

TOWN OF MILLIS, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Millis, Massachusetts

Report on the Financial Statements

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, 2013, and the related notes to financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, Massachusetts, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress 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 inquiries 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 evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.

Andover, Massachusetts

March 26, 2014

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, 2013.

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 Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 \$45,595,627 (i.e., net position), a change of \$(1,440,837) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,995,292, a change of \$2,996,507 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,771,879, a change of \$(142,955) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$11,644,738, a change of \$5,554,738 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>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 8,965	\$ 13,511	\$ 3,559	\$ 3,662	\$ 12,524	\$ 17,173
Capital assets	40,412	37,474	12,887	12,431	53,299	49,905
Total assets	<u>49,377</u>	<u>50,985</u>	<u>16,446</u>	<u>16,093</u>	<u>65,823</u>	<u>67,078</u>
Long-term liabilities outstanding	13,217	7,244	4,851	4,363	18,068	11,607
Other liabilities	1,987	8,059	172	375	2,159	8,434
Total liabilities	<u>15,204</u>	<u>15,303</u>	<u>5,023</u>	<u>4,738</u>	<u>20,227</u>	<u>20,041</u>
Net position:						
Net investment in capital assets	33,252	33,073	8,456	7,999	41,708	41,072
Restricted	2,820	3,021	-	-	2,820	3,021
Unrestricted	(1,899)	(412)	2,967	3,356	1,068	2,944
Total net position	<u>\$ 34,173</u>	<u>\$ 35,682</u>	<u>\$ 11,423</u>	<u>\$ 11,355</u>	<u>\$ 45,596</u>	<u>\$ 47,037</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,687	\$ 2,576	\$ 1,975	\$ 1,998	\$ 4,662	\$ 4,574
Operating grants and contributions	8,814	6,944	-	-	8,814	6,944
Capital grants and contributions	29	2,675	-	-	29	2,675
General revenues:						
Property taxes	16,412	15,578	-	-	16,412	15,578
Excises	975	917	-	-	975	917
Penalties and interest on taxes	102	94	-	-	102	94
Grants and contributions not restricted to specific programs	950	970	-	-	950	970
Investment income	398	115	2	3	400	118
Other	363	470	-	-	363	470
Total revenues	<u>30,730</u>	<u>30,339</u>	<u>1,977</u>	<u>2,001</u>	<u>32,707</u>	<u>32,340</u>
Expenses:						
General government	2,095	1,657	-	-	2,095	1,657
Public safety	3,383	3,184	-	-	3,383	3,184
Education	18,668	17,816	-	-	18,668	17,816
Public works	2,140	2,900	-	-	2,140	2,900
Human services	260	224	-	-	260	224
Culture and recreation	679	957	-	-	679	957
Employee benefits	4,728	4,621	-	-	4,728	4,621
Intergovernmental	317	359	-	-	317	359
Interest on long-term debt	132	131	-	-	132	131
Water	-	-	851	878	851	878
Sewer	-	-	897	975	897	975
Total expenses	<u>32,402</u>	<u>31,849</u>	<u>1,748</u>	<u>1,853</u>	<u>34,150</u>	<u>33,702</u>
Change in net position before transfers	(1,672)	(1,510)	229	148	(1,443)	(1,362)
Transfers in (out)	161	113	(161)	(113)	-	-
Permanent fund contributions	2	3	-	-	2	3
Change in net position	(1,509)	(1,394)	68	35	(1,441)	(1,359)
Net position - beginning of year	<u>35,682</u>	<u>37,076</u>	<u>11,355</u>	<u>11,320</u>	<u>47,037</u>	<u>48,396</u>
Net position - end of year	<u>\$ 34,173</u>	<u>\$ 35,682</u>	<u>\$ 11,423</u>	<u>\$ 11,355</u>	<u>\$ 45,596</u>	<u>\$ 47,037</u>

As noted earlier, net position 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 Position were \$45,595,627, a change of \$(1,440,837) from the prior year.

The largest portion of Net Position \$41,708,164 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 position, \$2,819,657, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,067,806 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 position of \$(1,508,692). Key elements of this change are as follows (in thousands):

General fund revenues and other financing sources over expenditures and transfers out	\$ 270
OPEB liability change	(1,234)
Other	<u>(545)</u>
Total	\$ <u><u>(1,509)</u></u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$67,855. Key elements of this change are as follows (in thousands):

Water operations	\$ 181
Sewer operations	<u>(113)</u>
Total	\$ <u><u>68</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

mation is useful in assessing financing requirements. In particular, unassigned 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 \$5,995,292, a change of \$2,996,507 in comparison to the prior year. Most of this change was attributable to the following (in thousands):

General fund revenues and other financing sources over expenditures and transfers out	\$ 270
Library construction major fund revenues and bond proceeds over expenditures	1,770
Nonmajor funds revenues and transfers in over expenditures and transfers out	<u>957</u>
Total	\$ <u>2,997</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,771,879 while total fund balance was \$3,255,765. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ⁽¹⁾	\$ 1,771,879	\$ 1,914,834	\$ (142,955)	6.6%
Total fund balance	3,255,765	2,985,755	270,010	12.1%

⁽¹⁾ Includes General Stabilization fund balance of \$1,102,619 and \$1,017,693, respectively.

The total fund balance of the general fund changed by \$270,010 during the current fiscal year. It should be noted that the transfer in to the general fund of \$215,216 represents annual recurring amounts from the enterprise funds for indirect costs appropriated in the general fund. Key factors in this change are as follows (in thousands):

Use of free cash and overlay surplus as a funding source	\$ (856)
Revenues in excess of budget	802
Expenditures less than budget	183
Other	<u>141</u>
Total	\$ <u>270</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization (unassigned)	\$ 1,102,619	\$ 1,017,693	\$ 84,926
Health stabilization (committed)	<u>100,633</u>	<u>100,000</u>	<u>633</u>
Total	<u>\$ 1,203,252</u>	<u>\$ 1,117,693</u>	<u>\$ 85,559</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 position of the enterprise funds at the end of the year amounted to \$2,966,586, a change of \$(389,188) in comparison to 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 \$762,153. Major reasons for these amendments include (in thousands):

- \$ 143 Purchase of various vehicles and equipment funded by taxes, free cash, transfers, and prior year articles
- \$ 82 Transfers to stabilization funds funded by free cash and taxes
- \$ 163 Building and HVAC repairs funded by free cash
- \$ 150 Snow and ice wages and expenditures funded by free cash
- \$ 98 Police station preliminary designs funded by free cash and prior year articles
- \$ 126 Net increases in various department expenses funded by free cash, overlay and taxes

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$53,299,029 (net of accumulated depreciation), a change of \$3,394,031 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):

- \$ 207 Purchase of school computers, equipment, and vehicles
- \$4,065 Library construction
- \$ 104 Building improvements
- \$ 1,080 Infrastructure improvements

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$11,644,738, 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 Notes to 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 POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 7,092,533	\$ 2,216,725	\$ 9,309,258
Investments	113,890	-	113,890
Receivables, net of allowance for uncollectibles:			
Property taxes	539,230	-	539,230
Excises	101,688	-	101,688
User fees	-	565,782	565,782
Departmental and other	173,908	-	173,908
Intergovernmental	504,357	-	504,357
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	424,518	-	424,518
Betterments	15,086	776,930	792,016
Capital assets:			
Land and construction in progress	9,809,798	1,375,503	11,185,301
Other capital assets, net of accumulated depreciation	30,602,330	11,511,398	42,113,728
TOTAL ASSETS	49,377,338	16,446,338	65,823,676
LIABILITIES			
Current:			
Warrants payable	365,918	27,726	393,644
Accrued liabilities	663,472	59,025	722,497
Notes payable	723,214	85,839	809,053
Other current liabilities	233,980	-	233,980
Current portion of long-term liabilities:			
Bonds payable	624,042	515,696	1,139,738
Compensated absences	19,344	1,461	20,805
Landfill	15,653	-	15,653
Noncurrent:			
Bonds payable, net of current portion	6,285,000	4,220,000	10,505,000
Compensated absences, net of current portion	367,529	27,759	395,288
Landfill, net of current portion	275,482	-	275,482
Net OPEB obligation	5,630,367	86,542	5,716,909
TOTAL LIABILITIES	15,204,001	5,024,048	20,228,049
NET POSITION			
Net investment in capital assets	33,252,460	8,455,704	41,708,164
Restricted for:			
Grants and other statutory restrictions	2,634,585	-	2,634,585
Permanent funds:			
Nonexpendable	173,578	-	173,578
Expendable	11,494	-	11,494
Unrestricted	(1,898,780)	2,966,586	1,067,806
TOTAL NET POSITION	\$ 34,173,337	\$ 11,422,290	\$ 45,595,627

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 2,094,829	\$ 142,410	\$ 1,587	\$ -	\$ (1,950,832)	\$ -	\$ (1,950,832)
Public safety	3,383,087	509,577	79,437	-	(2,794,073)	-	(2,794,073)
Education	18,668,471	1,306,788	8,660,866	-	(8,700,817)	-	(8,700,817)
Public works	2,140,353	485,746	17,742	-	(1,636,865)	-	(1,636,865)
Health and human services	259,584	55,830	39,731	-	(164,023)	-	(164,023)
Culture and recreation	679,011	187,050	15,127	28,617	(448,217)	-	(448,217)
Employee benefits	4,727,888	-	-	-	(4,727,888)	-	(4,727,888)
Intergovernmental	317,095	-	-	-	(317,095)	-	(317,095)
Interest	132,246	-	-	-	(132,246)	-	(132,246)
Total Governmental Activities	32,402,564	2,687,401	8,814,490	28,617	(20,872,056)	-	(20,872,056)
Business-Type Activities:							
Water services	851,395	1,082,286	-	-	-	230,891	230,891
Sewer services	897,022	892,496	-	-	-	(4,526)	(4,526)
Total Business-Type Activities	1,748,417	1,974,782	-	-	-	226,365	226,365
Total	\$ 34,150,981	\$ 4,662,183	\$ 8,814,490	\$ 28,617	(20,872,056)	226,365	(20,645,691)
General Revenues, Transfers, and Contributions:							
Property taxes					16,412,158	-	16,412,158
Excises					974,537	-	974,537
Penalties, interest and other taxes					101,643	-	101,643
Grants and contributions not restricted to specific programs					950,397	-	950,397
Investment income					398,466	2,107	400,573
Miscellaneous					390,919	-	390,919
Loss on disposal of capital assets					(27,801)	-	(27,801)
Transfers, net					160,617	(160,617)	-
Permanent fund contributions					2,428	-	2,428
Total general revenues, transfers, and contributions					19,363,364	(158,510)	19,204,854
Change in Net Position					(1,508,692)	67,855	(1,440,837)
Net Position:							
Beginning of year					35,682,029	11,354,435	47,036,464
End of year					\$ 34,173,337	\$ 11,422,290	\$ 45,595,627

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Library Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 3,858,025	\$ 384,491	\$ 2,850,017	\$ 7,092,533
Investments	113,890	-	-	113,890
Receivables:				
Property taxes	1,119,815	-	2,244	1,122,059
Excises	196,443	-	-	196,443
Departmental and other	-	-	173,908	173,908
Intergovernmental	-	278,956	225,401	504,357
Betterments	-	-	15,086	15,086
	<u>-</u>	<u>-</u>	<u>15,086</u>	<u>15,086</u>
TOTAL ASSETS	<u>\$ 5,288,173</u>	<u>\$ 663,447</u>	<u>\$ 3,266,656</u>	<u>\$ 9,218,276</u>
LIABILITIES				
Warrants payable	\$ 232,048	\$ 26,603	\$ 107,267	\$ 365,918
Accrued liabilities	584,412	-	-	584,412
Notes payable	-	-	186,000	186,000
Other current liabilities	980	233,000	-	233,980
	<u>980</u>	<u>233,000</u>	<u>-</u>	<u>233,980</u>
TOTAL LIABILITIES	817,440	259,603	293,267	1,370,310
DEFERRED INFLOWS OF RESOURCES	1,214,968	278,956	358,750	1,852,674
FUND BALANCES				
Nonspendable	-	-	173,578	173,578
Restricted	377,801	124,888	2,750,673	3,253,362
Committed	468,781	-	-	468,781
Assigned	637,304	-	-	637,304
Unassigned	1,771,879	-	(309,612)	1,462,267
	<u>1,771,879</u>	<u>-</u>	<u>(309,612)</u>	<u>1,462,267</u>
TOTAL FUND BALANCES	<u>3,255,765</u>	<u>124,888</u>	<u>2,614,639</u>	<u>5,995,292</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,288,173</u>	<u>\$ 663,447</u>	<u>\$ 3,266,656</u>	<u>\$ 9,218,276</u>

The accompanying notes are an integral part of these financial statements.

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

JUNE 30, 2013

Total governmental fund balances	\$ 5,995,292
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,412,128
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,599,608
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(79,060)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable and net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(13,754,631)</u>
Net position of governmental activities	\$ <u>34,173,337</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	General	Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 16,134,068	\$ -	\$ 112,218	\$ 16,246,286
Excises	965,744	-	-	965,744
Penalties, interest and other taxes	101,309	-	334	101,643
Charges for services	243,217	-	2,228,179	2,471,396
Intergovernmental	8,432,852	836,871	1,680,732	10,950,455
Licenses and permits	204,236	-	-	204,236
Fines and forfeitures	16,422	-	-	16,422
Investment income	394,346	-	4,120	398,466
Contributions	-	-	219,733	219,733
Miscellaneous	255,715	-	520,155	775,870
Total Revenues	<u>26,747,909</u>	<u>836,871</u>	<u>4,765,471</u>	<u>32,350,251</u>
Expenditures:				
Current:				
General government	1,854,152	-	138,251	1,992,403
Public safety	3,081,174	-	307,468	3,388,642
Education	15,728,065	-	2,706,739	18,434,804
Public works	1,202,069	-	512,595	1,714,664
Health and human services	216,239	-	32,957	249,196
Culture and recreation	382,179	4,067,523	296,941	4,746,643
Employee benefits	3,494,244	-	-	3,494,244
Debt service	537,262	-	63,450	600,712
Intergovernmental	317,095	-	-	317,095
Total Expenditures	<u>26,812,479</u>	<u>4,067,523</u>	<u>4,058,401</u>	<u>34,938,403</u>
Excess (deficiency) of revenues over expenditures	(64,570)	(3,230,652)	707,070	(2,588,152)
Other Financing Sources (Uses):				
Proceeds from notes	-	5,000,000	424,042	5,424,042
Transfers in	611,709	-	192,776	804,485
Transfers out	(277,129)	-	(366,739)	(643,868)
Total Other Financing Sources (Uses)	<u>334,580</u>	<u>5,000,000</u>	<u>250,079</u>	<u>5,584,659</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	270,010	1,769,348	957,149	2,996,507
Fund Equity, at Beginning of Year	<u>2,985,755</u>	<u>(1,644,460)</u>	<u>1,657,490</u>	<u>2,998,785</u>
Fund Equity, at End of Year	<u>\$ 3,255,765</u>	<u>\$ 124,888</u>	<u>\$ 2,614,639</u>	<u>\$ 5,995,292</u>

The accompanying notes are an integral part of these 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, 2013

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,996,507																		
<ul style="list-style-type: none"> 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;">4,831,297</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,665,166)</td></tr> <tr> <td>Gain (Loss) on disposition of assets</td><td style="text-align: right;">(227,508)</td></tr> </table> 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;">(1,204,247)</div> 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 position: <table> <tr> <td>Repayments of bonds and notes</td><td style="text-align: right;">1,781,483</td></tr> <tr> <td>Bond and note issuances</td><td style="text-align: right;">(7,066,164)</td></tr> </table> 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;">(55,846)</div> 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>Change in other post-employment benefits liability</td><td style="text-align: right;">(1,233,644)</td></tr> <tr> <td>Change in compensated absence liability</td><td style="text-align: right;">119,692</td></tr> <tr> <td>Change in landfill liability</td><td style="text-align: right;">15,197</td></tr> <tr> <td>Change in capital leases</td><td style="text-align: right;"><u>199,707</u></td></tr> </table> 	Capital outlay purchases	4,831,297	Depreciation	(1,665,166)	Gain (Loss) on disposition of assets	(227,508)	Repayments of bonds and notes	1,781,483	Bond and note issuances	(7,066,164)	Change in other post-employment benefits liability	(1,233,644)	Change in compensated absence liability	119,692	Change in landfill liability	15,197	Change in capital leases	<u>199,707</u>	
Capital outlay purchases	4,831,297																		
Depreciation	(1,665,166)																		
Gain (Loss) on disposition of assets	(227,508)																		
Repayments of bonds and notes	1,781,483																		
Bond and note issuances	(7,066,164)																		
Change in other post-employment benefits liability	(1,233,644)																		
Change in compensated absence liability	119,692																		
Change in landfill liability	15,197																		
Change in capital leases	<u>199,707</u>																		
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,508,692)</u>																		

The accompanying notes are an integral part of these 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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Property taxes	\$ 16,131,065	\$ 16,217,256	\$ 16,217,256	\$ -
Excise taxes	807,000	807,000	965,744	158,744
Interest, penalties and other taxes	161,978	161,978	193,692	31,714
Licenses and permits	132,000	132,000	204,236	72,236
Fines and forfeitures	22,165	22,165	16,422	(5,743)
Charges for services	256,488	256,488	243,217	(13,271)
Intergovernmental	5,442,607	5,442,607	5,449,956	7,349
Interest earnings	31,000	31,000	18,211	(12,789)
Miscellaneous	130,938	130,938	694,524	563,586
Transfers in	581,770	611,709	611,709	-
Total Revenues and Other Sources	23,697,011	23,813,141	24,614,967	801,826
Expenditures and Other Uses:				
General government	1,796,029	2,023,319	1,928,894	94,425
Public safety	2,914,419	3,106,839	3,089,281	17,558
Education	13,035,105	13,035,105	13,058,304	(23,199)
Public works	958,707	1,218,928	1,208,987	9,941
Health and human services	210,308	227,554	216,239	11,315
Culture and recreation	391,697	391,316	382,199	9,117
Employee benefits	3,530,746	3,489,182	3,488,395	787
Intergovernmental	355,253	355,253	317,095	38,158
Debt service	861,072	885,993	861,260	24,733
Transfers out	-	82,000	82,000	-
Total Expenditures and Other Uses	24,053,336	24,815,489	24,632,654	182,835
Excess (deficiency) of revenues over expenditures	(356,325)	(1,002,348)	(17,687)	984,661
Other Financing Sources				
Use of free cash				
Non-recurring capital costs	282,479	562,649	-	(562,649)
Non-recurring transfer to stabilization fund	-	44,915	-	(44,915)
Non-recurring costs	-	206,611	-	(206,611)
Recurring costs	7,613	35,651	-	(35,651)
Use of bond premium	2,203	2,203	-	(2,203)
Overlay surplus	-	5,838	-	(5,838)
Other sources	64,030	144,481	-	(144,481)
Total Other Sources	356,325	1,002,348	-	(1,002,348)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (17,687)	\$ (17,687)

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 744,653	\$ 1,472,072	\$ 2,216,725
User fees, net of allowance for uncollectibles	292,167	273,615	565,782
Betterment fees, net of allowance for uncollectibles	-	776,930	776,930
Total current assets	1,036,820	2,522,617	3,559,437
Noncurrent:			
Capital assets:			
Land and construction in progress	1,375,503	-	1,375,503
Other capital assets, net of accumulated depreciation	5,676,299	5,835,099	11,511,398
Total noncurrent assets	7,051,802	5,835,099	12,886,901
TOTAL ASSETS	8,088,622	8,357,716	16,446,338
<u>LIABILITIES</u>			
Current:			
Warrants payable	22,214	5,512	27,726
Accrued liabilities	35,474	23,551	59,025
Notes payable	67,733	18,106	85,839
Current portion of long-term liabilities:			
Bonds payable	271,610	244,086	515,696
Compensated absence	834	627	1,461
Total current liabilities	397,865	291,882	689,747
Noncurrent:			
Bonds payable, net of current portion	2,255,000	1,965,000	4,220,000
Compensated absence, net of current portion	15,840	11,919	27,759
Net OPEB obligation	47,265	39,277	86,542
Total noncurrent liabilities	2,318,105	2,016,196	4,334,301
TOTAL LIABILITIES	2,715,970	2,308,078	5,024,048
<u>NET POSITION</u>			
Net investment in capital assets	4,798,704	3,657,000	8,455,704
Unrestricted	573,948	2,392,638	2,966,586
TOTAL NET POSITION	\$ 5,372,652	\$ 6,049,638	\$ 11,422,290

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 1,072,259	\$ 883,490	\$ 1,955,749
Other	<u>10,027</u>	<u>9,006</u>	<u>19,033</u>
Total Operating Revenues	1,082,286	892,496	1,974,782
Operating Expenses:			
Operating expenses	574,082	631,270	1,205,352
Depreciation	<u>199,387</u>	<u>191,397</u>	<u>390,784</u>
Total Operating Expenses	<u>773,469</u>	<u>822,667</u>	<u>1,596,136</u>
Operating Income	308,817	69,829	378,646
Nonoperating Revenues (Expenses):			
Interest income	1,858	249	2,107
Interest expense	<u>(77,926)</u>	<u>(74,355)</u>	<u>(152,281)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(76,068)</u>	<u>(74,106)</u>	<u>(150,174)</u>
Income (Loss) Before Transfers	232,749	(4,277)	228,472
Transfers:			
Transfers in	84,353	-	84,353
Transfers out	<u>(136,675)</u>	<u>(108,295)</u>	<u>(244,970)</u>
Change in Net Position	180,427	(112,572)	67,855
Net Position at Beginning of Year	<u>5,192,225</u>	<u>6,162,210</u>	<u>11,354,435</u>
Net Position at End of Year	<u>\$ 5,372,652</u>	<u>\$ 6,049,638</u>	<u>\$ 11,422,290</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 1,121,492	\$ 1,057,191	\$ 2,178,683
Payments to vendors and employees	(561,112)	(661,853)	(1,222,965)
Net Cash Provided By Operating Activities	560,380	395,338	955,718
Cash Flows From Noncapital Financing Activities:			
Transfer in	84,353	-	84,353
Transfers out	(136,675)	(108,295)	(244,970)
Net Cash (Used for) Noncapital Financing Activities	(52,322)	(108,295)	(160,617)
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(834,351)	(11,842)	(846,193)
Principal payments on bonds and notes	(1,018,000)	(420,692)	(1,438,692)
Proceeds from bonds and notes	1,571,343	167,192	1,738,535
Interest expense	(71,878)	(77,244)	(149,122)
Net Cash (Used For) Capital and Related Financing Activities	(352,886)	(342,586)	(695,472)
Cash Flows From Investing Activities:			
Investment income	1,858	249	2,107
Net Cash Provided By Investing Activities	1,858	249	2,107
Net Change in Cash and Short-Term Investments	157,030	(55,294)	101,736
Cash and Short-Term Investments, Beginning of Year	587,623	1,527,366	2,114,989
Cash and Short-Term Investments, End of Year	\$ 744,653	\$ 1,472,072	\$ 2,216,725
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Operating income	\$ 308,817	\$ 69,829	\$ 378,646
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	199,387	191,397	390,784
Changes in assets and liabilities:			
User fees	39,207	164,695	203,902
Warrants and accounts payable	9,961	(35,296)	(25,335)
Compensated absence, net of current portion	(899)	412	(487)
Other post employment benefits	3,907	4,301	8,208
Net Cash Provided By Operating Activities	\$ 560,380	\$ 395,338	\$ 955,718

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ <u>142,276</u>	\$ <u>44,541</u>
Total Assets	142,276	44,541
<u>LIABILITIES AND NET POSITION</u>		
Other liabilities	<u>-</u>	<u>44,541</u>
Total Liabilities	<u>-</u>	<u>44,541</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>142,276</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILLIS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment Income	\$ 2,295
Contributions	<u>5,899</u>
Total additions	8,194
Deductions:	
Education	<u>18,699</u>
Total deductions	<u>18,699</u>
Net (decrease)	(10,505)
Net position:	
Beginning of year	<u>152,781</u>
End of year	<u><u>\$ 142,276</u></u>

The accompanying notes are an integral part of these 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 2013, 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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 *Library Construction fund* accounts for constructing the new library facility.

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.

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 2½” 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 2013 tax levy reflected an excess capacity of \$9,173.

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 are 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 Position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet

paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.

5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

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 budgetary accounting principles to provide a meaningful comparison to 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)	\$ 26,747,909	\$ 26,812,479
Other financing sources/uses (GAAP Basis)	<u>611,709</u>	<u>277,129</u>
Subtotal (GAAP Basis)	27,359,618	27,089,608
Adjust tax revenue to accrual basis	164,006	-
To reverse expenditures of prior year appropriation carryforwards	-	(423,962)
To book current year appropriation carryforwards	-	643,623
To reverse the effect of non- budgeted State contributions for teachers retirement	(2,890,513)	(2,890,513)
To reverse nonbudgeted activity	<u>(18,144)</u>	<u>213,898</u>
Budgetary Basis	\$ <u><u>24,614,967</u></u>	\$ <u><u>24,632,654</u></u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

Special Revenue Funds:

Off-Duty Detail	\$ (26,447)
Gas Account	(27,260)
e-911 Training	(30,631)
LEPC Grant	(1,130)
Police Bulletproof Vest Grant	(2,965)
Recycle Container	(6,889)
Chapter 90	(39,034)
Teacher Quality	(2,334)
SPED Improvement	(2,598)
SPED 94-142 Allocation	(57,904)

Capital Project Funds:

Flood Control Structure	(47,420)
Flood Proof Dover Pump Station	<u>(65,000)</u>
	\$ <u><u>(309,612)</u></u>

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, 2013, none of the Town's bank balance of \$9,773,669 was exposed to custodial credit risk as uninsured or uncollateralized.

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Certificates of deposits	\$ <u>114</u>	N/A	\$ <u>114</u>
Total investments	\$ <u>114</u>		\$ <u>114</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 (in thousands):

<u>Investment Issuer</u>	<u>Amount</u>
Middlesex Savings Bank	\$ 27
St. Mary's Credit Union	<u>87</u>
Total	<u>\$ 114</u>

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>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
Certificates of deposit	\$ <u>114</u>	\$ <u>114</u>
Total	\$ <u>114</u>	\$ <u>114</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 1st of every year. Assessed values are established

by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

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

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Real Estate			
2013	\$	402	
2012		100	
2011		<u>13</u>	
			515
Personal Property			
2013		13	
2012		8	
2011		7	
2010		7	
2009 & prior		<u>20</u>	
			55
Tax Liens and foreclosures			549
Other			<u>3</u>
Total			<u>\$ 1,122</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	\$ 158	\$ -
Excises	\$ 95	\$ -
Betterments	\$ -	\$ 88
Utilities	\$ -	\$ 31

7. Intergovernmental Receivables

This balance represents various reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

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, 2013 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 18,657	\$ 104	\$ -	\$ 18,761
Machinery, equipment, and furnishings	6,200	404	(591)	6,013
Infrastructure	25,199	258	-	25,457
Total capital assets, being depreciated	50,056	766	(591)	50,231
Less accumulated depreciation for:				
Buildings and improvements	(7,764)	(533)	-	(8,297)
Machinery, equipment, and furnishings	(3,827)	(462)	363	(3,926)
Infrastructure	(6,736)	(670)	-	(7,406)
Total accumulated depreciation	(18,327)	(1,665)	363	(19,629)
Total capital assets, being depreciated, net	31,729	(899)	(228)	30,602
Capital assets, not being depreciated:				
Land	3,402	-	-	3,402
Construction in progress	2,343	4,065	-	6,408
Total capital assets, not being depreciated	5,745	4,065	-	9,810
Governmental activities capital assets, net	\$ 37,474	\$ 3,166	\$ (228)	\$ 40,412

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,474	\$ -	\$ -	\$ 2,474
Machinery, equipment, and furnishings	1,550	24	-	1,574
Infrastructure	12,542	823	-	13,365
Total capital assets, being depreciated	16,566	847	-	17,413
Less accumulated depreciation for:				
Buildings and improvements	(1,445)	(49)	-	(1,494)
Machinery, equipment, and furnishings	(1,108)	(35)	-	(1,143)
Infrastructure	(2,958)	(307)	-	(3,265)
Total accumulated depreciation	(5,511)	(391)	-	(5,902)
Total capital assets, being depreciated, net	11,055	456	-	11,511
Capital assets, not being depreciated:				
Land	1,376	-	-	1,376
Total capital assets, not being depreciated	1,376	-	-	1,376
Business-type activities capital assets, net	\$ 12,431	\$ 456	\$ -	\$ 12,887

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

Governmental Activities:	
General government	\$ 156
Public safety	132
Education	600
Public works	763
Health and human services	13
Culture and recreation	1
Total depreciation expense - governmental activities	\$ 1,665
Business-Type Activities:	
Water	\$ 199
Sewer	192
Total depreciation expense - business-type activities	\$ 391

10. Warrants Payable

Warrants payable represent 2013 expenditures paid by July 15, 2013 as permitted by law.

11. Notes Payable

The Town had the following notes outstanding at June 30, 2013:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/13</u>
Modular classrooms	0.75%	07/02/12	07/02/13	\$ 66,000 (1)
Ambulance	0.75%	07/13/12	07/12/13	90,000 (1)
Landfill	1.00%	05/03/13	05/02/14	13,000 (1)
Causeway St. Culvert	0.60%	12/14/12	12/13/13	84,000 (1)
Transfer Station	0.65%	02/22/13	08/21/13	44,214 (1)
Flood Control	0.65%	02/22/13	08/21/13	121,000
Flood Proofing	0.65%	02/22/13	08/21/13	65,000
Dewey Land Purchase	0.75%	07/19/12	07/19/13	240,000 (1)
SCADA	0.90%	01/25/13	01/24/14	18,106
Water Mains	0.65%	02/22/13	08/21/13	29,233
Wells 3 & 4 Repairs	1.00%	10/25/13	10/25/13	38,500
Total				<u>\$ 809,053</u>

(1) Considered long-term and reported at the Government-wide level

The following summarizes activity in notes payable during fiscal year 2013:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental:				
Modular classrooms	\$ 96,000	\$ 66,000	\$ (96,000)	\$ 66,000
Ambulance	105,000	90,000	(105,000)	90,000
Title V Septic	9,575	-	(9,575)	-
Landfill	20,000	13,000	(20,000)	13,000
Causeway St. Culvert	96,000	84,000	(96,000)	84,000
Transfer Station	58,952	44,214	(58,952)	44,214
Library	5,000,000	-	(5,000,000)	-
Culvert & Drainage -				
Flood Damage	460,000	-	(460,000)	-
Flood Control	121,000	121,000	(121,000)	121,000
Flood Proofing	65,000	65,000	(65,000)	65,000
Crestview/Klifford	385,978	359,978	(745,956)	-
Dewey Land Purchase	300,000	240,000	(300,000)	240,000
Subtotal	6,717,505	1,083,192	(7,077,483)	723,214

(continued)

(continued)

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Enterprise:				
SCADA	36,606	18,106	(36,606)	18,106
Water Mains	81,000	29,233	(81,000)	29,233
Sewer Capacity	149,086	-	(149,086)	-
Forest Road	-	682,000	(682,000)	-
Wells 3 & 4 Repairs	-	38,500	-	38,500
Subtotal	266,692	767,839	(948,692)	85,839
Total	\$ 6,984,197	\$ 1,851,031	\$ (8,026,175)	\$ 809,053

12. 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 Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/13
<u>Governmental Activities:</u>			
Community Center and Town Hall	07/01/15	2.80%	\$ 335,000
Ambulance bay	07/01/15	2.80%	25,000
Landfill capping	07/01/17	2.80%	220,000
Land acquisition	10/15/18	2.80%	275,000
DPW garage	08/15/18	3.97%	120,000
Roads	08/15/13	3.69%	5,000
Public way	10/01/15	3.99%	165,000
Surface drain	10/01/25	3.91%	340,000
Surface drain	02/15/23	3.30%	125,000
Public Way - Klifford	02/15/26	3.31%	299,042
Library Construction	02/15/33	3.09%	5,000,000
Total Governmental Activities:			\$ <u>6,909,042</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
Well field development	10/15/20	2.80%	\$ 590,000
Water	08/15/13	3.72%	20,000
Water	08/15/13	3.72%	10,500
Water	08/15/23	4.28%	148,500
Water	08/15/23	4.27%	896,000
Water mains - Pleasant St.	10/01/16	3.93%	40,000
Water mains	02/15/33	3.30%	139,610
Water mains	02/15/33	3.30%	682,000
Sewer improvements	07/01/17	2.80%	275,000
Sewer improvements	10/15/20	2.80%	580,000
Sewer improvements	10/01/26	3.91%	1,205,000
Sewer improvements	02/15/23	3.30%	<u>149,086</u>
Total Business-Type Activities:			<u>\$ 4,735,696</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 624,042	\$ 207,552	\$ 831,594
2015	610,000	195,993	805,993
2016	605,000	177,433	782,433
2017	430,000	161,178	591,178
2018	420,000	148,422	568,422
2019 - 2023	1,585,000	563,675	2,148,675
2024 - 2028	1,385,000	282,675	1,667,675
2029 - 2033	<u>1,250,000</u>	<u>101,750</u>	<u>1,351,750</u>
Total	<u>\$ 6,909,042</u>	<u>\$ 1,838,678</u>	<u>\$ 8,747,720</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, 2013.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 515,696	\$ 161,691	\$ 677,387
2015	475,001	148,336	623,337
2016	475,001	132,727	607,728
2017	470,001	117,049	587,050
2018	445,000	102,361	547,361
2019 - 2023	1,589,997	293,518	1,883,515
2024 - 2028	610,000	65,215	675,215
2029 - 2033	155,000	12,335	167,335
Total	<u>\$ 4,735,696</u>	<u>\$ 1,033,232</u>	<u>\$ 5,768,928</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 1,835	\$ 5,424	\$ (350)	\$ 6,909	\$ (624)	\$ 6,285
Other:						
Accrued employee benefits	506	14	(134)	386	(19)	367
Landfill closure	306	-	(15)	291	(16)	275
Capital leases	200	-	(200)	-	-	-
Net OPEB obligation	4,397	2,230	(996)	5,631	-	5,631
Totals	<u>\$ 7,244</u>	<u>\$ 7,668</u>	<u>\$ (1,695)</u>	<u>\$ 13,217</u>	<u>\$ (659)</u>	<u>\$ 12,558</u>

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,255	\$ 971	\$ (490)	\$ 4,736	\$ (516)	\$ 4,220
Other:						
Accrued employee benefits	30	-	(1)	29	(1)	28
Net OPEB obligation	78	34	(26)	86	-	86
Totals	<u>\$ 4,363</u>	<u>\$ 1,005</u>	<u>\$ (517)</u>	<u>\$ 4,851</u>	<u>\$ (517)</u>	<u>\$ 4,334</u>

13. 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 \$291,135 as landfill closure and postclosure care liability at June 30, 2013. This amount is based on what it would cost to perform all closure and postclosure care remaining on the closed landfill site in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

14. **Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

	Fund Basis		
	Governmental		
	General	Capital	Special
	<u>Fund</u>	<u>Projects</u>	<u>Revenues</u>
Unavailable Revenue	\$ 1,214,968	\$ 278,956	\$ 358,750

15. **Restricted Net Position**

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

Permanent fund restricted net position 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. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2013:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and certain special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General Fund	Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 173,578	\$ 173,578
Total Nonspendable	-	-	173,578	173,578
Restricted				
Reserved for debt premiums	377,801	-	-	377,801
Bonded projects	-	124,888	104,595	229,483
Special revenue funds:				
School choice	-	-	470,927	470,927
Ambulance	-	-	326,824	326,824
Community preservation	-	-	529,145	529,145
Circuit breaker	-	-	194,518	194,518
Extended day	-	-	183,521	183,521
School transportation revolving	-	-	140,351	140,351
Other	-	-	762,158	762,158
Expendable permanent funds	-	-	38,634	38,634
Total Restricted	377,801	124,888	2,750,673	3,253,362
Committed				
Reserved for articles	368,148	-	-	368,148
Health stabilization fund	100,633	-	-	100,633
Total Committed	468,781	-	-	468,781
Assigned				
Encumbrances	381,769	-	-	381,769
For next year's expenditures	255,535	-	-	255,535
Total Assigned	637,304	-	-	637,304
Unassigned ⁽¹⁾	1,771,879	-	(309,612)	1,462,267
Total Unassigned	1,771,879	-	(309,612)	1,462,267
Total Fund Balance	\$ 3,255,765	\$ 124,888	\$ 2,614,639	\$ 5,995,292

⁽¹⁾Includes General Stabilization fund balance of \$1,102,619.

17. Interfund Transfers

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund Financial Statements. The following is an analysis of interfund transfers made in fiscal year 2013:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 611,709	\$ 277,129
Nonmajor Funds:		
Special Revenue Funds:		
Ambulance	-	235,000
Cemetery Sale of Lots	-	10,000
Septic Betterments	-	85,739
Cell Tower	-	35,000
Capital Project Funds	192,776	-
Trust Funds		
Expendable	-	1,000
Non-Expendable	-	-
Subtotal Nonmajor Funds	192,776	366,739
<u>Business-Type Funds</u>		
Water Fund	84,353	136,675
Sewer Fund	-	108,295
Grand Total	<u>\$ 888,838</u>	<u>\$ 888,838</u>

18. Subsequent Events

Subsequent to June 30, 2013, the Town has incurred the following debt:

	<u>Amount</u>	<u>Rate</u>	<u>Date</u>	<u>Date</u>
Fire Truck	\$ 835,000	0.65%	07/17/13	07/17/14

Additionally, the Town paid off and rolled forward many of the bond anticipating notes included in note 11.

19. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues 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.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Board of Selectmen, the probable outcome of these cases, at the

present time, is indeterminable, although the Town expects such amounts, if any, to be immaterial.

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.

20. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, 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 Activities 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 Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare 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, 2012, the actuarial valuation date, approximately 98 retirees and 287 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 2013 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, 2013, 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, 2012.

Annual Required Contribution (ARC)	\$ 1,925,859
Interest on net OPEB obligation	179,001
Amortization on net OPEB obligation	138,732
Adjustment to ARC	<u>(248,839)</u>
Annual OPEB cost	1,994,753
Contributions made	<u>(752,900)</u>
Increase in net OPEB obligation	1,241,853
Net OPEB obligation - beginning of year	<u>4,475,056</u>
Net OPEB obligation - end of year	<u>\$ 5,716,909</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>
2013	\$ 1,994,753	37.7%	\$5,716,909
2012	\$ 1,983,482	38.3%	\$4,475,056
2011	\$ 1,892,009	37.9%	\$3,251,218
2010	\$ 1,685,751	43.0%	\$2,076,081
2009	\$ 1,771,976	36.0%	\$1,117,976

The Town's net OPEB obligation as of June 30, 2013 is recorded as a non-current liability.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 19,285,760
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 19,285,760</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to 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, 2012 actuarial valuation the projected unit credit actuarial 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 4.0 % investment rate of return and an initial annual healthcare cost trend rate of 6.0 % which then decreases to a 5% long-term rate for all healthcare benefits after three years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.5 %.

21. 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, 2013, 2012, and 2011 were \$1,059,734, \$1,009,685, and \$938,284, 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.

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 \$9,768,745.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$2,890,513 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. 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 2013 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	\$ 304
August	559
September	572
October	986
November	780
December	460
January	470
February	522
March	490
April	554
May	796
June	872
Total	<u>\$ 7,364</u>

23. 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.

24. Implementation of New GASB Standards

The GASB has issued Statement No. 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Town of Millis' actuarially accrued liability with the Norfolk County Retirement System.

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

June 30, 2013
(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]
07/01/12	\$ -	\$ 19,285,760	\$ 19,285,760	0.0%	N/A	N/A
07/01/10	\$ -	\$ 19,593,487	\$ 19,593,487	0.0%	N/A	N/A
07/01/08	\$ -	\$ 18,166,278	\$ 18,166,278	0.0%	\$ 11,824,120	153.6%

**NORFOLK COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

**Employees' Retirement System
Schedule of Funding Progress**

Employees' Retirement System

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]
01/01/12	\$ 608,235,096	\$ 1,128,960,288	\$ 520,725,192	53.9%	\$ 229,095,409	227.3%
01/01/10	\$ 600,790,835	\$ 1,001,881,055	\$ 401,090,220	60.0%	\$ 223,332,595	179.6%
01/01/08	\$ 596,157,147	\$ 907,719,124	\$ 311,561,977	65.7%	\$ 223,814,977	139.2%

**Employees' Retirement System
Schedule of Employer Contributions**

System Wide				Town of Millis	
Plan Year-end	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/12	\$ 42,714,639	\$ 42,714,639	100%	\$ 1,059,734	2.5%
12/31/11	\$ 41,206,587	\$ 41,206,587	100%	\$ 1,009,685	2.5%
12/31/10	\$ 39,749,857	\$ 39,749,857	100%	\$ 938,284	2.4%

See Independent Auditors' Report.