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Bill Fraher, CPA

TOWN OF MIDDLETON, MASSACHUSETTS

Basic Financial Statements, Required Supplementary
Information and Supplementary Information

Year ended June 30, 2014
(Except for the Electric Enterprise Fund
which is December 31, 2013)

(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, 2014 (except for the electric enterprise fund which is December 31, 2013), 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,

2014 (except for the electric enterprise fund which is December 31, 2013), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 and certain pension information on page 45 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 February 25, 2015 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



February 25, 2015



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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, 2014 (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 February 25, 2015.

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 February 25, 2015.

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.



Bill Fraher, CPA
Boston, Massachusetts
February 25, 2015

Town of Middleton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2014

Each year, we are required to present a Management's Discussion and Analysis (MD&A) with our annual financial report. The MD&A 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 fiscal year's operations. This analysis describes activities for the governmental activities fiscal year ending June 30, 2014 and the business-type activities fiscal year ending December 31, 2013.

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 in comparison to the prior fiscal year.

Financial Highlights of Fiscal Year 2014 (July 1, 2013 - June 30, 2014)

- At June 30, 2014, assets of the Town of Middleton exceeded its liabilities by \$66,433,096 (net position), a change of \$(823,097) in comparison to the prior year. Of the amount at June 30, 2014, \$10,726,353, is considered unrestricted (unrestricted net position), a change of \$(598,668) in comparison to the prior year. The unrestricted net position of the Town's governmental activities are \$525,194, a change of \$(1,320,912) in comparison to the prior year. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position of business-type activities was \$10,201,159 as of December 31, 2013, a change of \$722,244 in comparison to the prior 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 2014 was \$46,228,246, as compared to \$44,581,175 last year, an increase of \$1,647,071 or 3.7%. Of the total cost of services, \$33,273,979 was spent on governmental activities (compared to \$31,811,678 last year) and an additional \$12,954,267 was spent on business type activities consisting solely of the municipal light department (compared to \$12,769,497 in the prior fiscal year).
- At June 30, 2014, the Town's governmental funds reported a combined ending fund balance of \$14,052,828, an increase of \$402,684 in comparison to the prior year. At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,353,427 a change of \$(387,860) in comparison to the prior year.
- The Town's total long-term bonded indebtedness at June 30, 2014 was \$17,785,213, a decrease of \$1,201,063 in comparison to the prior year. In addition, The Town's Other Post Employment Benefits (OPEB) liability at the close of the fiscal year was \$7,443,171 for governmental activities and \$584,273 for the electric enterprise fund. The Town's landfill post-closure care costs liability at the close of 2014 was \$1,202,500. Finally, the enterprise accrued vacation and sick time liability was \$164,923 at the close of their current fiscal year ending December 31, 2013.
- The Town has additional overlapping debt of \$3,789 for the Town's share of the Essex Technical High School and \$832,121 for its share of the Masconomet Regional School District.

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Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements 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 general administration, public safety, education, public works, health and human services, and culture and recreation. 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 activities.

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

Governmental 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 governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for

Town of Middleton, Massachusetts
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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 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 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 governmental 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 Fund Balance Sheet to the Statement of Net Position.
- Reconciliation of the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances 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		Total	
	Activities		Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 16,994,497	\$ 17,520,834	\$ 12,197,709	\$ 11,697,534	\$ 29,192,206	\$ 29,218,368
Capital assets	58,050,491	60,026,850	9,281,046	9,172,549	67,331,537	69,199,399
Total assets	75,044,988	77,547,684	21,478,755	20,870,083	96,523,743	98,417,767
Current liabilities	2,653,464	3,236,791	1,137,735	1,427,957	3,791,199	\$ 4,664,748
Long term liabilities	25,642,704	25,908,235	656,744	588,591	26,299,448	26,496,826
Total liabilities	28,296,168	29,145,026	1,794,479	2,016,548	30,090,647	31,161,574
Net position:						
Net investment in capital assets	40,265,278	41,040,574	9,281,046	9,172,549	49,546,324	\$ 50,213,123
Restricted	5,958,348	5,515,978	202,071	202,072	6,160,419	\$ 5,718,050
Unrestricted	525,194	1,846,106	10,201,159	9,478,915	10,726,353	11,325,021
Total net assets	\$ 46,748,820	\$ 48,402,658	\$ 19,684,276	\$ 18,853,536	\$ 66,433,096	\$ 67,256,194

[Note that amounts for business-type activities are for the fiscal year ending December 31st.]

Significant changes from the prior year include: a decrease in net capital assets (total capital assets less accumulated depreciation) due an increase in dispositions as well as higher depreciation costs when compared to current year additions, a decrease in current liabilities due a BAN payoff in fiscal year 2014, and a decrease in unrestricted net position due to an excess of expenditures over revenues (due in large part to OPEB expense).

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 (9.3% of total net position) represents resources that are subject to restrictions placed on how they may be used by parties external to the Town. Finally, unrestricted net position of \$10,726,353 or 16.1% 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 \$10,726,353, this includes the unrestricted net position of the Town's business-type activities of \$10,201,159, which may not be used to fund governmental activities.

At the end of fiscal year 2014, the Town was able to report positive balances in all three categories of net position: the governmental activities, the business-type activities, and the overall government as a whole. The Town's total net position changed by \$(823,097) during the current fiscal year; governmental activities changed by \$(1,653,838) while business-type activities increased by \$830,741 (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 2014 (note that business-type activities amounts are for the prior year ended December 31st).

Town of Middleton - Changes in Net Position

	Governmental		Business-type			
	Activities		Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,973,638	\$ 1,763,042	\$ 13,852,368	\$ 13,842,558	\$ 15,828,006	\$ 15,605,600
Operating grants and contributions	3,679,175	3,193,606	-	-	3,679,175	3,193,606
Capital grants and contributions	489,374	1,600,782	-	-	489,374	1,600,782
General Revenues:						
Property taxes	22,638,872	22,043,915	-	-	22,638,872	22,043,915
Excise taxes	1,862,406	1,528,625	-	-	1,862,406	1,528,625
Other	776,676	834,953	132,640	225,910	909,316	1,060,863
Total revenues	31,420,141	30,964,923	13,985,008	14,068,468	45,405,149	45,033,391
Expenses						
General government	2,169,366	2,001,035	-	-	2,169,366	2,001,035
Public safety	4,284,592	4,113,955	-	-	4,284,592	4,113,955
Education	22,203,743	20,624,928	-	-	22,203,743	20,624,928
Public works	2,684,031	3,171,925	-	-	2,684,031	3,171,925
Health & human services	539,350	490,745	-	-	539,350	490,745
Culture & recreation	837,477	843,729	-	-	837,477	843,729
Interest on debt	555,420	565,361	-	-	555,420	565,361
Electric light business activities	-	-	12,954,267	12,769,497	12,954,267	12,769,497
Total expenses	33,273,979	31,811,678	12,954,267	12,769,497	46,228,246	44,581,175
Changes in net position before transfers	(1,853,838)	(846,755)	1,030,741	1,298,971	(823,097)	452,216
Transfers	200,000	97,000	(200,000)	(97,000)	-	-
Total change in net position	(1,653,838)	(749,755)	830,741	1,201,971	(823,097)	452,216
Net position - beginning of year	48,402,658	49,152,413	18,853,535	17,651,564	67,256,193	66,803,977
Net position - end of year	\$ 46,748,820	\$ 48,402,658	\$ 19,684,276	\$ 18,853,535	\$ 66,433,096	\$ 67,256,193

Governmental Activities - Governmental activities net position decreased by \$(1,653,838) or 3.4% during fiscal 2014. Major components of this decrease were 1) unfunded depreciation; 2) general fund actual operating results (unfavorable net of \$(25,240)); and 3) recognizing one additional year of OPEB costs (\$1,025,358).

Business-type Activities – Business type activities net position increased by \$830,741 or 4.4% during the fiscal year ended December 31, 2013. Electric Light Department rates are structured to cover all costs related to the activity.

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Governmental funds - The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2014, the Town's governmental funds reported combined ending fund balance of \$14,052,828, an increase of \$402,684 in comparison with the prior year. This increase was primarily due the larger positive operating results of the nonmajor funds. The Town has a healthy amount of general fund *unassigned fund balance* of \$5,353,427 which is available for spending at the government's discretion. The remainder of the fund balance is assigned, committed, restricted, or nonspendable 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 detailed in the notes to the financial statements.

The general fund is the chief operating fund of the Town. At June 30, 2014, unassigned fund balance of the general fund was \$5,353,427, which includes \$2,034,987 of general stabilization fund balance. In addition to unassigned fund balance, the general fund had \$545,584 restricted for OPEB, \$492,556 restricted for a bond premium on a debt exclusion, \$1,459,100 committed for the fiscal year 2014 budget, and \$740,902 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 18.1% of total general fund expenditures (including transfers), while total fund balance also represents 29.1% of the same amount. Nonmajor governmental funds had total fund balances of \$5,461,259 (most of which was restricted by statute or grantors).

The total general fund balance of the Town decreased by \$(25,240), or 0.3%, during fiscal year 2014. The major reasons for this decrease was lower operating transfers in as well as lower investment income in comparison to fiscal year 2013. Actual expenditures were \$159,486 lower and actual revenues were \$791,494 higher than budgeted amounts. Fiscal year 2014 general fund revenues and transfers from other funds totaled \$29,545,260, an increase of \$1,532,304 or 5.2% over the previous fiscal year.

Revenue Trends - General Fund

Source	Amount	% of Total	Increase/ (Decrease)	%
		Revenue	(Decrease)	Change
Real estate and Personal Property Tax	22,604,905	76.5%	1,203,292	5.3%
Motor Vehicle Excise	1,852,380	6.3%	201,587	10.9%
Intergovernmental	3,593,316	12.2%	227,416	6.3%
Departmental and other revenues	892,315	3.0%	(34,697)	-3.9%
Investment Income	26,344	0.1%	(19,126)	-72.6%
Total Revenues	28,969,260	98.1%	1,578,472	5.4%
Transfers from other funds	576,000	1.9%	(46,168)	-8.0%
Total revenues and transfers from other funds	29,545,260	100.0%	1,532,304	5.2%

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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% was due to the 2.5% allowed under the statue, the school construction debt which increased the levy as an override, new growth, and a reduction of outstanding tax receivables. Departmental revenue decreased slightly from fiscal year 2013 due in part to a 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 \$29,570,500 an increase of \$1,649,349 or 5.9% over the previous fiscal year. The increase expenditure was due to the usual operating budget increases.

Expenditure Trends - General Fund

Function	FY 2014 Amount	% of Total	Increase/ (Decrease)	% Change
General government	1,431,997	4.8%	226,799	18.8%
Public safety	3,159,935	10.7%	(278,221)	-8.1%
Education	17,447,036	59.0%	599,286	3.6%
Public works	1,888,138	6.4%	336,225	21.7%
Health and human services	377,994	1.3%	40,273	11.9%
Culture and recreation	505,820	1.7%	59,384	13.3%
Intergovernmental	396,136	1.3%	135,896	52.2%
Employee benefits	2,600,302	8.8%	142,310	5.8%
Other	126,500	0.4%	417	0.3%
Debt service	1,636,642	5.5%	386,980	31.0%
Total expenditures	29,570,500	100.0%	1,649,349	5.9%
Transfers to other funds	-	0.0%	-	0.0%
Total expenditures and transfers to other funds	29,570,500	100.0%	1,649,349	5.9%

The increase in expenditures was due to increases in the 2014 operating budgets for the Town and regional schools. The increase in general government and public works expenditures were primarily due to more special article expenditures in 2014. The increase in intergovernmental expenses was due to an increase in the monthly State Assessment for Essex Emergency Response. The increase in debt service was due to the payoff of the BAN as well as the school construction principal and interest payments. Finally, the increase in Employee Pensions and Benefits was 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 2014 were due primarily to contractual wage and salary increases and special article appropriations.

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 \$174,067 in additional property tax revenue in 2014 related to the CPA fund and \$85,178 from the state matching program.

**Town of Middleton, Massachusetts
Management's Discussion and Analysis
Required Supplemental Information
June 30, 2014**

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 \$830,741 as the Light Department's rates have been set to cover expenses and increase net assets within the statutorily allowed limits.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was the additional appropriations made at the Special Town Meeting held in May 2014 and reserve fund transfers. The 2014 budget was set to utilize \$1,202,325 in available funds to offset authorized expenditures. Actual expenditures were \$159,486 lower than budgeted expenditures. Actual revenues were \$791,494 higher than budgeted amounts. All of these resulted in a net positive variance to budget of \$950,980.

Capital Asset and Debt Administration

Capital Assets - The Town's investments in capital assets for its governmental activities as of June 30, 2014 and business-type activities as of December 31, 2013 (net of accumulated depreciation, as reported in chart below as 2014), amounts to \$67,331,538, a decrease from the prior year amount of \$69,199,399. The investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

	Governmental		Business-type			
	Activities		Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,135,614	\$ 4,135,614	\$ 327,323	\$ 327,323	\$ 4,462,937	\$ 4,462,937
Buildings & Improvements	35,724,645	37,456,751	691,554	689,202	36,416,199	38,145,953
Equipment & Machinery	1,932,901	1,994,113	723,005	784,265	2,655,906	2,778,378
Infrastructure	15,901,682	16,203,792	7,539,165	7,371,759	23,440,847	23,575,551
Construction in Progress	355,649	236,580	-	-	355,649	236,580
Total	\$ 58,050,491	\$ 60,026,850	\$ 9,281,047	\$ 9,172,549	\$ 67,331,538	\$ 69,199,399

Major capital asset events during 2014 included the following:

- Total capital assets, net of accumulated depreciation decreased by \$1,867,861 due to there being no significant additions thus depreciation expense was larger than the additions.
- Business-type activity capital assets increased by \$108,498 due to infrastructure additions being greater than depreciation.
- Government activity capital assets decreased by \$1,976,359 as there were no significant additions resulting in depreciation being 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, 2014 the Town had total bonded debt outstanding of \$17,785,213, 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, 2014

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Education buildings	\$ 14,170,000	\$ 15,020,000	\$ -	\$ -	\$ 14,170,000	\$ 15,020,000
Municipal buildings	3,075,000	3,315,000	-	-	3,075,000	3,315,000
Municipal land	320,000	375,000	-	-	320,000	375,000
Title V septic program	61,613	67,876	-	-	61,613	67,876
Water	158,600	118,400	-	-	158,600	118,400
Total	\$ 17,785,213	\$ 18,896,276	\$ -	\$ -	\$ 17,785,213	\$ 18,896,276

Total long-term bonds and loans outstanding at June 30, 2014 decreased by \$(1,201,063), or 6.3% from June 30, 2013 due to the bond payments and no additional bonds issued. The Town's bonds are rated Aa2 by Moody's Investor Services Inc. Additional information on the Town's long-term debt can be found in Notes 6 and 7 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Town of Middleton'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, 2014

(Business-Type Activities December 31, 2013)

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 14,299,366	790,080	15,089,446
Investments	805,579	8,127,496	8,933,075
Receivables (net of allowance for uncollectibles)	1,623,166	1,830,921	3,454,087
Due from commonwealth	266,386	-	266,386
Other assets	-	1,449,212	1,449,212
Total current assets	16,994,497	12,197,709	29,192,206
Noncurrent assets:			
Capital assets not being depreciated	4,491,263	327,323	4,818,586
Capital assets being depreciated, net	53,559,228	8,953,723	62,512,951
Total noncurrent assets	\$ 58,050,491	9,281,046	67,331,537
Total assets	75,044,988	21,478,755	96,523,743
Liabilities			
Current liabilities:			
Warrants and accounts payable	\$ 532,239	749,319	1,281,558
Other accrued liabilities	612,854	295,964	908,818
Accrued interest payable	200,738	-	200,738
Other liabilities	26,897	-	26,897
Accrued compensated absences	-	92,452	92,452
Landfill postclosure care costs	52,500	-	52,500
Unamortized bond premium	27,173	-	27,173
Bonds payable	1,201,063	-	1,201,063
Total current liabilities	2,653,464	1,137,735	3,791,199
Noncurrent liabilities:			
Landfill postclosure care costs	1,150,000	-	1,150,000
Accrued compensated absences	-	72,471	72,471
Other post-employment benefits	7,443,171	584,273	8,027,444
Unamortized bond premium	465,383	-	465,383
Bonds payable	16,584,150	-	16,584,150
Total noncurrent liabilities	25,642,704	656,744	26,299,448
Total liabilities	28,296,168	1,794,479	30,090,647
Net Position			
Net investment in capital assets	40,265,278	9,281,046	49,546,324
Restricted for:			
Perpetual funds - nonexpendable	444,866	-	444,866
Perpetual funds - expendable	412,265	-	412,265
Capital projects	736,938	-	736,938
Other specific purposes	4,364,279	202,071	4,566,350
Unrestricted	525,194	10,201,159	10,726,353
Total net position	\$ 46,748,820	19,684,276	66,433,096

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, 2014

(Business-Type Activities Year Ended December 31, 2013)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Governmental activities:							
General government	\$ 2,169,366	136,455	192,333	141,178	(1,699,400)	-	(1,699,400)
Public safety	4,284,592	960,631	87,989	-	(3,235,972)	-	(3,235,972)
Education	22,203,743	548,111	2,964,075	-	(18,691,557)	-	(18,691,557)
Public works	2,684,031	224,696	367,653	201,962	(1,889,720)	-	(1,889,720)
Human services	539,350	72,828	41,822	-	(424,700)	-	(424,700)
Recreation and culture	837,477	30,917	25,303	-	(781,257)	-	(781,257)
Interest on debt service	555,420	-	-	146,234	(409,186)	-	(409,186)
Total governmental activities	33,273,979	1,973,638	3,679,175	489,374	(27,131,792)	-	(27,131,792)
Business-type activities:							
Electric Light	12,954,267	13,852,368	-	-	-	898,101	898,101
Total business-type activities	12,954,267	13,852,368	-	-	-	898,101	898,101
Total government	\$ 46,228,246	15,826,006	3,679,175	489,374	(27,131,792)	898,101	(26,233,691)
General revenues:							
Property taxes				\$ 22,638,872		-	22,638,872
Excise taxes				1,862,406		-	1,862,406
Payments in lieu of taxes				137,092		-	137,092
Intergovernmental				533,779		-	533,779
Unrestricted investment earnings				89,489	132,640	222,129	
Miscellaneous				16,316	-	16,316	
Transfers				200,000	(200,000)	-	-
Total general revenues				25,477,954		(67,360)	25,410,594
Changes in net position							
Net position - beginning of year				(1,653,838)	830,741	(823,097)	
Net position - end of year				48,402,658	18,853,535	67,256,193	
					\$ 46,748,820	19,684,276	66,433,096

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

TOWN OF MIDDLETON, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 9,635,495	4,663,871	14,299,366
Investments	-	805,579	805,579
Receivables:			
Property taxes	319,950	2,818	322,768
Tax liens and foreclosures	1,050,759	-	1,050,759
Motor vehicle excise	129,337	-	129,337
Departmental	15,394	570,178	585,572
Less: allowance for abatements	(119,472)	-	(119,472)
Less: allowance for uncollectibles	(42,058)	(303,740)	(345,798)
Due from other governments	220,131	45,257	265,388
 Total assets	 \$ 11,209,536	 5,783,963	 \$ 16,993,499
Liabilities			
Warrants and accounts payable	\$ 505,688	26,551	532,239
Other accrued liabilities	612,854	-	612,854
Other liabilities	-	26,897	26,897
 Total liabilities	 1,118,542	 53,448	 1,171,990
Deferred Inflows of Resources			
Unavailable revenue	1,499,425	269,256	1,768,681
Fund balances			
Nonspendable	-	444,866	444,866
Restricted	1,038,140	4,967,898	6,006,038
Committed	1,459,100	-	1,459,100
Assigned	740,902	48,495	789,397
Unassigned	5,353,427	-	5,353,427
 Total fund balances	 8,591,569	 5,461,259	 14,052,828
 Total liabilities, deferred inflows of resources and fund balances	 \$ 11,209,536	 5,783,963	 \$ 16,993,499

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, 2014

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Property taxes	\$ 22,604,905	174,067	22,778,972
Excise taxes	1,852,380	-	1,852,380
Payments in lieu of taxes	137,092	-	137,092
Departmental charges for services	294,195	1,408,146	1,702,341
Licenses and permits	406,590	-	406,590
Intergovernmental	3,593,316	1,027,012	4,620,328
Fines	39,908	1,733	41,641
Investment income	26,344	63,146	89,490
Other	14,530	132,556	147,086
Total revenues	28,969,260	2,806,660	31,775,920
Expenditures:			
Current:			
General government	1,431,997	199,128	1,631,125
Public safety	3,159,935	61,863	3,221,798
Education	17,447,036	1,057,351	18,504,387
Public works	1,888,138	379,384	2,267,522
Human services	377,994	77,850	455,844
Recreation and culture	505,820	59,907	565,727
Intergovernmental	396,136	-	396,136
Employee benefits	2,600,302	-	2,600,302
Other	126,500	-	126,500
Debt service	1,636,642	167,253	1,803,895
Total expenditures	29,570,500	2,002,736	31,573,236
Excess (deficiency) of revenues over expenditures	(601,240)	803,924	202,684
Other financing sources (uses):			
Operating transfers in	576,000	-	576,000
Operating transfers out	-	(376,000)	(376,000)
Total other financing sources (uses)	576,000	(376,000)	200,000
Net changes in fund balances	(25,240)	427,924	402,684
Fund balance, beginning of year	8,616,809	5,033,335	13,650,144
Fund balance, end of year	\$ 8,591,569	5,461,259	14,052,828

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, 2014

Total fund balances - governmental funds \$ 14,052,828

Amounts reported for governmental activities in the statement
of net position 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	28,134,549
Buildings and building improvements	43,099,266
Construction in progress	355,649
Other capital assets	10,749,961
Accumulated depreciation	<u>(28,424,548)</u>

Total Capital Assets 58,050,491

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

1,768,681

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	(199,740)
Bonds payable	(17,785,213)
Unamortized bond premium	(492,556)
Other post-employment benefits	(7,443,171)
Landfill postclosure care costs	<u>(1,202,500)</u>

Total long-term liabilities (27,123,180)

Net position of governmental activities \$ 46,748,820

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, 2014

Net changes in fund balances - governmental funds	\$ 402,684
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.	(1,976,359)
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 more than bond proceeds for the year.	1,211,217
Accrued interest is not recorded in governmental funds. This is the amount by which net accrued interest changed during the year.	10,085
Bond premiums are recognized as revenue in the governmental funds but are deferred in the statement of activities.	27,173
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.	52,500
Other post-employment expenses in the statement of activities do not require the use of current financial resources are not reported in the funds.	(1,025,358)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	<u>(355,780)</u>
Changes in net position of governmental activities	<u>\$ (1,653,838)</u>

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance To Final Budget Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 22,315,597	22,315,597	22,599,239	283,642
Excise taxes	1,502,000	1,502,000	1,852,380	350,380
Payments in lieu of taxes	120,000	120,000	137,092	17,092
Departmental charges for services	299,000	299,000	294,196	(4,804)
Licenses and permits	340,000	340,000	406,590	66,590
Intergovernmental	2,442,390	2,442,390	2,541,607	99,217
Fines	30,000	30,000	39,908	9,908
Investment income	25,000	25,000	8,999	(16,001)
Other	-	-	14,530	(14,530)
Total revenues	27,073,987	27,073,987	27,894,541	791,494
Expenditures:				
General government	1,536,355	1,481,355	1,414,331	67,024
Public safety	3,164,594	3,189,594	3,167,917	21,677
Education	17,599,999	17,599,999	17,596,306	3,693
Public works	1,755,135	1,885,135	1,854,973	30,162
Human services	370,268	400,268	377,055	23,213
Recreation and culture	480,040	480,040	477,510	2,530
Debt service	1,639,540	1,639,540	1,634,110	5,430
Intergovernmental	396,261	396,261	396,136	125
Employee benefits	1,583,620	1,663,620	1,657,988	5,632
Insurance	126,500	126,500	126,500	-
Total expenditures	28,652,312	28,862,312	28,702,826	159,486
Excess (deficiency) of revenues over expenditures	(1,578,325)	(1,788,325)	(808,285)	950,980
Other financing sources (uses):				
Operating transfers in	576,000	576,000	576,000	-
Operating transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses)	376,000	376,000	376,000	-
Net changes in fund balances	(1,202,325)	(1,412,325)	(432,285)	950,980
Fund balance, beginning of year			5,523,960	
Fund balance, end of year			5,091,675	

TOWN OF MIDDLETON, MASSACHUSETTS**Statement of Net Position - Proprietary Fund****December 31, 2013****Electric
Enterprise Fund****Assets****Current assets:**

Cash and cash equivalents - unrestricted	\$ 641,217
Cash and cash equivalents - restricted	148,863
Investments	8,127,496
User charges receivable, net	1,445,784
Other accounts receivable	110,851
Unbilled revenue	274,286
Inventory	385,896
Prepaid expenses	915,656
Other current assets	<u>147,660</u>

Total current assets 12,197,709**Noncurrent assets:**

Capital assets, net	<u>9,281,046</u>
Total noncurrent assets	<u>9,281,046</u>
Total assets	<u>\$ 21,478,755</u>

Liabilities**Current liabilities:**

Accounts payable	\$ 749,319
Customer deposits	149,238
Other current liabilities	<u>239,178</u>

Total current liabilities 1,137,735**Noncurrent liabilities:**

Accrued compensated absences	72,471
Other post-employment benefits	<u>584,273</u>
Total noncurrent liabilities	<u>656,744</u>
Total liabilities	<u>1,794,479</u>

Net Position

Net investment in capital assets	9,281,046
Restricted	202,071
Unrestricted	<u>10,201,159</u>

Total net position \$ 19,684,276

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, 2013

**Electric
Enterprise Fund****Operating revenues:**

Charges for services	\$ 13,689,531
Other operating revenues	<u>162,837</u>
 Total operating revenues	 <u>13,852,368</u>

Operating expenditures:

Purchased power and production	10,127,925
Other operating expenses	2,255,097
Depreciation	<u>571,245</u>
 Total operating expenditures	 <u>12,954,267</u>
 Operating income	 <u>898,101</u>

Nonoperating revenues (expenses):

Interest income	132,640
Payment in lieu of taxes	<u>(200,000)</u>
 Total nonoperating revenues (expenses)	 <u>(67,360)</u>

Changes in net position	830,741
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Net position, beginning of year	<u>18,853,535</u>
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Net position, end of year	\$ <u>19,684,276</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLETON, MASSACHUSETTS**Statement of Cash Flows - Proprietary Fund****Year Ended December 31, 2013**

	<u>Electric Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 13,875,854
Cash paid to suppliers	(11,616,525)
Cash paid to employees	(1,405,444)
Payment in lieu of taxes (operating transfer)	<u>(200,000)</u>
Net cash provided by operating activities	<u>653,885</u>
Cash flows from investing activities:	
Interest on deposits and investments	132,640
Purchase and sales of investments (net)	<u>(968,644)</u>
Net cash provided by capital and related financing activities:	<u>(836,004)</u>
Cash flows from capital and related financing activities:	
Capital expenditures	<u>(679,742)</u>
Net cash provided by capital and related financing activities:	<u>(679,742)</u>
Net increase in cash and cash equivalents	(861,861)
Cash and cash equivalents, beginning of year	<u>1,651,941</u>
Cash and cash equivalents, end of year	<u>\$ 790,080</u>
Reconciliation of operating income to net cash provided	
By operating activities:	
Operating income (loss)	\$ 898,101
Depreciation, bad debts & reserve	571,245
Payment in lieu of taxes (operating transfer)	(200,000)
Decrease in accounts receivable	115,035
(Increase) in unbilled revenue	(88,433)
Decrease in inventory	35,095
(Increase) in prepaid expenses	(457,579)
Decrease in other assets	2,490
Increase in accounts payable	92,216
(Decrease) in customer deposits	(3,116)
(Decrease) in other current liabilities	(379,322)
Increase in OPEB liability	51,580
Increase in other liabilities	<u>16,573</u>
Net cash provided by operating activities	<u>\$ 653,885</u>

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, 2014

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 413,872
Receivables:	
Departmental	<u>42,004</u>
	<u>455,876</u>
Total assets	<u>455,876</u>
<u>Liabilities</u>	
Other liabilities	<u>455,876</u>
Total liabilities	<u>455,876</u>
<u>Net Position</u>	
Unrestricted	<u>-</u>
Total net position	<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, 2014

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 2014 was \$7,837,644, which represents approximately 35% 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 Essex North Shore Agricultural and Technical 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 2014 was \$298,659, which represents 3.6% of the School's operating budget. A copy of the School's financial statement is available from the Superintendent's Office, 565 Maple Street Hathorne, MA 01937.

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, 2014 (except for the Electric Enterprise Fund which is as of and for the year ended December 31, 2013). 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, 2014

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, 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.

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 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.

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

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

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

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 it's 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.

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.

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

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

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

d. Capital Assets

Most 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 materially add to the value or life of the asset are not capitalized. Capital assets are defined by the Town as assets with an 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>	<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30	Vehicles and equipment	3 - 10
Buildings	40	Infrastructure	30 - 100
Building improvements	7 - 20		

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.

f. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the entity wide and governmental fund statements may present deferred outflow and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will be recognized as an outflow (expense/expenditure) at that time. Deferred inflows of resources represents acquisition of net position that applies to a future period and will be recognized as an inflow (revenue) at that time. In the entity wide statements, there were no items that required to be reported in these categories. In the government fund statements, the Town has recorded unavailable revenue as deferred inflows of resources since the related revenue is not available until a future period.

g. 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 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 issuances are reported as other financing sources while discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

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

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

h. 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 \$545,584 in an OPEB reserve fund balance and \$492,556 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 represents \$1,459,100 committed for the 2015 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 \$740,902.

Unassigned fund balance in the general fund includes \$2,034,987 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.

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.

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

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

F. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (continued)

i. 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.

j. 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.

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 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>\$29,062,312</u>
To be funded as follows:	
Budgeted revenue	\$27,073,987
Transfers from other funds	576,000
Allocation of surplus	<u>1,412,325</u>
Total funding (resources)	<u>\$29,062,312</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

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 2. Budgetary Information (continued)

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, 2014:

Net changes in fund balances - Budgetary Basis	(\$432,285)
Adjustments:	
Record Revenues on a Modified Accrual Basis	\$5,665
On Behalf Payments, Net (Gross of \$1,051,709)	-
Stabilization Fund Interest and Transfers	\$217,345
Adjustment for Encumbrances and Continuing Articles	<u>\$184,035</u>
Net changes in fund balances - GAAP Basis	<u>(\$25,240)</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.

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, 2014. 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, 2013. No significant changes to light department deposits and investments occurred between December 31, 2013 and June 30, 2014.]

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, 2014, the Town's carrying amount of deposits was \$12,591,513 and the bank balance was \$13,672,696. The difference between the carrying and bank balances is due mostly to outstanding checks. Of the bank balances, \$3,304,110 was covered by Federal Deposit Insurance Corporation or other state insurance. The remaining amount of \$10,368,586 was neither insured nor collateralized.

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 3. Deposits and Investments (continued)

Investments

At June 30, 2014, the Town's investment balances were as follows (note that money market funds and MMDT deposits are recorded as cash equivalents in the financial statements):

<u>Type of Investment</u>	<u>Fair Value</u>
US government and agency securities	\$2,507,039
Other fixed income securities	4,230,588
Mutual funds	512,452
Domestic Stock	2,671,078
Pooled Investments: Money market funds	220,394
External Investment Pool: MMDT	<u>2,046,592</u>
Total investments	<u>\$12,188,143</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: \$30,254 less than one year, \$61,085 between one and two years, \$112,793 between three and five years, and \$2,302,907 thereafter. Other fixed income securities have maturities of \$41,958 less than one year, \$156,075 between one and two years, \$530,359 between three and five years and \$3,502,196 thereafter.

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, 2014 (electric enterprise fund as of December 31, 2013) was as follows:

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 4. Capital Assets (continued)

	<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	\$4,135,614	-	-	4,135,614
Construction in progress	<u>236,580</u>	<u>119,069</u>	-	<u>355,649</u>
Total capital assets not being depreciated	<u>4,372,194</u>	<u>119,069</u>	-	<u>4,491,263</u>
Capital assets being depreciated:				
Land and land improvements	1,765,912	25,000	-	1,790,912
Buildings and improvements	43,072,779	26,487	-	43,099,266
Equipment	8,819,981	401,795	262,727	8,959,049
Infrastructure	<u>27,784,354</u>	<u>350,195</u>	-	<u>28,134,549</u>
Total capital assets being depreciated	<u>81,443,026</u>	<u>803,477</u>	<u>262,727</u>	<u>81,983,776</u>
Less accumulated depreciation for:				
Land and land improvements	(785,252)	(49,501)	-	(834,753)
Buildings and improvements	(6,596,688)	(1,734,092)	-	(8,330,780)
Equipment	(6,825,868)	(463,007)	(262,727)	(7,026,148)
Infrastructure	<u>(11,580,562)</u>	<u>(652,305)</u>	-	<u>(12,232,867)</u>
Total accumulated depreciation	<u>(25,788,370)</u>	<u>(2,898,905)</u>	<u>(262,727)</u>	<u>(28,424,548)</u>
Capital assets being depreciated, net	<u>55,654,656</u>	<u>(2,095,428)</u>	-	<u>53,559,228</u>
Total governmental activities capital assets, net	<u>\$60,026,850</u>	<u>(1,976,359)</u>	-	<u>58,050,491</u>

Depreciation expense was charged to functions as follows:

	<u>Governmental Activities</u>
General government	\$54,943
Public safety	284,438
Education	1,539,175
Public works	808,469
Human services	5,278
Recreation and culture	206,602
Total governmental activities depreciation expense	<u>\$2,898,905</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers out and Reductions</u>	<u>Ending Balance</u>
Business-type:				
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	1,170,934	26,297	-	1,197,231
Equipment	2,277,513	41,986	2,100	2,317,399
Infrastructure	<u>15,011,702</u>	<u>610,484</u>	<u>78,000</u>	<u>15,544,186</u>
Total capital assets being depreciated	<u>18,460,149</u>	<u>678,767</u>	<u>80,100</u>	<u>19,058,816</u>
Less accumulated depreciation for:				
Buildings and improvements	(481,732)	(23,945)	-	(505,677)
Equipment	(1,493,248)	(103,246)	(2,100)	(1,594,394)
Infrastructure	<u>(7,639,943)</u>	<u>(444,054)</u>	<u>(78,976)</u>	<u>(8,005,021)</u>
Total accumulated depreciation	<u>(9,614,923)</u>	<u>(571,245)</u>	<u>(81,076)</u>	<u>(10,105,092)</u>
Capital assets being depreciated, net	<u>8,845,226</u>	<u>107,522</u>	<u>976</u>	<u>8,953,724</u>
Total capital assets, net	<u>\$9,172,549</u>	<u>107,522</u>	<u>976</u>	<u>9,281,047</u>

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 4. Capital Assets (continued)

Business-type Activities

Depreciation expense was charged to functions as follows:

Electric enterprise fund	<u>\$ 571,245</u>
Total business-type activities depreciation expense	<u>\$ 571,245</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>\$688,000</u>	=	<u>688,000</u>	=
	<u>\$688,000</u>	=	<u>688,000</u>	=

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, 2014 (electric enterprise fund year ended December 31, 2013):

	<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	<u>\$1,255,000</u>	-	52,500	<u>1,202,500</u>	<u>52,500</u>
Other post employment benefits	<u>6,417,813</u>	<u>1,025,358</u>	-	<u>7,443,171</u>	-
Unamortized bond premiums	<u>529,882</u>	-	37,326	<u>492,556</u>	<u>27,173</u>
Bonds payable	<u>18,986,276</u>	-	<u>1,201,063</u>	<u>17,785,213</u>	<u>1,201,063</u>
	<u>27,188,971</u>	<u>1,025,358</u>	<u>1,290,889</u>	<u>26,923,440</u>	<u>1,280,736</u>
Business-type activities:					
Compensated absences	<u>145,648</u>	19,275	-	<u>164,923</u>	<u>92,452</u>
Other post employment benefits	<u>532,693</u>	<u>51,580</u>	-	<u>584,273</u>	-
Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$678,341</u>	<u>70,855</u>	<u>-</u>	<u>749,196</u>	<u>92,452</u>

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 7. Bonds Payable

The Town's indebtedness consists of general obligation serial notes issued for funding various special projects. All bond issues must be approved by Town meeting. Outstanding governmental activities bonds at June 30, 2014 are presented below.

<u>Project</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at July 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2014</u>
School Construction	11/15/15	2.0%-3.6%	\$1,020,000	-	340,000	\$680,000
Library	04/15/27	3.0%-4.6%	3,315,000	-	240,000	3,075,000
Land Purchase	12/01/13	4.20%	25,000	-	25,000	-
School Construction	08/15/32	2.3%-4.0%	14,000,000	-	510,000	13,490,000
Land Purchase	08/15/22	3.0%-4.0%	350,000	-	30,000	320,000
Title V	08/01/22	3.0%-5.25%	52,876	-	5,263	47,613
Title V	07/15/27	0%	15,000	-	1,000	14,000
Water	07/06/22	3.0%-5.25%	93,400	-	9,800	83,600
Water	11/15/15	2.0%-3.6%	115,000	-	40,000	75,000
Totals			<u>18,986,276</u>	=	<u>1,201,063</u>	<u>17,785,213</u>

Debt service requirements of the Town's outstanding indebtedness at June 30, 2014 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>
2015	\$1,201,063	575,976	-	-	1,201,063	575,976
2016	1,191,063	536,729	-	-	1,191,063	536,729
2017	846,063	500,188	-	-	846,063	500,188
2018	866,063	469,435	-	-	866,063	469,435
2019	881,063	438,156	-	-	881,063	438,156
2020 – 2024	4,680,898	1,694,494	-	-	4,680,898	1,694,494
2025 – 2029	4,579,000	874,980	-	-	4,579,000	874,980
2030 - 2034	<u>3,540,000</u>	<u>216,450</u>	-	-	<u>3,540,000</u>	<u>216,450</u>
Totals	<u>\$17,785,213</u>	<u>5,306,408</u>	=	=	<u>17,785,213</u>	<u>5,306,408</u>

Of the total governmental activities debt service requirements of \$23,091,621, the Town is scheduled to receive \$363,833 as reimbursement from the Commonwealth of Massachusetts School Building Authority. Of this reimbursement amount, \$220,131 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 \$10,763 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 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.

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 7. Bonds Payable (continued)

As of June 30, 2014, the Town may issue approximately \$76,309,571 of additional general obligation debt under the normal debt limit. The Town has \$13,710,213 of issued debt exempt from the debt limit. At June 30, 2014, the Town also has authorized and unissued debt of \$5,527,579 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 \$2,369,364 debt at June 30, 2014 (based on current assessment percentages) is 35.12% or \$832,121. For the Essex North Shore Agricultural and Technical School District, the Town's share of the Regional School's \$105,000 debt at June 30, 2014 (based on current assessment percentages) is 3.61% or \$3,789.

Note 8. Governmental Fund Balances

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Permanent fund principal	\$ -	444,866	444,866
Restricted:			
Reserve fund - OPEB	545,584	-	545,584
Bond premium reserve	492,556	-	492,556
Permanent fund spendable amounts	-	412,265	412,265
Community preservation act projects	-	477,612	477,612
Land purchase capital project	-	650,000	650,000
Other capital projects	-	86,938	86,938
Preschool and child care programs	-	444,292	444,292
Other revolving funds	-	452,437	452,437
EMS/Ambulance services	-	592,976	592,976
Water revolving	-	710,493	710,493
Cable access	-	565,536	565,536
Other purposes - special revenue	-	575,349	575,349
Committed:			
Next year's budget	1,459,100	-	1,459,100
Assigned:			
Gifts and donations	-	48,495	48,495
Public safety encumbrances	161,043	-	161,043
School encumbrances	321,852	-	321,852
Public works	125,010	-	125,010
Other encumbrances	132,997	-	132,997
Unassigned:			
General fund residual balance	<u>5,353,427</u>	<u>-</u>	<u>5,353,427</u>
Total governmental fund balances	<u>\$8,591,569</u>	<u>\$4,461,259</u>	<u>14,052,828</u>

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

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, 2014, the general fund transferred \$150,000 to the stabilization fund and \$50,000 to the OPEB stabilization (reserve) fund and received transfers of \$391,000 from ambulance revolving, \$13,500 from fire alarm revolving, \$11,500 from council on aging revolving, \$7,000 from the unemployment fund, \$25,000 from other special revenue funds and \$200,000 from the electric enterprise 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. Vesting occurs after various years of service and at various ages, depending on the date of hire.

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, 2014

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 \$977,406 in 2012, \$1,057,274 in 2013 and \$1,131,705 in 2014. These amounts represent approximately 4% of system wide employer assessments.

The System issues an annual public report that can be obtained by contacting the Massachusetts Public Employee Retirement Administration Commission (PERAC), One Ashburton Place, Boston, MA 02108. Summary plan information is presented as required supplementary information (RSI) following these notes to the financial statements.

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, 2014, the state's contribution to this plan on behalf of the Town was \$1,049,177. 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 2014.

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, 2014

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.

Normal cost	\$763,968
Amortization of unfunded actuarial accrued liability	<u>610,577</u>
Annual required contributions	1,374,545
Interest on net OPEB obligation	277,010
Adjustment to annual required contribution	(385,083)
Amortization of actuarial gains (losses)	<u>269,674</u>
Annual OPEB cost	1,536,746
Employer contributions	(434,226)
Increase (decrease) in net OPEB obligation	1,102,220
Net OPEB obligation - beginning of year	<u>6,925,224</u>
Net OPEB obligation - end of year	<u>\$8,027,444</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, 2014

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

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual <u>OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2014	\$1,536,746	28%	\$8,027,444
6/30/2013	\$1,467,050	27%	\$6,925,224
6/30/2012	\$2,059,763	18%	\$5,853,076

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

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(A)</u>	Actuarial Accrued Liability (AAL) Projected Unit Credit <u>(B)</u>	Unfunded AAL (UAAL) <u>(B-A)</u>	Funded Ratio <u>(A/B)</u>	Covered Payroll <u>(C)</u>	UAAL as a Percentage Of Covered Payroll <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 24 years, as of June 30, 2014
- 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, 2014, this reserve showed a balance of \$545,584. 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, 2014

Note 12. Light Department Commitments (as of December 31, 2013)

The Light Department (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, the majority owner and indirect subsidiary of Next Era Energy Resources, LLC. The operating license for Seabrook Station extends to March 15, 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,

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 12. Light Department Commitments (as of December 31, 2013)

2005, as part of the Energy Policy Act of 2005, Congress extended the Price-Anderson Act through the end of 2025.

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.

Total capital expenditures for MMWEC's projects amounted to \$1,607,269,000, of which \$38,971,000 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 \$225,280,000, of which \$5,592,000 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, 2013, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is \$218,518,000, of which \$5,920,000 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, 2013 and estimated for future years is shown below.

For years ended December 31,		
	2014	\$ 1,685,000
	2015	\$ 1,598,000
	2016	\$ 1,540,000
	2017	\$ 779,000
	2018	\$ 174,000
	2019	\$ 144,000
	Total	<u>\$ 5,920,000</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 \$3,783,000 for the year ended December 31, 2013.

The Department purchases its power through contracts through MMWEC and other 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.

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

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 \$260,000 over the remaining thirteen 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 \$480,000 over the next twenty four 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, the Town acquired 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 \$462,500 over the next twenty nine 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. 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 15. Restatement of Beginning Fund Balances

In the accompanying statements, amounts reported as beginning fund balances for governmental funds have been restated from amounts reported as ending fund balances in last year's financial statements due to the fact that the school construction project is no longer considered a major fund. As a result, beginning fund balances for nonmajor governmental funds has been increased from the amount reported last year by \$786,864, the amount presented as last year's ending fund balance for the school construction fund. Total beginning fund balance for all governmental funds did not change.

Town of Middleton, Massachusetts

Notes to the Financial Statements

June 30, 2014

Note 15. Implementation of new GASB Statements

During fiscal year 2014, the Town implemented 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. This statement resulted in the reclassification unavailable (formerly deferred) revenue from liabilities to deferred inflows.
- 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. This statement did not have a significant impact on the Town's financial statements.

Note 16. Implementation of new GASB Statements (continued)

- 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 did not have a significant 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. This statement did not have a significant impact on the Town's financial statements.

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

- 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 #71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, 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.

Town of Middleton, Massachusetts
 Required Supplementary Information
 Fiscal Year Ended June 30, 2014

Schedule of Funding Progress

Pension System – Essex Regional Retirement System (All Members)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as % Of Covered Payroll</u> ((b-a)/c)
1/1/13	\$ 314,566,000	\$ 619,339,000	\$ 304,773,000	50.8%	\$ 119,272,000	255.5%
1/1/11	278,332,000	536,116,000	257,784,000	51.9%	119,707,000	215.3%
1/1/08	301,421,000	445,171,000	143,750,000	67.7%	111,727,000	128.7%

Schedule of Employer Contributions

Pension System – Essex Regional Retirement System

<u>Year Ended June 30,</u>	<u>Essex Regional Retirement System</u>			<u>Town of Middleton</u>	
	<u>Annual Required Contributions</u>	<u>Actual Contributions</u> (a)	<u>Percentage Contributed</u>	<u>Actual Contributions</u> (b)	<u>Town's Percentage of System Wide Actual Contributions</u> (b/a)
2014	\$ 24,592,599	\$ 24,592,599	100%	\$ 1,131,705	4.6%
2013	22,770,925	22,770,925	100%	1,057,274	4.6%
2012	21,084,190	21,084,190	100%	977,406	4.6%

Note: System wide numbers above are for the System's fiscal year ended the prior December 31st.

TOWN OF MIDDLETON, MASSACHUSETTS

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2014

	<u>Special Revenue</u>				
	Water Fund	Other	Capital Projects	Permanent	<u>Totals</u>
Assets					
Cash and cash equivalents	\$ 749,031	3,126,350	736,938	51,552	4,663,871
Investments	-	-	-	805,579	805,579
Receivables:					
Property taxes	-	2,818	-	-	2,818
Departmental	-	570,178	-	-	570,178
Less: allowance for uncollectibles	-	(303,740)	-	-	(303,740)
Due from commonwealth	-	<u>45,257</u>	-	-	<u>45,257</u>
Total assets	\$ 749,031	<u>3,440,863</u>	736,938	857,131	<u>5,783,963</u>
Liabilities					
Accounts and warrants payable	\$ 11,641	14,910	-	-	26,551
Other	<u>26,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,897</u>
Total liabilities	<u>38,538</u>	<u>14,910</u>	<u>-</u>	<u>-</u>	<u>53,448</u>
Deferred Inflows of Resources					
Unavailable revenue	-	<u>269,256</u>	<u>-</u>	<u>-</u>	<u>269,256</u>
Fund Balances					
Nonspendable	-	-	-	444,866	444,866
Restricted	710,493	3,108,202	736,938	412,265	4,967,898
Committed	-	-	-	-	-
Assigned	-	48,495	-	-	48,495
Unassigned	-	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>710,493</u>	<u>3,156,697</u>	736,938	857,131	<u>5,461,259</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 749,031	<u>3,440,863</u>	736,938	857,131	<u>5,783,963</u>

TOWN OF MIDDLETON, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

Special Revenue					
	<u>Water Fund</u>	<u>Other</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:					
Property taxes	\$ -	174,067	-	-	174,067
Departmental charges for services	32,150	1,370,811	-	5,185	1,408,146
Intergovernmental	300,000	727,012	-	-	1,027,012
Fines and forfeits	-	1,733	-	-	1,733
Investment income	-	1,332	-	61,814	63,146
Other	-	129,526	-	3,030	132,556
Total revenues	332,150	2,404,481	-	70,029	2,806,660
Expenditures:					
Current:					
General government	-	194,945	-	4,183	199,128
Public safety	-	61,863	-	-	61,863
Education	-	1,000,166	57,185	-	1,057,351
Public works	181,104	198,280	-	-	379,384
Human services	-	77,850	-	-	77,850
Recreation and culture	-	30,243	-	29,664	59,907
Debt service	45,415	121,838	-	-	167,253
Total expenditures	226,519	1,685,185	57,185	33,847	2,002,736
Excess (deficiency) of revenues over expenditures	105,631	719,296	(57,185)	36,182	803,924
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(376,000)	-	-	(376,000)
Net changes in fund balances	105,631	343,296	(57,185)	36,182	427,924
Fund balance, beginning of year	604,862	2,813,401	794,123	820,949	5,033,335
Fund balance, end of year	\$ 710,493	3,156,697	736,938	857,131	5,461,259