of Estimates*

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

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

### **A. Budgetary Information**

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

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

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

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

### **B. Budgetary Basis**

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

### **C. Budget/GAAP Reconciliation**

The budgetary data for the general funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund is presented in accordance with bud-

getary accounting principles to provide a meaningful comparison with budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 24,846,887	\$ 24,164,336
Other financing sources/uses (GAAP basis)	<u>1,547,533</u>	<u>1,392,912</u>
Subtotal (GAAP Basis)	26,394,420	25,557,248
Adjust tax revenue to accrual basis	(169,154)	-
To reverse expenditures of prior year appropriation carryforwards	-	(248,398)
To book current year appropria- tion carryforwards	-	313,205
To record other timing issues	(487,029)	28,094
To record use of free cash	403,411	-
To raise prior year deficits	-	253,719
To reverse the effect of non- budgeted State contributions for teachers retirement	(2,579,191)	(2,579,191)
To reclassify water/sewer debt service	<u>(498,379)</u>	<u>(498,379)</u>
Budgetary basis	<u>\$ 23,064,078</u>	<u>\$ 22,826,298</u>

*D. Deficit Fund Equity*

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

Special Revenue Funds:

ZBA Review Fund	\$	(271)
Off-Duty Detail	\$	(18,525)
Gas Account	\$	(13,425)
E-911 Training	\$	(1,577)
WLP Grant 06-01	\$	(1,992)
Forest Road Drainage Improvements	\$	(10,000)
911 Grant (State 12009)	\$	(2,215)
Underage Alcohol Enf Grant	\$	(915)
Chapter 90	\$	(244,389)
PD Traffic Enforcement Grant	\$	(1,503)

Capital Project Funds:

Ambulance Purchase	\$	(150,000)
--------------------	----	-----------

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

**3. Cash and Short-Term Investments**

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

As of June 30, 2009, \$ 258,861 of the Town's bank balance of \$ 7,920,341 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

**4. Investments**

*A. Credit Risk*

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



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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Certificates of deposits	\$ <u>132</u>	N/A	\$ <u>132</u>
Total investments	\$ <u>132</u>		\$ <u>132</u>

**B. Custodial Credit Risk**

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

The Town does not have any exposure to custodial credit risk.

**C. Concentration of Credit Risk**

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

Strata Bank	\$ 109,019
St. Mary's Credit Union	\$ 23,217

**D. Interest Rate Risk**

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

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Debt Related Securities:			
Certificates of deposit	\$ <u>132</u>	\$ <u>109</u>	\$ <u>23</u>
Total	\$ <u><u>132</u></u>	\$ <u><u>109</u></u>	\$ <u><u>23</u></u>

*E. Foreign Currency Risk*

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

The Town does not have any exposure to foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

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

Taxes receivable at June 30, 2009 consist of the following (in thousands):

Real Estate		
2009	\$ 360	
2008	86	
Previous	<u>48</u>	
		494
Personal Property		
2009	8	
2008	6	
2007	5	
Prior	<u>5</u>	
		24
Tax Liens		<u>180</u>
Total		<u>\$ 698</u>

## 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 117	\$ -
Excises	84	-
Betterments	152	-
Utilities	-	28

## 7. Intergovernmental Receivables

This balance represents Massachusetts School Building Authority grants as well as other various reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009.

Future receipt of MSBA payments are as follows:

2010	\$ 752,022
2011	469,260
2012	469,260
2013	469,260
2014	469,260
2015-2019	2,346,300
2020-2021	<u>938,516</u>
Total	<u>\$ 5,913,878</u>

## 8. Betterment Receivable

Betterment represents special assessments billed to property owners for sewer infrastructure improvements.

## 9. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,425	\$ -	\$ -	\$ 18,425
Machinery, equipment, and furnishings	4,890	1,174	(18)	6,046
Infrastructure	<u>24,308</u>	<u>27</u>	<u>-</u>	<u>24,335</u>
Total capital assets, being depreciated	47,623	1,201	(18)	48,806
Less accumulated depreciation for:				
Buildings and improvements	(5,677)	(522)	-	(6,199)
Machinery, equipment, and furnishings	(2,785)	(541)	5	(3,321)
Infrastructure	<u>(4,112)</u>	<u>(651)</u>	<u>-</u>	<u>(4,763)</u>
Total accumulated depreciation	<u>(12,574)</u>	<u>(1,714)</u>	<u>5</u>	<u>(14,283)</u>
Total capital assets, being depreciated, net	35,049	(513)	(13)	34,523
Capital assets, not being depreciated:				
Land	<u>2,505</u>	<u>-</u>	<u>-</u>	<u>2,505</u>
Total capital assets, not being depreciated	<u>2,505</u>	<u>-</u>	<u>-</u>	<u>2,505</u>
Governmental activities capital assets, net	<u>\$ 37,554</u>	<u>\$ (513)</u>	<u>\$ (13)</u>	<u>\$ 37,028</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,454	\$ -	\$ -	\$ 2,454
Machinery, equipment, and furnishings	1,537	13	-	1,550
Infrastructure	<u>10,096</u>	<u>-</u>	<u>-</u>	<u>10,096</u>
Total capital assets, being depreciated	14,087	13	-	14,100
Less accumulated depreciation for:				
Buildings and improvements	(1,236)	(52)	-	(1,288)
Machinery, equipment, and furnishings	(950)	(38)	-	(988)
Infrastructure	<u>(1,902)</u>	<u>(258)</u>	<u>-</u>	<u>(2,160)</u>
Total accumulated depreciation	<u>(4,088)</u>	<u>(348)</u>	<u>-</u>	<u>(4,436)</u>
Total capital assets, being depreciated, net	9,999	(335)	-	9,664
Capital assets, not being depreciated:				
Land	1,376	-	-	1,376
Construction in progress	<u>1,773</u>	<u>361</u>	<u>-</u>	<u>2,134</u>
Total capital assets, not being depreciated	<u>3,149</u>	<u>361</u>	<u>-</u>	<u>3,510</u>
Business-type activities capital assets, net	<u>\$ 13,148</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 13,174</u>

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

**Governmental Activities:**

General government	\$ 147
Public safety	150
Education	581
Public works	787
Health and human services	3
Culture and recreation	<u>46</u>

Total depreciation expense - governmental activities \$ 1,714

**Business-Type Activities:**

Water	\$ 203
Sewer	<u>145</u>

Total depreciation expense - business-type activities \$ 348

## 10. Warrants Payable

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

## 11. Deferred Revenue

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

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

## 12. Notes Payable

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

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/09
Modular classrooms	2.50%	07/03/08	07/03/09	\$ 148,000
Ambulance	2.50%	07/16/08	07/16/09	150,000
Title V Septic	4.75%	08/28/08	08/29/09	35,300
SCADA	2.75%	01/29/09	01/29/10	92,106
Landfill	2.75%	05/08/09	05/07/10	31,233
Total				<u>\$ 456,639</u>

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

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Modular classrooms	\$ 200,000	\$ 148,000	\$ (200,000)	\$ 148,000
Ambulance	-	150,000	-	150,000
Title V Septic	43,875	35,300	(43,875)	35,300
SCADA	-	92,106	-	92,106
Landfill	53,333	31,233	(53,333)	31,233
Total	<u>\$ 297,208</u>	<u>\$ 456,639</u>	<u>\$ (297,208)</u>	<u>\$ 456,639</u>

## 13. Long-Term Debt

### A. General Obligation Bonds

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

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>6/30/09</u>
Community Center and Town Hall	07/01/15	4.76%	\$ 825,000
Ambulance bay	07/01/15	4.76%	65,000
Landfill capping	07/01/17	4.76%	405,000
Land acquisition	10/15/18	4.46%	340,000
Land acquisition	10/15/17	4.43%	135,000
Building remodeling school	10/15/20	4.53%	5,112,000
DPW garage	08/15/18	3.97%	215,000
Roads	08/15/13	3.69%	45,000
Public way	10/01/15	3.99%	385,000
Surface drain	10/01/15	3.91%	460,000
Total Governmental Activities:			<u>\$ 7,987,000</u>

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Business-Type Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>6/30/09</u>
Water tanks	10/12/09	4.17%	\$ 20,000
Water - Walnut St.	10/15/09	4.17%	20,000
Well field development	10/15/20	4.53%	204,000
Well field development	10/15/19	4.49%	712,600
Well field development	10/15/19	4.94%	29,400
Water	08/15/13	3.72%	100,000
Water	08/15/13	3.72%	52,500
Well field development	08/15/23	4.28%	202,500
Well field development	08/15/23	4.27%	1,230,000
Water meters	08/15/12	3.65%	135,000
Water mains - Pleasant St.	10/01/16	3.93%	100,000
Sewer improvements	07/01/17	4.76%	520,000
Sewer improvements	10/15/20	4.53%	897,000
Sewer improvements	10/01/25	3.91%	1,565,000
Total Business-Type Activities:			<u>\$ 5,788,000</u>

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 770,000	\$ 347,483	\$ 1,117,483
2011	770,000	314,503	1,084,503
2012	770,000	281,561	1,051,561
2013	765,000	248,214	1,013,214
2014	755,000	214,555	969,555
2015-2019	3,130,000	585,300	3,715,300
2020-2024	977,000	64,141	1,041,141
2025-2026	<u>50,000</u>	<u>2,000</u>	<u>52,000</u>
Total	<u>\$ 7,987,000</u>	<u>\$ 2,057,757</u>	<u>\$ 10,044,757</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2009.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 530,000	\$ 240,150	\$ 770,150
2011	490,000	219,271	709,271
2012	490,000	199,130	689,130
2013	475,000	179,007	654,007
2014	445,000	159,635	604,635
2015-2019	1,960,000	523,372	2,483,372
2020-2024	1,143,000	160,302	1,303,302
2025-2027	<u>255,000</u>	<u>15,300</u>	<u>270,300</u>
Total	<u>\$ 5,788,000</u>	<u>\$ 1,696,167</u>	<u>\$ 7,484,167</u>

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

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

	Total Balance <u>7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/09</u>	Less Current Portion <u>6/30/09</u>	Equals Long-Term Portion <u>6/30/09</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 9,054	\$ -	\$ (1,067)	\$ 7,987	\$ (770)	\$ 7,217
Other:						
Accrued employee benefits	369	98	-	467	(23)	444
Landfill closure	1,000	-	(637)	363	(14)	349
Capital leases	-	448	(66)	382	(59)	323
OPEB	-	<u>1,081</u>	<u>-</u>	<u>1,081</u>	<u>-</u>	<u>1,081</u>
Totals	<u>\$ 10,423</u>	<u>\$ 1,627</u>	<u>\$ (1,770)</u>	<u>\$ 10,280</u>	<u>\$ (866)</u>	<u>\$ 9,414</u>



	Total Balance <u>7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/09</u>	Less Current Portion	Long-Term Portion <u>6/30/09</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 6,356	\$ -	\$ (568)	\$ 5,788	\$ (530)	\$ 5,258
Other:						
Accrued employee benefits	21	-	-	21	(1)	20
OPEB	-	37	-	37	-	37
Totals	<u>\$ 6,377</u>	<u>\$ 37</u>	<u>\$ (568)</u>	<u>\$ 5,846</u>	<u>\$ (531)</u>	<u>\$ 5,315</u>

#### 14. **Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on a portion of its closed landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The Town reported \$ 363,262 as landfill closure and postclosure care liability at June 30, 2009. These amounts are based on what it would cost to perform all closure and postclosure care remaining on the closed landfill site in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### 15. **Restricted Net Assets**

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

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

#### 16. **Reserves of Fund Equity**

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

The following types of reserves are reported at June 30, 2009:

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

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

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

## **17. Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

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

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

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

#### **A. Plan Description**

In addition to providing the pension benefits described, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2008, the actuarial valuation date, approximately 102 retirees and 238 active

employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

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

*C. Funding Policy*

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

*D. Annual OPEB Costs and Net OPEB Obligation*

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

Annual Required Contribution (ARC)	\$ 1,702,909
Interest on net OPEB obligation	68,117
Adjustment to ARC	<u>-</u>
Annual OPEB cost	1,771,026
Contributions made	<u>(653,050)</u>
Increase in net OPEB obligation	1,117,976
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ 1,117,976</u></u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 1,771,026	36.9%	\$ 1,117,976

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

*E. Funded Status and Funding Progress*

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

Actuarial accrued liability (AAL)	\$ 18,166,278
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 18,166,278</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 11,824,120</u>
UAAL as a percentage of covered payroll	<u>153.60%</u>

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

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4 % investment rate of return and an initial annual healthcare cost trend rate of 3.19 % which increases to 9% in FY10 which then decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.50 %.

## **19. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50), Accounting for Pensions by State and Local Government Employers, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Norfolk County Retirement System at 480 Neponset Street, Building 15, Canton, MA 02021.

### **A. Plan Description**

The Town contributes to the Norfolk County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Retirement System at the Norfolk County Retirement System at 480 Neponset Street, Building 15, Canton, MA 02021.

### **B. Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$ 838,049, \$ 668,709, and \$ 608,673, respectively, which were equal to its annual required contributions for each of these years.

C. Massachusetts Teacher Retirement System (MTRS) - Plan Description

As required by State Statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The Town is not required to contribute.

D. Teachers

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

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

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

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

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

The Town's current year covered payroll for teachers and administrators was \$ 6,416,673.

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 2,579,191 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## **20. MBTA Paratransit Expenses**

The Town participates in an expense reimbursement program provided by the Massachusetts Bay Transportation Authority (MBTA) related to new paratransit service provided in communities currently without paratransit service. The program requires audited financial statement footnote disclosure to document actual costs paid by the community.

The following summarizes payroll expenses paid by the Town of Millis during fiscal year 2009 related to the program, and charged to the general fund Council on Aging appropriation and Council on Aging Transportation Revolving:

<u>Month</u>	<u>Amount</u>
July	\$ -
August	324
September	373
October	442
November	366
December	312
January	312
February	309
March	288
April	408
May	444
June	<u>420</u>
Total	\$ <u><u>3,998</u></u>

## **21. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

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

**June 30, 2009  
(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 18,166,278	\$ 18,166,278	0.0%	\$ 11,824,120	153.6%

See Independent Auditors' Report.