



Bill Fraher, CPA

TOWN OF MIDDLETON, MASSACHUSETTS

Basic Financial Statements, Required Supplementary
Information and Supplementary Information

Year ended June 30, 2013
(Except for the Electric Enterprise Fund
which is December 31, 2012)

(With Independent Auditor's Report Thereon)

TOWN OF MIDDLETON, MASSACHUSETTS

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Independent Auditor's Report

The Board of Selectman
Town Of Middleton, Massachusetts:

Report on the Financial Statements

I 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 Middleton, Massachusetts, as of and for the year ended June 30, 2013 (except for the electric enterprise fund which is December 31, 2012), which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 a 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 Town'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 Town's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my 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 Middleton, Massachusetts, as of June 30,

2013 (except for the electric enterprise fund which is December 31, 2012), 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 conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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. I 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 regarding 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 obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middleton's financial statements as a whole. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* I have also issued my report dated June 26, 2014 on my consideration of the Town of Middleton's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Bill Fraher, CPA



June 26, 2014



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

The Honorable Board of Selectmen
Town of Middleton, Massachusetts

I have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Middleton, Massachusetts, as of and for the year ended June 30, 2013 (except for the electric enterprise fund which is December 31, 2014), which collectively comprise the Town's basic financial statements and have issued my report thereon dated June 26, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Middleton's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Middleton's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain other matters that I reported to management of the Town of Middleton, Massachusetts, in a separate letter dated June 26, 2014.

This report is intended solely for the information and use of the Board of Selectmen, management, others within the organization, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Bill Fraher", with a stylized flourish at the end.

Bill Fraher, CPA
Boston, Massachusetts
June 26, 2014

**Town of Middleton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2013**

Each year, we are required to present a Management's Discussion and Analysis (MD&A) with our annual financial report. The MD&A appears in the front of our financial report. It is intended to introduce our financial statements to users and help them assess whether our government's overall financial health has improved or deteriorated as a result of the past year's operations.

One required component of MD&A is to briefly describe the reasons for significant changes in our asset, liability, revenue and expenditure/expense account balances compared to last year.

Financial Highlights of Fiscal Year 2013 (July 1, 2012 - June 30, 2013)

- At June 30, 2013, assets of the Town of Middleton Town exceeded its liabilities by \$67,256,193 (net position), as compared with \$66,803,977 at June 30, 2012 (prior year amount restated for light department issue as described in Note 1). Of the amount at June 30, 2013, \$11,325,021, is considered unrestricted (unrestricted net position), as compared to \$11,595,511 last year. The unrestricted net position of the Town's governmental activities are \$1,846,106 (as compared to \$2,850,630 last year) and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of business-type activities are \$9,478,915 (as compared to \$8,744,881 last year) and may be used to meet the ongoing obligations of the Town's municipal electric light department.
- The total cost of all town services for Fiscal Year 2013 was \$44,581,175, as compared to \$43,533,162 last year, or an increase of \$1,048,013 or 2.4%. Of the total cost of services, \$31,811,678 was spent on governmental activities (compared to \$29,924,964 last year) and an additional \$12,769,497 was spent on business type activities consisting solely of the municipal light department (compared to \$13,608,198 last year).
- At June 30, 2013, the Town's governmental funds reported a combined ending fund balance of \$13,650,144, an increase from a deficit of \$1,707,762, at the beginning of the year (prior year total deficit was due to the construction of the new Howe-Manning School prior to long term borrowing, causing a deficit last year of \$13,775,348 in that Capital Project Fund).
- The Town's total long-term bonded indebtedness is \$18,986,276, a large increase from \$5,642,208 last year mostly due to school project borrowing of \$14,000,000. In addition, The Town also shows a liability of \$6,417,813 for governmental activities and \$532,693 for the electric enterprise fund for Other Post Employment Benefits (retiree health insurance) liabilities. The Town also has \$1,255,000 for landfill post-closure care costs, \$145,648 for enterprise accrued vacation and sick time and \$688,000 in notes payable related to capital projects.
- The Town has additional overlapping debt of \$19,120 for the Town's share of the North Shore Regional Vocational School and \$798,586 for its share of the Masconomet Regional School District.

Town of Middleton, Massachusetts
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Overview of the Financial Statements:

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Middleton, Massachusetts' finances in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Town's 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 of the Town 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 of 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).

The government-wide financial statements have separate columns for government activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-type Activities** – Activities reported here are for electric light department operations. User fees charged to the customers receiving services finance these services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: government funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *government 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 expendable resources*, as well as on *balances of expendable resources* 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 government 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

**Town of Middleton, Massachusetts
Management's Discussion and Analysis
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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*.

Proprietary funds. The Town maintains one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of uses one enterprise fund to account for its electric light department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The government activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet- total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not used to finance costs related to business-type activities. Revenues of the business-type activities are used to finance the operations of the Electric Enterprise Fund. The following table reflects the condensed net position.

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Town of Middleton - Net Position

	Governmental		Business-type			
	Activities		Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 27,367,458	\$ 17,520,834	\$ 10,710,713	\$ 11,697,534	\$ 38,078,171	\$ 29,218,368
Capital assets	60,694,217	60,026,850	8,704,611	9,172,549	69,398,828	69,199,399
Total assets	88,061,675	77,547,684	19,415,324	20,870,083	107,476,999	98,417,767
Current liabilities	27,026,100	1,956,055	1,196,600	1,338,207	28,222,700	\$ 3,294,262
Long term liabilities	11,883,162	27,188,971	567,160	678,341	12,450,322	27,867,312
Total liabilities	38,909,262	29,145,026	1,763,760	2,016,548	40,673,022	31,161,574
Net position:						
Net investment in capital assets	41,010,582	41,040,574	8,704,611	9,172,549	49,715,193	\$ 50,213,123
Restricted	5,291,201	5,515,978	202,072	202,072	5,493,273	\$ 5,718,050
Unrestricted	2,850,630	1,846,106	8,744,881	9,478,915	11,595,511	11,325,021
Total net assets	\$ 49,152,413	\$ 48,402,658	\$ 17,651,564	\$ 18,853,536	\$ 66,803,977	\$ 67,256,194

[Note that amounts for business-type activities are for the prior year ended December 31st and that 2012 amounts for business type activities are restated for the light department correction described in Note 1.]

Significant changes from the prior year include: an increase in capital assets due to disbursements related to the school construction and other capital projects, a decrease in receivables and deferred revenue (current assets and current liabilities) due to 2012 property taxes being billed prior to June 30, 2012 but not in 2013, and an increase in long term liabilities due to the recognition of an additional year of OPEB costs and the issuance of debt for the school construction project, and a decrease in unrestricted net position due to OPEB.

The largest portion of the Town's total net position (75%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (8.5%) represents resources that are subject to restrictions placed on how they may be used by parties external to the Town. The remaining balance of unrestricted net position, \$11,325,021 or 16.8% of total net position may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that although the total unrestricted net position is \$11,325,021, this includes the unrestricted net position of the Town's business-type activities of \$9,478,915, which may not be used to fund governmental activities.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The Town's total net position increased by \$452,216 during the current fiscal year; governmental activities decreased by \$749,755 while business-type activities increased by \$1,201,971 (see discussion below).

**Town of Middleton, Massachusetts
Management's Discussion and Analysis
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Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Net position. It reflects how the Town's net position have changed during Fiscal Year 2013 (note that business-type activities amounts are for the prior year ended December 31st).

Town of Middleton - Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for service	\$ 1,991,352	\$ 1,763,042	\$ 13,710,243	\$ 13,842,558	\$ 15,701,595	\$ 15,605,600
Operating grants and contributions	3,827,311	3,193,606	-	-	3,827,311	3,193,606
Capital grants and contributions	3,283,128	1,600,782	-	-	3,283,128	1,600,782
General Revenues:						
Property taxes	20,448,052	22,043,915	-	-	20,448,052	22,043,915
Excise taxes	1,370,093	1,528,625	-	-	1,370,093	1,528,625
Other	954,523	834,953	143,819	225,910	1,098,342	1,060,863
Total revenues	31,874,459	30,964,923	13,854,062	14,068,468	45,728,521	45,033,391
Expenses						
General government	1,697,281	2,001,035			1,697,281	2,001,035
Public safety	3,601,333	4,113,955			3,601,333	4,113,955
Education	19,908,219	20,624,928			19,908,219	20,624,928
Public works	2,680,810	3,171,925			2,680,810	3,171,925
Health & human services	466,085	490,745			466,085	490,745
Culture & recreation	881,450	843,729			881,450	843,729
Interest on debt	689,786	565,361			689,786	565,361
Electric Light Business Activities			13,608,198	12,769,497	13,608,198	12,769,497
Total expenses	29,924,964	31,811,678	13,608,198	12,769,497	43,533,162	44,581,175
Changes in net position before transfers	1,949,495	(846,755)	245,864	1,298,971	2,195,359	452,216
Transfers	102,000	97,000	(102,000)	(97,000)	-	-
Total change in net position	2,051,495	(749,755)	143,864	1,201,971	2,195,359	452,216
Net position - beginning of year, as restated	47,100,918	49,152,413	17,507,700	17,651,564	64,608,618	66,803,977
Net position - end of year	\$ 49,152,413	\$ 48,402,658	\$ 17,651,564	\$ 18,853,535	\$ 66,803,977	\$ 67,256,193

Government Activities - Governmental activities net position decreased by \$749,755 or 1.5% during fiscal 2013. Major components of this increase are 1) the town receiving a state grant related to the school construction project of \$933,907; 2) general fund actual operating results (favorable net of \$648,861); and 3) recognizing one additional year of OPEB costs (\$996,859).

Business-type Activities - Business type activities net position increased by \$1,201,971 or 6.8% during the fiscal year ended December 31, 2012. Electric Light Department rates are structured to cover all costs related to the activity. There was no rate increase this fiscal year. Purchased power costs declined significantly during the year due to the Department's contracted rates and better spot market prices.

Governmental funds - The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's

**Town of Middleton, Massachusetts
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financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2013, the Town's governmental funds reported combined ending fund balance of \$13,650,144, an increase of \$15,357,906 in comparison with the prior year. This increase was primarily due to school construction project, which showed a fund balance increase of \$14,088,432 due to the long-term borrowing of \$14,000,000 in fiscal year 2013. In addition, the Town showed positive operating results in the general fund. The Town has a healthy amount of general fund *unassigned fund balance* of \$5,741,287 which is available for spending at the government's discretion. The remainder of the fund balance is assigned, committed or restricted to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period; continued appropriations for capital outlay and improvement purposes; non expendable permanent fund balances; community preservation program reserves and other purposes restricted by statute per detail on page 36.

The general fund is the chief operating fund of the Town. At June 30, 2013, unassigned fund balance of the general fund was \$5,741,287, which includes \$1,880,583 of general stabilization fund balance. In addition to unassigned fund balance, the general fund has \$482,643 restricted for OPEB, \$529,882 restricted for a BAN premium on a debt exclusion, \$1,202,325 committed for the fiscal year 2014 budget, and \$660,672 assigned for encumbrances and continued appropriations. 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 (including transfers to other funds). Unassigned fund balance represents 20.1% of total general fund expenditures (including transfers), while total fund balance also represents 30.9% of the same amount. As for other funds, the school construction capital project had a fund balance of \$786,864 while nonmajor governmental funds had total fund balances of \$4,246,471 (most of which is restricted by statute or grantors).

The total general fund balance of the Town increased by \$648,861, or 8.1%, during fiscal year 2013. The major reason for this increase was positive current year operating results. Actual expenditures were \$1,039,544 lower and actual revenues were \$689,518 higher than budgeted amounts. Fiscal year 2013 general fund revenues and transfers from other funds totaled \$28,012,956, an increase of \$1,278,115 or 4.8% over the previous fiscal year.

Revenue Trends - General Fund

Source	Amount	% of Total	Increase/ (Decrease)	% Change
Real estate and Personal Property Tax	21,401,613	76.4%	1,126,657	5.6%
Motor Vehicle Excise	1,650,793	5.9%	251,376	18.0%
Intergovernmental	3,365,900	12.0%	158,174	4.9%
Departmental and other revenues	927,012	3.3%	(270,042)	-22.6%
Investment Income	45,470	0.2%	(39,018)	-46.2%
Total Revenues	27,390,788	97.8%	1,227,147	4.7%
Transfers from other funds	622,168	2.2%	50,968	8.9%
Total revenues and transfers from other funds	28,012,956	100.0%	1,278,115	4.8%

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Property tax growth generally represents a combination of the 2.5% annual increase allowed in the levy under Proposition 2 ½, new growth, and collection of prior years' delinquent taxes. The current year increase of 5.6% is greater than the 2.5% allowed under the statutes and is due to new growth and a reduction of outstanding tax receivables. Departmental revenue decreased significantly from FY12 due in part to a large building permit revenues which can vary year to year based on construction projects in Town.

Total general fund expenditures and transfers to other funds totaled \$27,921,151 an increase of \$1,709,609 or 6.5% over the previous fiscal year. The increase expenditure was due to the usual operating budget increases.

Expenditure Trends - General Fund

Function	FY 2013 Amount	% of Total	Increase/ (Decrease)	% Change
General Government	1,205,198	4.3%	103,971	9.4%
Public Safety	3,438,156	12.3%	194,368	6.0%
Public Works	1,551,913	5.6%	244,280	18.7%
Health and human services	337,721	1.2%	(21,163)	-5.9%
Culture and recreation	446,436	1.6%	(10,172)	-2.2%
Education	16,847,750	60.3%	965,218	6.1%
Employee pensions and benefits	2,457,992	8.8%	266,316	12.2%
Debt service	1,249,662	4.5%	(83,200)	-6.2%
State and county charges	260,240	0.9%	10,708	4.3%
Other	126,083	0.5%	39,283	45.3%
Total expenditures	27,921,151	100.0%	1,709,609	6.5%
Transfers to other funds	-	0.0%	-	0.0%
Total expenditures and transfers to other funds	27,921,151	100.0%	1,709,609	6.5%

The increase in education expenditures was due to increases in the 2013 operating budgets for the Town and regional schools and accruing (rather than encumbering) teacher summer salaries at year end, meaning two years of summer salaries were recognized for financial statement purposes in 2013. The increase in public works was due to a more severe winter and more special article expenditures in 2013. Finally, the increase in Employee Pensions and Benefits is due to the increased required contribution to the Essex Regional Retirement System and a higher on behalf payment for teachers' retirement. Other increases and decreases in expenditures in fiscal year 2013 are due primarily to contractual wage and salary increases and differences in special articles between 2012 and 2013.

The voters of the Town elected to implement the Community Preservation Act (CPA) in May of 2005, with a 1% surcharge on all real estate tax bills. The Town collected \$160,644 in additional property tax revenue in 2013 related to the CPA fund and \$41,498 from the state matching program.

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Required Supplemental Information
June 30, 2013**

Proprietary fund - The Town's proprietary fund provides the same information found in the government-wide statements, but in slightly more detail. Net position increased by \$1,201,971 due to significantly lower power costs.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was due to Reserve Fund Transfers. The 2013 budget was set to utilize \$1,026,600 in available funds to offset authorized expenditures. Actual expenditures were \$1,039,544 lower and actual revenues were \$689,518 higher than budgeted amounts. In addition, the Town received \$76,668 more in transfers from other funds and a bond premium of \$557,056. All of these resulted in a net positive variance to budget of \$2,362,786.

Capital Asset and Debt Administration

Capital Assets - The Town's investments in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$69,199,399, a decrease from the prior year amount of \$69,398,828 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

	Activities		Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	\$ 4,035,614	\$ 4,135,614	\$ 327,323	\$ 327,323	\$ 4,362,937	\$ 4,462,937
Buildings & Improvements	13,546,717	37,456,751	472,295	689,202	14,019,012	38,145,953
Equipment & Machinery	2,114,535	1,994,113	586,755	784,265	2,701,290	2,778,378
Improvements	-	-	-	-	-	-
Infrastructure	16,264,447	16,203,792	7,318,238	7,371,759	23,582,685	23,575,551
Construction in Progress	24,732,904	236,580	-	-	24,732,904	236,580
Total	\$ 60,694,217	\$ 60,026,850	\$ 8,704,611	\$ 9,172,549	\$ 69,398,828	\$ 69,199,399

Major capital asset events during 2013 included the following:

- Total capital assets, net of accumulated depreciation decreased by \$199,429 due to no significant additions in 2013 – depreciation more than additions.
- Business-type activity capital assets increased by \$467,938 due to various building, equipment and infrastructure additions being greater than depreciation.
- Government activity capital assets decreased by \$667,367 as there were no significant additions so depreciation was greater than additions.

Additional information on the Town's capital assets may be found in Note 4 to the financial statements.

Long term debt – At June 30, 2013 the Town had total bonded debt outstanding of \$18,986,276, all for governmental activities. All debt issues are general obligations of the Town. A summary of outstanding debt is as follows:

**Town of Middleton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2013**

	Governmental		Business-type			
	Activities		Activities		Total	
	2012	2013	2012	2013	2012	2013
Education buildings	\$ 1,430,000	\$ 15,020,000			\$ 1,430,000	\$ 15,020,000
Municipal buildings	3,555,000	3,315,000			3,555,000	3,315,000
Municipal land	205,000	25,000			205,000	25,000
Solid Waste	120,000	-			120,000	-
Title V septic program	74,008	67,876			74,008	67,876
Water	258,200	468,400	-	-	258,200	468,400
Total	\$ 5,642,208	\$ 18,896,276	\$ -	\$ -	\$ 5,642,208	\$ 18,896,276

Total long-term bonds and loans outstanding at June 30, 2013 increased by \$13,254,068, or 235% from June 30, 2012 due mostly to the issuance of school construction debt. The Town's bonds are rated Aa2 Moody's Investor Services Inc. Additional information on the Town's long-term debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates:

- According to the Commonwealth of Massachusetts Division of Employment and Training, the unemployment rate for the Town for 2013 was 6.3%, which compares favorably with state and national unemployment rate.
- According to the U. S. Department of Commerce Census Bureau, the median family income for the Town for 2013 was \$100,521; the per capita income for the same time was \$34,777. This compares favorably with both state and national incomes.
- According to the Town's Board of Assessors the average 2013 single family home in Middleton is valued at \$484,481; the average two-family home is valued at \$464,176; the average three-family home is valued at \$379,350; the average condominium is valued at \$329,645; the average commercial property is valued at \$1,137,079; and the average industrial property is valued at \$893,289. All properties compare favorable with state and national property values.

The Town approved a fiscal year 2014 general fund budget of \$27,624,478, an increase of 4.25% or \$1,126,767 over the fiscal year 2013 general fund budget. This increase is due in part to a 7.8% increase in the county retirement assessment in the amount of \$60,400 and 3.01% increase in local education in the amount of \$274,502. The total property tax levy for fiscal year 2014 is \$22,527,391, an increase of 5.62% or \$1,199,461.

Requests for Information

This financial report is designed to provide a general overview of the Town of Middleton, Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the CFO/Town Accountant, Town of Middleton, 48 South Main Street, Middleton, Massachusetts 01949.

TOWN OF MIDDLETON, MASSACHUSETTS

Statement of Net Position

June 30, 2013

(Business-Type Activities December 31, 2012)

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 14,091,473	1,651,941	15,743,414
Investments	761,781	7,158,852	7,920,633
Receivables (net of allowance for uncollectibles)	1,753,151	1,671,670	3,424,821
Due from commonwealth	914,429	-	914,429
Other assets	-	1,215,071	1,215,071
Capital assets:			
Assets not being depreciated	4,372,194	327,323	4,699,517
Assets being depreciated, net	55,654,656	8,845,226	64,499,882
Total assets	\$ 77,547,684	20,870,083	98,417,767
<u>Liabilities</u>			
Warrants and accounts payable	\$ 376,087	657,103	1,033,190
Other accrued liabilities	655,013	462,334	1,117,347
Accrued interest payable	210,939	-	210,939
Notes payable	688,000	-	688,000
Unearned revenue	-	-	-
Other Liabilities	26,016	218,770	244,786
Long-term liabilities:			
Due within one year:			
Accrued compensated absences	-	89,750	89,750
Landfill postclosure care costs	52,500	-	52,500
Unamortized bond premium	27,173	-	27,173
Bonds payable	1,201,063	-	1,201,063
Due in more than one year:			
Landfill postclosure care costs	1,202,500	-	1,202,500
Accrued compensated absences	-	55,898	55,898
Other post-employment benefits	6,417,813	532,693	6,950,506
Unamortized bond premium	502,709	-	502,709
Bonds payable	17,785,213	-	17,785,213
Total liabilities	29,145,026	2,016,548	31,161,574
<u>Net Position</u>			
Net investment in capital assets	41,040,574	9,172,549	50,213,123
Restricted for:			
Perpetual funds - nonexpendable	444,866	-	444,866
Perpetual funds - expendable	376,083	202,071	578,154
Other specific purposes	4,695,029	-	4,695,029
Unrestricted	1,846,106	9,478,915	11,325,021
Total net position	\$ 48,402,658	18,853,535	67,256,193

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2013

(Business-Type Activities Year Ended December 31, 2012)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 2,001,035	194,880	187,103	41,498	(1,577,554)	-	(1,577,554)
Public safety	4,113,955	700,800	50,235	-	(3,362,920)	-	(3,362,920)
Education	20,624,928	598,428	2,815,115	933,907	(16,277,478)	-	(16,277,478)
Public works	3,171,925	187,806	52,290	478,877	(2,452,952)	-	(2,452,952)
Human services	490,745	76,278	56,970	-	(357,497)	-	(357,497)
Recreation and culture	843,729	4,850	31,893	-	(806,986)	-	(806,986)
Interest on debt service	565,361	-	-	146,500	(418,861)	-	(418,861)
Total governmental activities	31,811,678	1,763,042	3,193,606	1,600,782	(25,254,248)	-	(25,254,248)
Business-type activities:							
Electric Light	12,769,497	13,842,558	-	-	-	1,073,061	1,073,061
Total business-type activities	12,769,497	13,842,558	-	-	-	1,073,061	1,073,061
Total government	\$ 44,581,175	15,605,600	3,193,606	1,600,782	(25,254,248)	1,073,061	(24,181,187)
General revenues:							
Property taxes					\$ 22,043,915	-	22,043,915
Excise taxes					1,528,625	-	1,528,625
Payments in lieu of taxes					163,155	-	163,155
Intergovernmental					502,031	-	502,031
Unrestricted investment earnings					46,794	225,910	272,704
Miscellaneous					122,973	-	122,973
Transfers					97,000	(97,000)	-
Total general revenues					24,504,493	128,910	24,633,403
Changes in net position					(749,755)	1,201,971	452,216
Net position - beginning of year, as restated					49,152,413	17,651,564	66,803,977
Net position - end of year					\$ 48,402,658	18,853,535	67,256,193

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2013

	<u>General Fund</u>	<u>School Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 9,461,131	1,092,810	3,537,532	14,091,473
Investments	-	-	761,781	761,781
Receivables:				
Property taxes	349,838	-	3,048	352,886
Tax liens and foreclosures	1,105,491	-	-	1,105,491
Motor vehicle excise	77,253	-	-	77,253
Departmental	8,790	-	522,373	531,163
Less: allowance for abatements/uncollectibles	(69,887)	-	(243,755)	(313,642)
Due from other governments	531,262	382,054	-	913,316
 Total assets	 \$ 11,463,878	 \$ 1,474,864	 4,580,979	 \$ 17,519,721
<u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Warrants and accounts payable	\$ 349,261	-	26,826	376,087
Other accrued liabilities	655,013	-	-	655,013
Deferred revenue	1,842,795	-	281,666	2,124,461
Notes payable	-	688,000	-	688,000
Other liabilities	-	-	26,016	26,016
 Total liabilities	 2,847,069	 688,000	 334,508	 3,869,577
<u>Fund balances:</u>				
Nonspendable	-	-	444,866	444,866
Restricted	1,012,525	786,864	3,694,735	5,494,124
Committed	1,202,325	-	-	1,202,325
Assigned	660,672	-	106,870	767,542
Unassigned	5,741,287	-	-	5,741,287
 Total fund balances	 8,616,809	 786,864	 4,246,471	 13,650,144
 Total liabilities and fund balances	 \$ 11,463,878	 1,474,864	 4,580,979	 17,519,721

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General Fund	School Construction Fund	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes	\$ 21,401,613	-	160,644	21,562,257
Excise taxes	1,650,793	-	-	1,650,793
Payments in lieu of taxes	163,155	-	-	163,155
Departmental charges for services	314,536	-	1,338,447	1,652,983
Licenses and permits	411,710	-	-	411,710
Intergovernmental	3,365,900	933,907	887,999	5,187,806
Fines	32,200	-	4,761	36,961
Investment income	45,470	-	24,996	70,466
Other	5,411	-	83,321	88,732
Total revenues	<u>27,390,788</u>	<u>933,907</u>	<u>2,500,168</u>	<u>30,824,863</u>
Expenditures:				
Current:				
General government	1,205,198	88,432	221,166	1,514,796
Public safety	3,438,156	-	48,887	3,487,043
Education	16,847,750	371,695	919,173	18,138,618
Public works	1,551,913	-	709,499	2,261,412
Human services	337,721	-	70,654	408,375
Recreation and culture	446,436	-	46,096	492,532
Intergovernmental	260,240	-	-	260,240
Employee benefits	2,457,992	-	-	2,457,992
Other	126,083	-	-	126,083
Debt service	<u>1,249,662</u>	<u>-</u>	<u>162,692</u>	<u>1,412,354</u>
Total expenditures	<u>27,921,151</u>	<u>460,127</u>	<u>2,178,167</u>	<u>30,559,445</u>
Excess (deficiency) of revenues over expenditures	(530,363)	473,780	322,001	265,418
Other financing sources (uses):				
Operating transfers in	622,168	76,668	-	698,836
Operating transfers out	-	(76,668)	(525,168)	(601,836)
Bond premium, net of issuance costs	557,056	88,432	-	645,488
Proceeds of bonds	<u>-</u>	<u>14,000,000</u>	<u>350,000</u>	<u>14,350,000</u>
Total other financing sources (uses)	<u>1,179,224</u>	<u>14,088,432</u>	<u>(175,168)</u>	<u>15,092,488</u>
Net changes in fund balances	648,861	14,562,212	146,833	15,357,906
Fund balance, beginning of year	<u>7,967,948</u>	<u>(13,775,348)</u>	<u>4,099,638</u>	<u>(1,707,762)</u>
Fund balance, end of year	<u>\$ 8,616,809</u>	<u>786,864</u>	<u>4,246,471</u>	<u>13,650,144</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS

Reconciliation of the Governmental Fund Balance Sheet

To the Statement of Net Position

Year Ended June 30, 2013

Total fund balances - governmental funds \$ 13,650,144

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land and land improvements	4,135,614
Infrastructure assets	27,784,354
Buildings and building improvements	43,072,779
Construction in progress	236,580
Other capital assets	10,585,893
Accumulated depreciation	<u>(25,788,370)</u>

Total Capital Assets 60,026,850

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or are not recognized in funds. 2,124,461

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds. These liabilities consist of:

Accrued interest on bonds, net of subsidy	(209,826)
Bonds payable	(18,986,276)
Unamortized bond premium	(529,882)
Other post-employment benefits	(6,417,813)
Landfill postclosure care costs	<u>(1,255,000)</u>

Total long-term liabilities (27,398,797)

Net position of governmental activities \$ 48,402,658

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS

Reconciliation of the Governmental Funds - Statement of Revenues,
Expenditures and Changes in Fund Balances To the Statement of Activities
Year Ended June 30, 2013

Net changes in fund balances - governmental funds \$ 15,357,906

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, these amounts are
recorded as capital assets and depreciated over their
estimated useful lives. This is the amount by which depreciation
is more than capital outlays and net retirements for the year. (667,367)

Bond proceeds provide financial resources and bond payments
are recorded as expenditures in governmental funds, while
these are recorded as increases or decreases to long-term
liabilities in the statement of net position. This is the amount by
which debt repayments are less than bond proceeds for the year. (13,344,068)

Accrued interest is not recorded in governmental funds. This is
the amount by which accrued interest changed during the year. (158,939)

Bond premiums are recognized as revenue in the governmental funds
but are deferred in the statement of activities. (529,882)

Landfill postclosure care costs are recorded as expenditures in
governmental funds while these are recorded as decreases
to long-term liabilities in the statement of net position. (435,000)

Other post-employment expenses in the statement of activities do not require
the use of current financial resources are not reported in the funds. (996,859)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenue in the funds. 24,454

Changes in net position of governmental activities \$ (749,755)

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS

Statement of Revenues, Expenditures and Changes in Fund Balances

Non-GAAP Budgetary Basis

Budget and Actual - General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance To Final Budget Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 21,136,481	21,136,481	21,473,206	336,725
Excise taxes	1,485,000	1,485,000	1,650,793	165,793
Payments in lieu of taxes	135,000	135,000	163,155	28,155
Departmental charges for services	259,000	259,000	314,536	55,536
Licenses and permits	280,000	280,000	411,710	131,710
Intergovernmental	2,416,337	2,416,337	2,411,048	(5,289)
Fines	31,000	31,000	32,200	1,200
Investment income	60,000	60,000	41,099	(18,901)
Other	-	-	5,411	(5,411)
Total revenues	25,802,818	25,802,818	26,503,158	689,518
Expenditures:				
General government	1,327,921	1,267,463	1,186,516	80,947
Public safety	3,264,311	3,286,311	3,266,694	19,617
Education	16,772,212	16,772,212	16,452,975	319,237
Public works	1,558,711	1,597,169	1,528,945	68,224
Human services	363,558	363,558	335,507	28,051
Recreation and culture	460,812	460,812	443,155	17,657
Debt service	1,660,033	1,660,033	1,214,321	445,712
Intergovernmental	256,260	256,260	260,240	(3,980)
Employee benefits	1,459,600	1,459,600	1,445,938	13,662
Insurance	126,500	126,500	76,083	50,417
Total expenditures	27,249,918	27,249,918	26,210,374	1,039,544
Excess (deficiency) of revenues over expenditures	(1,447,100)	(1,447,100)	292,784	1,729,062
Other financing sources (uses):				
Operating transfers in	545,500	545,500	622,168	76,668
Operating transfers out	(125,000)	(125,000)	(125,000)	-
Bond premium, net of issuance costs	-	-	557,056	557,056
Proceeds of bonds	-	-	-	-
Total other financing sources (uses)	420,500	420,500	1,054,224	633,724
Net changes in fund balances	(1,026,600)	(1,026,600)	1,347,008	2,362,786
Fund balance, beginning of year			4,176,952	
Fund balance, end of year			5,523,960	

TOWN OF MIDDLETON, MASSACHUSETTS

Statement of Net Position - Proprietary Fund

December 31, 2012

Assets

Current assets:

Cash and cash equivalents - unrestricted	\$	1,499,586
Cash and cash equivalents - restricted		152,355
Investments		7,158,852
User charges receivable, net		1,579,488
Other accounts receivable		92,182
Unbilled revenue		185,853
Inventory		420,991
Prepaid expenses		458,077
Other current assets		<u>150,150</u>

Total current assets 11,697,534

Noncurrent assets:

Capital assets, net		<u>9,172,549</u>
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Total noncurrent assets 9,172,549

Total assets \$ 20,870,083

Liabilities

Current Liabilities:

Accounts payable	\$	657,103
Customer deposits		152,354
Other current liabilities		<u>618,500</u>

Total current liabilities 1,427,957

Noncurrent liabilities:

Accrued compensated absences		55,898
Other post-employment benefits		<u>532,693</u>

Total noncurrent liabilities 588,591

Total liabilities 2,016,548

Net Position

Net investment in capital assets		9,172,549
Restricted		202,071
Unrestricted		<u>9,478,915</u>

Total net position \$ 18,853,535

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

For the Year Ended December 31, 2012

Operating revenues:		
Charges for services	\$	13,566,088
Other operating revenues		<u>276,470</u>
Total operating revenues		<u>13,842,558</u>
Operating expenditures:		
Purchased power and production		10,063,724
Other operating expenses		2,155,059
Depreciation		<u>550,714</u>
Total operating expenditures		<u>12,769,497</u>
Operating income		<u>1,073,061</u>
Nonoperating revenues (expenses):		
Interest income		225,910
Payment in lieu of taxes		<u>(97,000)</u>
Total nonoperating revenues (expenses)		<u>128,910</u>
Changes in net position		1,201,971
Net assets, beginning of year, as revised		<u>17,651,564</u>
Net assets, end of year	\$	<u><u>18,853,535</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTSStatement of Cash Flows - Proprietary Fund
Year Ended December 31, 2012

Cash flows from operating activities:

Cash received from customers	\$ 13,544,957
Cash paid to suppliers	(10,477,271)
Cash paid to employees	(1,265,845)
Payment in lieu of taxes (operating transfer)	<u>(97,000)</u>
Net cash provided by operating activities	<u>1,704,841</u>

Cash flows from investing activities:

Interest on deposits and investments	225,910
Purchase and sales of investments (net)	<u>(4,937,090)</u>

Net cash provided by capital and related financing activities: (4,711,180)

Cash flows from capital and related financing activities:

Capital expenditures	<u>(1,018,652)</u>
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Net cash provided by capital and related financing activities: (1,018,652)

Net increase in cash and cash equivalents (4,024,991)

Cash and cash equivalents, beginning of year 5,676,932Cash and cash equivalents, end of year \$ 1,651,941

Reconciliation of operating income to net cash provided

By operating activities:

Operating income (loss)	\$ 1,073,061
Depreciation, bad debts & reserve	550,714
Payment in lieu of taxes (operating transfer)	(97,000)
Prior period correction	(263,714)
(Increase) in accounts receivable	(273,229)
(Increase) in unbilled revenue	(35,128)
(Increase) in inventory	(34,943)
Decrease in prepaid expenses	266,083
Decrease in other assets	2,495
Increase in accounts payable	37,915
Increase in customer deposits	10,756
Increase in other current liabilities	367,318
Increase in OPEB liability	100,571
(Decrease) in other liabilities	<u>(58)</u>

Net cash provided by operating activities \$ 1,704,841

The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS

Statement of Net Position

Fiduciary Funds

June 30, 2013

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 271,275
Receivables:	
Departmental	<u>101,912</u>
Total assets	<u>373,187</u>
<u>Liabilities</u>	
Other liabilities	<u>373,187</u>
Total liabilities	<u>373,187</u>
<u>Net Position</u>	
Unrestricted	<u>-</u>
Total net assets	\$ <u><u>-</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 1. Reporting Entity and Significant Accounting Policies

A. Introduction

The Town of Middleton was incorporated in 1728 under the statutes of the Commonwealth of Massachusetts. The Town operates with a selectmen-open Town meeting form of government and an elected five member Board of Selectmen. The Town provides general municipal services including public safety, education, public works, health, culture and recreation. Electric service is provided on an enterprise basis. The Town's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board is the standard setting body for governmental accounting and financial reporting.

B. Financial Reporting Entity

GAAP require that the accompanying financial statements present the Town (primary government) and its component units. Component units are included in the Town's reporting entity if their operational and financial relationships with the Town are significant. In determining the financial reporting entity, the Town considered all potential component units and found that none exist.

Joint Ventures:

The Town is a participant in the Masconomet Regional School District (the District). The District was created as a separate political subdivision of the Commonwealth to provide education to students in grades seven through twelve, from the Towns of Middleton, Topsfield and Boxford. The District is governed by a thirteen member board composed of School Committees of member Towns. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for fiscal year 2013 was \$7,071,798, which represents approximately 33% of the District's operating budget. A copy of the District's financial statement is available from the Superintendent's Office, 20 Endicott Road, Topsfield, MA 01983.

The Town is a member of the North Shore Regional Vocational School District (the District). The District was created as a separate political subdivision of the Commonwealth to provide vocational technical education to students in grades nine through twelve, from the Town and surrounding communities. The District is governed by a School Committee composed of one representative from each Town. The Town is indirectly liable for the District's debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's assessment for 2013 was \$385,763, which represents 4.9% of the School's operating budget. A copy of the School's financial statement is available from the Superintendent's Office, Logbridge Road, Middleton, MA 01949.

C. Financial Statement Presentation

The financial condition and results of operations of the Town's funds are presented as of and for the year ended June 30, 2013 (except for the Electric Enterprise Fund which is as of and for the year ended December 31, 2012). The accounting policies of the Town conform to GAAP.

D. Government-wide and Fund Financial Statements

The Town's basic financial statements include both government-wide and fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 1. Reporting Entity and Significant Accounting Policies (continued)

D. Government-wide and Fund Financial Statements (continued)

Town. For the most part, the effect of interfund activities 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or others who purchase, use or directly benefit from goods services, or privileges provided by a certain function and 2) grants and contributions restricted to meeting the operational or capital requirements of a function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. GAAP requires that major individual governmental funds and major individual enterprise funds be reported as separate columns in the fund financial statements. The Town's general, school construction and electric funds are reported as major funds. The Town reports the following fund financial statements:

Governmental Funds

General Fund - This fund is the Town's primary operating fund. This accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Construction Fund - This fund accounts for the construction of a new Town school.

Other Governmental Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Electric Enterprise Fund - This fund is used to account for the Town's electric operations.

Fiduciary Funds

Agency Funds - These funds are used to report resources held by the Town in a purely custodial capacity (assets equal liabilities).

E. Measurement Focus and Basis of Accounting

The government-wide, propriety, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and propriety fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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. The Town considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes and interest associated with

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 1. Reporting Entity and Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting (continued)

the current fiscal year are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

All governmental and business-type activities and enterprise funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

F. Assets, Liabilities, and Net Position or Equity

a. Deposits and Investments

State statutes place limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. The Town, with certain restrictions, can also purchase obligations of U.S. Government or its agencies, repurchase agreements, money market funds and units of the Massachusetts Municipal Depository Trust (MMDT), an investment pool established by the State Treasurer.

In addition, certain other governmental funds have other investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

The Town pools cash to facilitate the management of cash. Each fund presents its pro rata share of the combined cash account as cash and cash equivalents in the accompanying basic financial statements. The Town has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agent and deposits with the MMDT. Investments are reported at fair value.

b. Property Taxes

The Town is responsible for assessing and collecting property taxes in accordance with enabling state laws. Property taxes are determined, each year, on the full and fair cash value of taxable properties as of January 1st. The tax levy is divided into two billings and is payable on a quarterly basis. The first billing is an estimate of the current year's levy based on the prior year's taxes. 50% is due on August 1st and 50% is due on November 1st. The second billing reflects adjustments to the current year's actual levy with 50% due on February 1st and 50% due on May 1st. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivable in the fiscal year billed.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Position or Equity (continued)

b. Property Taxes (continued)

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2 1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2 %, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a Town-wide referendum vote.

c. Inventories

The costs of inventories are not material and the purchase method is used in all funds except for the electric enterprise fund. The electric enterprise fund uses the average cost method of recording inventory for materials and supplies.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the roadways and curbing assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. Normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated life in excess of three years. Such assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	7 - 20
Vehicles and equipment	3 - 10
Infrastructure	30 - 100

e. Compensated Absences

The liability for compensated absences reported in the business type activities and proprietary fund statements consist of unpaid, accumulated vacation and certain sick leave absences. For vacation, this liability is recognized when the associated benefit has been earned. For sick leave benefits, a liability is recognized when the benefit (primarily sick leave buy back benefits) is fully vested. For governmental activities, the liability for compensated absences is not material and is therefore not reported in the accompanying financial statements.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Position or Equity (continued)

f. 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. Bond premiums and discounts, as well as issuance costs, are (if material) deferred and amortized over the life of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance's are reported as other financing sources while discounts received on debt issuance's are reported as other financing uses. Issuance costs are reported as debt service expenditures.

g. Fund Balances - Governmental Funds

In the governmental fund financial statements, fund balance is divided into five categories - nonspendable, restricted, committed, assigned and unassigned. Presented below is a discussion of each GASB 54 fund balance classification.

Nonspendable - Amounts that cannot be spent because they are either not in spendable form or must be kept intact for legal or contractual reasons. This category is utilized mainly for permanent fund principal and also includes (if applicable) prepaid expenses, inventory and long term portion of loans receivable (unless the purpose is restricted, committed or assigned).

Restricted - Amounts constrained to specific purpose by external parties, enabling legislation and constitutional provision. Enabling legislation means the government is authorized to collect revenue and other parties (citizens, courts) can compel the government to spend the funds only on the authorized purpose.

Committed – Amounts constrained to specific purpose by the highest level of decision making authority (Town Meeting) and can be changed only by the same action.

Assigned – Amounts intended for a specific purpose by the Selectmen, Town Committee or Town management but do not meet the criteria to be classified as restricted or committed.

Unassigned – The residual classification of the Town's general fund only (and residual deficits in other governmental funds).

Restricted fund balance in the general fund includes \$482,643 in an OPEB reserve fund balance and \$529,882 in bond premium reserve. Committed fund balance is created from Town Meeting action and must be uncommitted by similar action. Committed fund balance in the general fund includes \$1,202,325 committed for the 2014 budget. Assigned fund balance is created primarily from authorized actions of the Board of Selectmen or Town management. General fund assigned fund balance includes encumbrances and article carry forwards of \$660,672. Unassigned fund balance in the general fund includes \$1,880,583 of general stabilization fund balance. Stabilization funds are obtained by Town Meeting authorization and are almost exclusively generated from transfers from the general fund budget. These funds are set aside for extraordinary or unforeseen purposes, must be approved by Town Meeting and can be utilized for any lawful purpose. A more detail listing of governmental fund balances appears in Note 8.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 1. Reporting Entity and Significant Accounting Policies (continued)

F. Assets, Liabilities, and Net Position or Equity (continued)

g. Fund Balances - Governmental Funds (continued)

The Town's policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year via adjusting journal entries. Non-general funds may have negative unassigned fund balances when non-spendable amounts plus restricted, committed and assigned fund balances exceed the total positive fund balance in a fund.

The Town's fund balance policy sets a reserve goal at 5% - 10% of general fund operating expenditures. This is updated and reviewed each year as part of the budget process. Reserves are defined as general fund unassigned fund balance and do not include stabilization fund balance.

h. Net Position

Net position appears in the Town's proprietary (enterprise) funds and the entity wide financial statements. Net position is the difference between assets and liabilities. Net investment in capital assets represent capital assets less accumulated depreciation and outstanding debt. Restricted net assets consist of net position with constraints placed on the use either by grantors, creditors, contributors or laws and regulations of other governments or by constitutional provisions or enabling legislation.

i. Use of Estimates

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

j. Prior Year Net Position Restatement

The Light Department services a small number of residents in a neighboring Town on behalf of another municipal light department. The Department bills the other light department for the power provided and the other department is responsible for billing and collecting amounts from those involved. Due to a billing error in recording meter readings, the other light department was billed by and then paid to the Department \$263,714 more than actual amounts. This amount relates to prior years and has therefore been recorded as a restatement of beginning net position for business-type activities and proprietary funds in these financial statements.

Note 2. Budgetary Information

Under the Town's by-laws, budget requests are prepared by Town departments and submitted to the Selectmen and Finance Committee for review. The Selectmen and the Finance Committee have until May, when the Town meeting is held, to make their recommendations regarding department requests. After approval of the budget at the annual Town meeting, the tax recapitulation sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 2. Budgetary Information

for approval. This process should generally be completed by November so the actual tax bills can be mailed by January 1, due and payable by the taxpayer on February 1.

The Town must establish its tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures, state and county assessments, and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenues and transfers projected to be received by the Town, including available funds. The final Town budget as presented in the budget to actual statement was developed as:

Expenditures and transfers out	<u>\$27,374,918</u>
To be funded as follows:	
Budgeted revenue	\$25,802,818
Transfers from other funds	545,500
Allocation of surplus	<u>1,026,600</u>
Total funding (resources)	<u>\$27,374,918</u>

The Town's general fund budget is prepared on a basis other than GAAP. The "actual" results column of the Statement of Revenues, Expenditures and Changes in Fund Balance (Non-GAAP Basis) Budget and Actual - General Fund is presented on a "budgetary basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP bases are:

- a. Property tax revenues are recorded when the cash is received as opposed to when susceptible to accrual (GAAP);
- b. Encumbrances and continuing appropriations are recorded as expenditures (budgetary) as opposed to a reservation of fund balance (GAAP);
- c. On behalf payments for state teacher's retirement system and water pollution trust debt are recognized for GAAP only; and
- d. Stabilization funds are not part of the general fund for budgetary purposes.

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the general fund for the year ended June 30, 2013:

Net changes in fund balances - Budgetary Basis	\$1,347,008
Adjustments:	
Record Revenues on a Modified Accrual Basis	(\$71,593)
On Behalf Payments, Net (Gross of \$954,852)	-
Stabilization Fund Interest and Transfers	\$129,371
Adjustment for Encumbrances and Continuing Articles	<u>(\$755,925)</u>
Net changes in fund balances - GAAP Basis	<u>\$648,861</u>

Within the adopted budget a sum is allocated to provide funding for extraordinary or unforeseen expenditures. The Finance Committee can authorize transfers from this reserve fund. Any other modifications to the budget would require action by Town Meeting.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 3. Deposits and Investments

[Note: As certain amounts are pooled in Town funds, the amounts below for cash and investments represent total Town amounts as of June 30, 2013. The difference between the amounts below and the amounts in the financial statements are due solely to the light department being presented as of December 31, 2012. No significant changes to light department deposits and investments occurred between December 31, 2012 and June 30, 2013.]

Cash Deposits

Custodial risk on cash deposits is the risk that in the event of a depository failure, the Town will not be able to recover the value of its deposits or collateral securities that are in the possession of the depository. The Town's attempts to limit custodial risk by placing funds in a variety of financial institutions and maximizing amounts insured or collateralized. At June 30, 2013, the Town's carrying amount of deposits was \$12,059,666 and the bank balance was \$13,493,415. The difference between the carrying and bank balances is due mostly to outstanding checks. Of the bank balances, \$2,303,934 was covered by Federal Deposit Insurance Corporation or other state insurance. The remaining amount of \$11,189,481 was neither insured nor collateralized.

Investments

At June 30, 2013, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US government and agency securities	\$2,794,637
Other fixed income securities	3,662,515
Mutual funds	418,600
Domestic Stock	1,999,176
Pooled Investments: Money market funds	68,654
External Investment Pool: MMDT	<u>2,042,691</u>
Total investments	<u>\$10,986,273</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party 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 an investment policy covering custodial credit risk.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy covering interest rate risk. US government and agency securities investments have the following maturities: \$142,419 less than one year, \$177,322 between three and five years, and \$2,474,896 thereafter. Other fixed income securities have maturities of \$41,831 between one and two years, \$345,189 between three and five years and \$3,275,495 thereafter.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 3. Deposits and Investments (continued)

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The US government and agency securities investments are rated Aaa and AA by Moody's Investor Services and AAA and AA by Standard and Poor's and are not considered to have credit risk. MMDT, equities securities and money market funds are not rated as to credit risk. The Town does not have an investment policy which would limit its investment choices as to credit risk.

Concentration of credit risk – The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding US federal agency securities, and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the governmental funds or governmental activities.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2013 (electric enterprise fund as of December 31, 2012) was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$4,035,614	100,000	-	4,135,614
Construction in progress	<u>24,732,904</u>	<u>96,766</u>	<u>24,593,090</u>	<u>236,580</u>
Total capital assets not being depreciated	<u>28,768,518</u>	<u>196,766</u>	<u>24,593,090</u>	<u>4,372,194</u>
Capital assets being depreciated:				
Land and land improvements	1,765,912	-	-	1,765,912
Buildings and improvements	18,079,229	24,993,550	-	43,072,779
Equipment	9,034,097	392,242	606,204	8,819,981
Infrastructure	<u>27,192,548</u>	<u>591,806</u>	=	<u>27,784,354</u>
Total capital assets being depreciated	<u>56,071,786</u>	<u>25,977,444</u>	<u>606,204</u>	<u>81,443,026</u>
Less accumulated depreciation for:				
Land and land improvements	(735,751)	(49,501)	-	(785,252)
Buildings and improvements	(5,562,673)	(1,034,015)	-	(6,596,688)
Equipment	(6,919,562)	(508,016)	(601,710)	(6,825,868)
Infrastructure	<u>(10,928,101)</u>	<u>(652,461)</u>	=	<u>(11,580,562)</u>
Total accumulated depreciation	<u>(24,146,087)</u>	<u>(2,243,993)</u>	=	<u>(25,788,370)</u>
Capital assets being depreciated, net	<u>31,925,699</u>	<u>23,733,451</u>	<u>4,494</u>	<u>55,654,656</u>
Total governmental activities capital assets, net	<u>\$60,694,217</u>	<u>23,930,217</u>	<u>24,597,584</u>	<u>60,026,850</u>

Depreciation expense was charged to functions as follows:

	<u>Governmental Activities</u>
General government	\$54,131
Public safety	311,134
Education	856,535
Public works	806,702
Human services	6,513
Recreation and culture	<u>208,978</u>
Total governmental activities depreciation expense	<u>\$2,243,993</u>

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 4. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers out and Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land improvements	<u>\$327,323</u>	=	=	<u>327,323</u>
Total capital assets not being depreciated	<u>327,323</u>	=	=	<u>327,323</u>
Capital assets being depreciated:				
Buildings and improvements	930,934	240,000	-	1,170,934
Equipment	2,089,686	298,516	110,689	2,277,513
Infrastructure	<u>14,597,498</u>	<u>488,243</u>	<u>74,039</u>	<u>15,011,702</u>
Total capital assets being depreciated	<u>17,618,118</u>	<u>1,026,759</u>	<u>184,728</u>	<u>18,460,149</u>
Less accumulated depreciation for:				
Buildings and improvements	(458,639)	(23,093)	-	(481,732)
Equipment	(1,502,931)	(101,006)	(110,689)	(1,493,248)
Infrastructure	<u>(7,279,261)</u>	<u>(426,615)</u>	<u>(65,933)</u>	<u>(7,639,943)</u>
Total accumulated depreciation	<u>(9,240,831)</u>	<u>(550,714)</u>	<u>(176,622)</u>	<u>(9,614,923)</u>
Capital assets being depreciated, net	<u>8,377,287</u>	<u>476,045</u>	<u>8,106</u>	<u>8,845,226</u>
Total capital assets, net	<u>\$8,704,610</u>	<u>476,045</u>	<u>8,106</u>	<u>9,172,549</u>

Business-type Activities

Depreciation expense was charged to functions as follows:

Electric enterprise fund	<u>\$ 476.045</u>
Total business-type activities depreciation expense	<u>\$ 476.045</u>

Note 5. Short-term Debt

Subject to state laws, the Town is authorized to issue general obligation debt on a temporary basis. The following classes of short-term loans can be issued:

Tax anticipation notes (TANs) - This debt is issued to provide funding for operations during lean periods in a fiscal cycle. They are repaid from subsequent collections of taxes or other revenues.
Bond anticipation notes (BANs) - This debt is issued to provide initial funding for capital projects. They are redeemed from the proceeds from the sale of the bonds.
Grant anticipation notes (GANs) - This debt is issued to provide funding for projects in anticipation of reimbursement from federal or state grants. They are repaid from subsequent distributions from the federal or state agency.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Bond anticipation notes:				
School capital project and land purchase	<u>\$15,850,000</u>	<u>688,000</u>	<u>15,850,000</u>	<u>688,000</u>
	<u>\$15,850,000</u>	<u>688,000</u>	<u>15,850,000</u>	<u>688,000</u>

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 6. Long-term Obligations

The following is a summary of the changes in the Town's long-term obligation for the year ended June 30, 2013 (electric enterprise fund year ended December 31, 2012):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Landfill post closure costs	\$820,000	475,000	40,000	1,255,000	52,500
Other post employment benefits	5,420,954	996,859	-	6,417,813	-
Unamortized bond premiums	-	543,469	13,587	529,882	27,173
Bonds payable	<u>5,642,208</u>	<u>14,350,000</u>	<u>1,005,932</u>	<u>18,986,276</u>	<u>1,201,063</u>
	<u>11,883,162</u>	<u>16,365,328</u>	<u>1,059,519</u>	<u>27,188,971</u>	<u>1,283,736</u>
Business-type activities:					
Compensated absences	135,038	10,610	-	145,648	89,750
Other post employment benefits	432,122	100,571	-	532,693	-
Bonds payable	=	=	=	=	=
	<u>\$567,160</u>	<u>111,181</u>	=	<u>678,341</u>	<u>89,750</u>

Note 7. Bonds Payable

The Town's indebtedness consists of general obligation serial notes issued between fiscal years 1984 and 2013 for funding various special projects. All bond issues must be approved by Town meeting. The outstanding governmental activities bonds were issued for a variety of capital purposes, the largest portion related to library construction. The bonds bear interest from 0.0% to 5.5% and are due in various annual installments ranging through 2033.

Debt service requirements of the Town's outstanding indebtedness at June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities Principal</u>	<u>Governmental Activities Interest</u>	<u>Business-type Activities Principal</u>	<u>Business-type Activities Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2014	\$1,201,063	617,723	-	-	1,201,063	617,723
2015	1,201,063	578,432	-	-	1,201,063	578,432
2016	1,191,063	539,185	-	-	1,191,063	539,185
2017	846,063	505,644	-	-	846,063	505,644
2018	886,063	477,627	-	-	886,063	477,627
2019 - 2023	4,615,961	1,912,647	-	-	4,615,961	1,912,647
2024 - 2028	4,705,000	1,034,903	-	-	4,705,000	1,034,903
2029 - 2033	<u>4,360,000</u>	<u>334,950</u>	=	=	<u>4,360,000</u>	<u>334,950</u>
Totals	<u>\$18,986,276</u>	<u>6,001,111</u>	=	=	<u>18,986,276</u>	<u>6,001,111</u>

Of the total governmental activities debt service requirements of \$24,987,387, the Town is scheduled to receive \$727,668 as reimbursement from the Commonwealth of Massachusetts School Building Authority. Of this reimbursement amount, \$440,262 is related to debt principal and has been recorded as an intergovernmental receivable in the financial statements. In addition, the Town is scheduled to receive \$13,295 as reimbursement from the Commonwealth of Massachusetts Water Pollution Abatement Trust. None of this reimbursement is related to debt principal and therefore has not been recorded in the financial statements.

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 7. Bonds Payable (continued)

as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Oversight Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2013, the Town may issue approximately \$59,471,039 of additional general obligation debt under the normal debt limit. The Town has \$276,276 of issued debt exempt from the debt limit. At June 30, 2013, the Town also has authorized and unissued debt of \$18,406,061 for school, library and water projects.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Masconomet Regional School District, the Town's share of the Regional School's \$2,368,989 debt at June 30, 2013 (based on current assessment percentages) is 33.71% or \$798,586. For the North Shore Regional Vocational School District, the Town's share of the Regional School's \$405,000 debt at June 30, 2013 (based on current assessment percentages) is 4.72% or \$19,120.

Note 8. Governmental Fund Balances

The detailed breakdown of fund balances for the Town's governmental funds appears below.

	<u>General Fund</u>	<u>School Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
Permanent fund principal	\$ -	-	444,866	444,866
Restricted:				
Reserve fund - OPEB	482,643	-	-	482,643
Bond premium reserve	529,882	-	-	529,882
Permanent fund spendable amounts	-	-	376,083	376,083
Community preservation act projects	-	-	422,495	422,495
Capital projects	-	786,864	7,259	794,123
Revolving funds	-	-	935,807	935,807
EMS/Ambulance services	-	-	392,520	392,520
Water revolving	-	-	604,862	604,862
Cable access	-	-	485,143	485,143
Other purposes - special revenue	-	-	470,566	470,566
Committed:				
Next year's budget	1,202,325	-	-	1,202,325
Assigned:				
Gifts and donations	-	-	106,870	106,870
Public safety encumbrances	153,421	-	-	153,421
School encumbrances	190,582	-	-	190,582
Public works	158,186	-	-	158,186
Other encumbrances	158,483	-	-	158,483
Unassigned:				
General fund residual balance	<u>5,741,287</u>	-	-	<u>5,741,287</u>
Total governmental fund balances	<u>\$8,616,809</u>	<u>786,864</u>	<u>4,246,471</u>	<u>13,650,144</u>

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 9. Inter-fund Transfers

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Transfers are typically made to offset the cost of budgeted items in the general fund or to set aside funds for future use. For the year ended June 30, 2013, the general fund transferred \$100,000 to the stabilization fund and \$25,000 to the OPEB stabilization (reserve) fund and received transfers of \$311,000 from ambulance revolving, \$13,500 from fire alarm revolving, \$11,500 from council on aging revolving, \$7,000 from the unemployment fund, \$48,000 from the conservation fund, \$57,500 from other special revenue funds and \$97,000 from the electric enterprise fund. In addition, the capital projects fund transferred \$76,668 of bond premium to the general fund. Stabilization fund transfers appear only in the budgetary statement as the stabilization fund is included in the general fund based on the requirements of GASB 54.

Note 10. Pension Plans

Town employees participate in two cost sharing, multiple employer defined benefit plans. The systems are funded by contributions from participants, employer contributions and/or state appropriations. These systems are the Essex Regional Retirement System, which covers most non-teaching employees of the Town and the Massachusetts Teachers Retirement System, which covers most teaching employees.

Essex Regional Retirement System:

Eligibility and Vesting - Employees of the Town who are employed on a basis which anticipates work at an annual rate to exceed 1040 hours are eligible to participate in the System. Employees are eligible immediately after the date of employment. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

Contributions - Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; 8% of the first \$30,000 and 10% thereafter if first employed on or after January 1, 1984; and 9% of the first \$30,000 and 11% thereafter if first employed on or after January 1, 1998. Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Retirement Benefits - The amount of normal monthly retirement benefit is equal to a percentage of the participant's average monthly compensation, determined based on age at retirement, the maximum being 2.5% at age 65, and based on the higher of the participant's (1) highest three consecutive years of compensation or (2) last three calendar years of employment preceding retirement whether or not such years are consecutive, multiplied by years of service, up to a maximum of 80% of the average monthly compensation as computed above. Any cost-of-living adjustments granted since 1981 and any increase in other benefits imposed by law after that year are borne by the Commonwealth of Massachusetts.

Other - Provisions exist in the plan for cost of living adjustments and disability benefits.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 10. Pension Plans (continued)

Town Contributions Required and Made - The Town is assessed annually for their share of system. The Town was assessed and paid \$890,743 in 2011, \$977,406 in 2012 and \$1,057,274 in 2013. These amounts represent approximately 4% of system wide employer assessments.

Trend Information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. A copy of this report is available from the system.

Massachusetts Teachers Retirement System

Eligibility and Vesting - Teaching employees of the Town who are employed on a basis which anticipates work at an annual rate to exceed 1,000 hours are required to participate in the System. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

Contributions - Employees contribute 5% of regular compensation if employed prior to January 1, 1975; 7% if first employed from January 1, 1975 to December 31, 1983; and 8% if first employed on or after January 1, 1984. Employee contributions may be returned to the participants upon leaving Town employment prior to retirement, within certain age and length of employment restrictions, as prescribed by the Massachusetts General Laws.

Other - Provisions exist in the plan for cost of living adjustments and disability benefits.

Town Contributions Required and Made - The Town is not required to contribute to this plan. State appropriations are made annually to fund system costs. For the fiscal year ended June 30, 2013, the state's contribution to this plan on behalf of the Town was \$952,054. This on-behalf payment has been recorded as intergovernmental revenue and employee benefit expenditure in the general fund.

Trend Information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. A copy of this report is available from the system.

Note 11. Other Post-Employment Benefits (OPEB)

The Town implemented GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, for the 2009 financial statements. As allowed by GASB 45, the Town established the net OPEB obligation at zero for the beginning of fiscal year 2009 and has applied the measurement and recognition requirements of GASB 45 on a prospective basis for 2009 through 2013.

Plan Description - The Town provides health and life insurance coverage for its retirees and their survivors as a single-employer defined benefit Other Post-Employment Benefits Plan (the Plan). The plan was established in accordance with Massachusetts General Law Chapter 32B, to employees who

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 11. Other Post-Employment Benefits (OPEB) continued

retire in accordance with various predetermined years of service and under various age requirements. Changes to plan design and contribution rates must be negotiated through the collective bargaining process.

As of July 1, 2012 (the most recent valuation date), the number of Plan participants is as follows:

Active employees	195
Retirees and beneficiaries	<u>58</u>
Total	<u>253</u>

Funding Policy - Contribution requirements are negotiated as part of the collective bargaining process. Currently, members receiving these benefits contribute 40% of plan cost. The cost of administering the plan is paid for by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the actual contribution to the plan and changes to the Town's net OPEB obligation are presented in the following table. [Please note that the difference between this chart and the amounts in the financial statements represent immaterial differences due to the light department being presented as of December 31, 2012.]

Normal cost	\$737,760
Amortization of unfunded actuarial accrued liability	<u>610,577</u>
Annual required contributions	1,348,337
Interest on net OPEB obligation	234,122
Adjustment to annual required contribution	(325,465)
Amortization of actuarial gains (losses)	<u>210,056</u>
Annual OPEB cost	1,467,050
Employer contributions	<u>(394,902)</u>
Increase (decrease) in net OPEB obligation	1,072,148
Net OPEB obligation - beginning of year	<u>5,853,076</u>
Net OPEB obligation - end of year	<u>\$6,925,224</u>

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

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 11. Other Post-Employment Benefits (OPEB) continued

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013	\$1,467,050	27%	\$6,925,224
6/30/2012	\$2,059,763	18%	\$5,853,076
6/30/2011	\$1,928,116	17%	\$4,161,077

Funding Status and Funding Progress - The funded status of the plan at July 1, 2010, the most recent actuarial valuation, was as follows:

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(A)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>Projected Unit</u> <u>Credit</u> <u>(B)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(B-A)</u>	<u>Funded</u> <u>Ratio</u> <u>(A/B)</u>	<u>Covered</u> <u>Payroll</u> <u>(C)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>Of Covered</u> <u>Payroll</u> <u>((B-A)/C)</u>
7/1/2012	\$0	\$13,926,650	\$13,926,650	0%	\$10,264,357	136%
7/1/2010	\$0	\$14,860,541	\$14,860,541	0%	\$11,179,929	130%

The actuarial valuation of an ongoing plan involves estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funding status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 employer 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.

The following additional information is provided as of the latest actuarial valuation:

- Valuation date July 1, 2012
- Actuarial cost method Projected unit credit
- Amortization method 30 years, level dollar
- Remaining amortization period 25 years, as of June 30, 2013
- Interest discount rate 4%
- Medical cost trend 6% trending down to 5% in 2014

Town has established a dedicated stabilization (reserve) fund to begin accumulating assets towards the unfunded liability. At June 30, 2013, this reserve showed a balance of \$482,643. This fund will be converted to an irrevocable trust and will reduce the unfunded liability reported above.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 12. Light Department Commitments (as of December 31, 2012)

The Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC). MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities. MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other Utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make payment when due, other Projects Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable from, and secured solely by, the revenues derived from the Project to which such issue relates plus available funds pledged under the Amended and Restated General Bond Resolution with respect to the bonds of that project. The MMWEC revenues derived from each Project is used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, owned and operated by subsidiaries of FPL Energy Wyman IV, LLC, an indirect subsidiary of NextEra Energy Resources, LLC (formerly FPL Energy, LLC), and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCI) the majority owner and indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for Unit 3 extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook Resources, LLC (formerly FPL Energy Seabrook, LLC), the majority owner and indirect subsidiary of Next Era Energy Resources, LLC (formerly FPL Energy, LLC). The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has stated its intention to request an extension of the Seabrook Station operating license for an additional twenty years.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. The Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the Act has been renewed several times. In July, 2005, as part of the Energy Policy Act of 2005, Congress extended the Price-Anderson Act through the end of 2025.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 12. Light Department Commitments (as of December 31, 2012)

The Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions, the outcome of which, in the opinion of MMWEC management, will not have a material effect on the financial position of MMWEC.

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. The arbitration has been stayed by agreement of the parties. MMWEC has stated that the outcome of this arbitration demand cannot be predicted but in MMWEC's opinion, this will not have a material adverse effect on the financial position of MMWEC.

Total capital expenditures for MMWEC's projects amounted to \$1,593,344,000, of which \$38,728,000 represents the amount associated with the Department's Project Capability of the projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds \$284,005,000, of which \$7,405,000 is associated with the Department's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2012, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is \$289,247,000, of which \$7,661,000 is anticipated to be billed to the Department in future years.

The estimated aggregate amount of the Department's required payments under the PSAs and PPAs, exclusive of Reserve and Contingency Fund billings, to MMWEC at December 31, 2012 and estimated for future years is shown below.

For years ended December 31,	2013	\$ 1,742,000
	2014	\$ 1,673,000
	2015	\$ 1,598,000
	2016	\$ 1,540,000
	2017	\$ 779,000
	2018 to 2021	<u>\$ 329,000</u>
	Total	<u>\$ 7,661,000</u>

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs were \$3,750,000 and \$4,193,000 for the years ended December 31, 2012 and 2011, respectively.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 13. Landfill Closure and Post Closure Care Costs

State and Federal regulations require that the Town place a final cover on its landfill after the landfill is closed and also to perform certain ongoing maintenance and monitoring for thirty years after closure. The Town's landfill is closed and the closure project is complete. The Town plans to fund post closure testing and monitoring costs, estimated at \$280,000 over the remaining fourteen years, from its annual tax levy. This estimated liability, which is subject to change due to inflation, technology and applicable regulations, is presented in the Statement of Net Position.

In addition, during fiscal year 2009, the Town acquired a certain parcel of land that was formerly used as a landfill. The Town received a lump sum payment for taking ownership of this property. There is an additional 25 years of post closure monitoring that is required on this property. The Town plans to fund post closure testing and monitoring costs, estimated at \$500,000 over the next twenty five years, from its annual tax levy. This estimated liability, which is subject to change due to inflation, technology and applicable regulations, is presented in the Statement of Net Position.

Finally, due to potential litigation and other factors, the Town will be acquiring a parcel of land that was a former Town landfill. This landfill has been capped and closed for many years. The Town plans to fund post closure testing and monitoring costs, estimated at \$475,000 over the next thirty years, from its annual tax levy. This estimated liability, which is subject to change due to inflation, technology and applicable regulations, is presented in the Statement of Net Position.

Note 14. Power Contracts

The Department purchases its power through contracts with various power suppliers. These contracts are subject to certain market factors. Based on current market conditions, the Department anticipates some stability to its power cost expenses over the next few years.

Note 15. Risk Management

Lawsuits may be pending or threatened against the Town, which arise from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Town estimates that potential claims against the Town, not covered by insurance, resulting from such litigation, would not materially affect the financial statements.

The Town receives some financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and may be subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Town, although the Town expects that these amounts, if any, would be immaterial to the financial statements.

Note 16. Implementation of new GASB Statements

During fiscal year 2013, the Town implemented the following GASB pronouncements:

- GASB Statement #60 – *Accounting and Financial Reporting for Service Concession Arrangement*. This statement did not impact the Town's financial statements.

Town of Middleton, Massachusetts
Notes to the Financial Statements
June 30, 2013

Note 16. Implementation of new GASB Statements (continued)

- GASB Statement #61 – *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. This statement did not have a significant impact on the Town's financial statements.
- GASB Statement #62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. This statement did not have a significant impact on the Town's financial statements.
- GASB Statement #63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement changed the terminology of "net assets" to "net position" in the financial statements.

In future fiscal years, the Town will implement the following GASB pronouncements:

- GASB Statement #65 – *Items Previously Reported as Assets and Liabilities*. This statement provided guidance on the reporting of certain items previously classified as assets and liabilities that are now required to be classified as deferred outflows or deferred inflows. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #66 – *Technical Correction -2012 – An Amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #67 – *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014. This statement will have no impact on the Town's financial statements.
- GASB Statement #68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. The Town is currently evaluating the possible impact of this will have on its financial statements.
- GASB Statement #69 – *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015. This statement will have no impact on the Town's financial statements.
- GASB Statement #70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014. The Town is currently evaluating the possible impact of this will have on its financial statements.

TOWN OF MIDDLETON, MASSACHUSETTS

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2013

	<u>Special Revenue</u>				
	<u>Water Fund</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 653,458	2,817,647	7,259	59,168	3,537,532
Investments	-	-	-	761,781	761,781
Receivables:					
Property taxes	-	3,048	-	-	3,048
Departmental	-	522,373	-	-	522,373
Less: allowance for uncollectibles	-	(243,755)	-	-	(243,755)
Total assets	\$ <u>653,458</u>	<u>3,099,313</u>	<u>7,259</u>	<u>820,949</u>	<u>4,580,979</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts and warrants payable	\$ 22,580	4,246	-	-	26,826
Deferred revenue	-	281,666	-	-	281,666
Other	26,016	-	-	-	26,016
Total liabilities	<u>48,596</u>	<u>285,912</u>	<u>-</u>	<u>-</u>	<u>334,508</u>
<u>Fund Balances:</u>					
Nonspendable	-	-	-	444,866	444,866
Restricted	604,862	2,706,531	7,259	376,083	3,694,735
Committed	-	-	-	-	-
Assigned	-	106,870	-	-	106,870
Unassigned	-	-	-	-	-
Total fund balances	<u>604,862</u>	<u>2,813,401</u>	<u>7,259</u>	<u>820,949</u>	<u>4,246,471</u>
Total liabilities and fund balances	\$ <u>653,458</u>	<u>3,099,313</u>	<u>7,259</u>	<u>820,949</u>	<u>4,580,979</u>

TOWN OF MIDDLETON, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	<u>Special Revenue</u>				
	<u>Water Fund</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:					
Property taxes	\$ -	160,644	-	-	160,644
Departmental charges for services	54,378	1,280,419	-	3,650	1,338,447
Intergovernmental	-	887,999	-	-	887,999
Fines and forfeits	-	4,761	-	-	4,761
Investment income	-	1,324	-	23,672	24,996
Other	-	83,315	6	-	83,321
Total revenues	<u>54,378</u>	<u>2,418,462</u>	<u>6</u>	<u>27,322</u>	<u>2,500,168</u>
Expenditures:					
Current:					
General government	-	196,043	-	25,123	221,166
Public safety	-	48,887	-	-	48,887
Education	-	919,173	-	-	919,173
Public works	195,969	513,530	-	-	709,499
Human services	-	70,654	-	-	70,654
Recreation and culture	-	26,655	-	19,441	46,096
Debt service	59,460	103,232	-	-	162,692
Total expenditures	<u>255,429</u>	<u>1,878,174</u>	<u>-</u>	<u>44,564</u>	<u>2,178,167</u>
Excess (deficiency) of revenues over expenditures	(201,051)	540,288	6	(17,242)	322,001
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(448,500)	(76,668)	-	(525,168)
Proceeds from bonds	-	-	350,000	-	350,000
Net changes in fund balances	(201,051)	91,788	273,338	(17,242)	146,833
Fund balance, beginning of year	<u>805,913</u>	<u>2,721,613</u>	<u>(266,079)</u>	<u>838,191</u>	<u>4,099,638</u>
Fund balance, end of year	<u>\$ 604,862</u>	<u>2,813,401</u>	<u>7,259</u>	<u>820,949</u>	<u>4,246,471</u>