TOWN OF MILFORD, NEW HAMPSHIRE

Financial Statements

December 31, 2010

and

Independent Auditor's Report

TOWN OF MILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2010

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VACHON CLUKAY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Milford, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milford, New Hampshire as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Milford, New Hampshire as of December 31, 2010, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Town of Milford, New Hampshire as of December 31, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i-ix and 30-32, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Milford, New Hampshire's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Vachon Clukay & Company PC

November 22, 2011

Town of Milford, New Hampshire
Management's Discussion and Analysis
December 31, 2010

As management of the Town of Milford, New Hampshire, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2010. Our objective is to provide an easily readable analysis of the Town's financial statements based on currently known facts, decisions or conditions. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The basic financial statements contain the following components.

1.) Government-wide financial statements
2.) Fund financial statements
3.) Notes to the financial statements

Government-wide Financial Statements

The government-wide financial statements focus on the Town as a whole and are designed to provide readers with a long term overview of the Town's finances, in a manner similar to the private sector. They include a statement of net assets, which presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The statement of activities presents information showing how the Town's net assets changed during the year. All changes in net assets are reported as soon as the underlying event occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

The statement of net assets and the statement of activities divide the Town into two types of activities:

- Governmental Activities – Most of the Town's basic functions are reported here which include general government, public safety, highways and streets, health and welfare, sanitation, culture and recreation, and debt service. Property taxes, intergovernmental revenues, permits and fees, and state and federal grants finance most of these activities.

- Business Type Activities – The Town charges a fee to customers with the intention of recovering all or a significant portion of the costs through user fees and charges. The Town's Water and Sewer funds are reported here.

The government-wide financial statements (Exhibit A & B) can be found on pages 1-2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds, not the Town as a whole. A fund is a group of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities. The Town, like other local governments, uses fund accounting to ensure and exhibit compliance with finance-related legal requirements. Some funds are established as required by state statute while others are instituted by the Town to help control and manage financial activities for a specific purpose, such as capital projects and grants. The Town's funds are divided into three fund categories; governmental, proprietary and fiduciary.

- Governmental Funds (Exhibit C and D) – Most of the Town's basic functions are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources and balances remaining at year end that are available for spending. These funds are reported on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements are designed to provide a detailed short-term view of the Town's general government operations and the services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources available in

the near future to finance the Town's programs and the extent to which Town services cover their own costs with user fees, charges, and grants, as opposed to being financed with taxes, other general revenues, and resources accumulated from past years. The differences between governmental activities as reported in the government-wide financial statements and the fund financial statements are itemized in a reconciliation located at the bottom and on the side of the fund financial statements (Exhibits C and D).

- Proprietary Funds (Exhibit E, F and G) – When the Town charges water and sewer customers for the services it provides, they are reported in proprietary funds. Proprietary funds are reported in the same way that all business-type activities are reported in the government wide financial statements, but provide more detail and a statement of cash flows.

- Fiduciary Funds (Exhibit H and I) – The Town acts as a trustee for various trust funds. Because of the trust arrangement, these funds can only be used for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its own operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fund financial statements can be found on pages 3-9 of this report.

Notes to the Financial Statements

- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-29 of this report.

Required Supplementary Information

- The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule of the Town's General Fund which can be found on pages 30-32 of this report.

In addition to the required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which is added together and presented in a single column in the basic financial statements. The supplementary schedule information can be found on pages 33-36 of this report.

FINANCIAL HIGHLIGHTS

Government–wide highlights

- The Town's total assets exceeded total liabilities by $47.5 million. This amount is presented as "Total Net Assets" on Exhibit A - Statement of Net Assets.

- During the year, the Town's total net assets increased by $200 thousand or 0.4%. Net assets increased by $400 thousand for Governmental activities while the net assets decreased by $200 thousand for Business-Type activities.

Fund Highlights

- The Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of $3.9 million, an increase of $700 thousand from the prior year. Of this amount, $2.5 million is available for spending at the Town's discretion (unreserved fund balance).

- The total fund balance for the general fund was $790 thousand, which represents 6.5% of the total general fund expenditures.

GOVERNMENT WIDE ANALYSIS

Net Assets

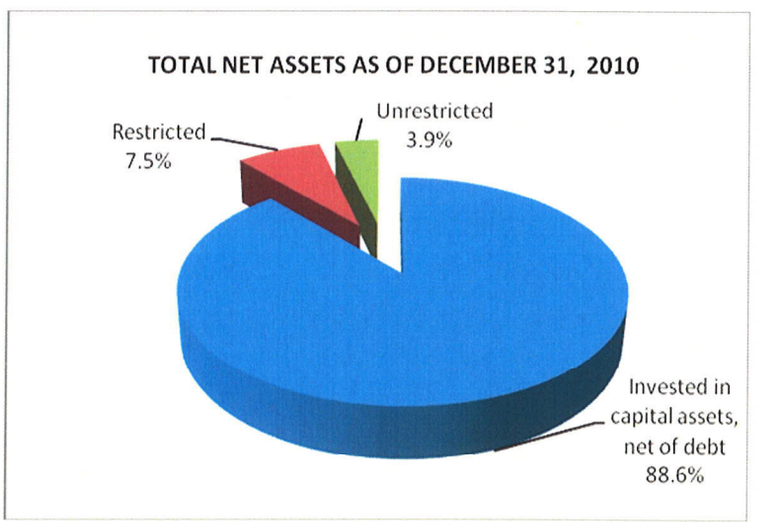
As noted earlier, over time, net assets may serve as a useful indication of a government's financial position and determine its ability to finance services in the long-term. The government-wide financial statements are prepared on the full accrual basis of accounting. The condensed analysis below focuses on the net assets of the Town's governmental and business-type activities.

Government-Wide - Condensed Statement of Net Assets
December 31, 2010 and 2009

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current Assets	$ 16,945,313	$ 655,115	$ 17,600,428	$ 16,875,876	$ 570,032	$ 17,445,908
Capital Assets	26,118,523	22,592,348	48,710,871	26,538,950	23,172,029	49,710,979
TOTAL ASSETS	$ 43,063,836	$ 23,247,463	$ 66,311,299	$ 43,414,826	$ 23,742,061	$ 67,156,887
LIABILITIES						
Current Liabilities	$ 11,887,900	$ 449,884	$ 12,337,784	$ 12,468,235	$ 494,790	$ 12,963,025
Noncurrent Liabilities	4,313,374	2,187,699	6,501,073	4,499,346	2,394,354	6,893,700
TOTAL LIABILITIES	16,201,274	2,637,583	18,838,857	16,967,581	2,889,144	19,856,725
NET ASSETS						
Invested in capital assets, net of related debt	21,840,345	20,231,905	42,072,250	21,852,303	20,604,433	42,456,736
Restricted	3,543,630	-	3,543,630	3,224,053	-	3,224,053
Unrestricted	1,478,587	377,975	1,856,562	1,370,889	248,484	1,619,373
TOTAL NET ASSETS	$ 26,862,562	$ 20,609,880	$ 47,472,442	$ 26,447,245	$ 20,852,917	$ 47,300,162

The Town's combined net assets are $47.5 million of which approximately $26.9 million represents governmental activities and the remaining $20.6 million relates to business-type activities.

As depicted in the chart to the right, the largest portion of the Town's net assets, $42.1 million (88.6%), reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less any related debt used to acquire the capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt.



The restricted portion of the Town's net assets, $3.5 million (7.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $1.9 million (3.9%), may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities reflect a positive unrestricted net asset balance of approximately $1.5 million at the end of the year. It is worthwhile noting that the governmental activities of the Town have recognized debt associated with water and sewer related assets. While the debt is reflected in governmental activities, the corresponding asset is recognized in business-type activities. If this debt were eliminated, the unrestricted net asset balance of governmental activities would increase by approximately $245 thousand, while net assets of business-type activities would decrease by the same amount.

Business-type activities reflect a positive unrestricted net asset balance of $378 thousand which can only be used to finance the continuing operations of the Water and Sewer functions. Exhibit E located on page 5 of this report provides a statement of net assets for each the Water and Sewer Funds.

Changes in Net Assets

Table 2 presents the Town's condensed changes in net assets as derived from the government-wide Statement of Activities.

Town of Milford
Table 2 - Changes in Net Assets
December 31, 2010 and 2009

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES:						
Program Revenues:						
Charges for Services	$ 956,997	$ 2,799,661	$ 3,756,658	$ 928,872	$ 2,550,271	$ 3,479,143
Operating grants and contributions	501,856		501,856	803,872		803,872
Capital grants and contributions	154,385	17,100	171,485	1,703,884	1,353,953	3,057,837
General Revenues:						
Property and other taxes	7,509,096		7,509,096	7,066,903		7,066,903
Licenses and permits	2,158,420		2,158,420	2,192,868		2,192,868
Grants and contributions	676,405		676,405	671,440		671,440
Interest and investment earnings (losses)	239,875	-	239,875	313,083	808	313,891
Miscellaneous	313,670	19,725	333,395	335,488	23,754	359,242
TOTAL REVENUES	12,510,704	2,836,486	15,347,190	14,016,410	3,928,786	17,945,196
EXPENSES:						
Program Expenses:						
General government	4,093,302		4,093,302	3,901,914		3,901,914
Public safety	4,122,004		4,122,004	4,186,242		4,186,242
Highways and streets	1,442,509		1,442,509	1,584,623		1,584,623
Health and welfare	283,384		283,384	226,607		226,607
Sanitation	746,113		746,113	743,829		743,829
Culture and recreation	1,196,238		1,196,238	1,026,097		1,026,097
Economic development	5,400		5,400	-		-
Interest and fiscal charges	202,783		202,783	217,707		217,707
Water and sewer		3,083,177	3,083,177		3,050,470	3,050,470
TOTAL EXPENSES	12,091,733	3,083,177	15,174,910	11,887,019	3,050,470	14,937,489
Excess/(Deficiency) before transfers	418,971	(246,691)	172,280	2,129,391	878,316	3,007,707
Transfers	(3,654)	3,654	-	(123,630)	123,630	-
Increase/(Decrease) in net assets	$ 415,317	$ (243,037)	$ 172,280	$ 2,005,761	$ 1,001,946	$ 3,007,707
Net Assets - Beginning of the year	26,447,245	20,852,917	47,300,162	24,441,484	19,850,971	44,292,455
Net Assets - End of the year	$ 26,862,562	$ 20,609,880	$ 47,472,442	$ 26,447,245	$ 20,852,917	$ 47,300,162

As noted earlier, net assets may serve over time as a useful indicator of the Town's overall financial position. Overall total net assets for the Town increased by $172 thousand in the current year.

GOVERNMENTAL ACTIVITIES:

Governmental activities increased the Town's net assets by $400 thousand. Key factors of this increase are as follows:

General Fund expenses over revenues	1,256,315
Other Governmental Funds revenues over expenses	(535,382)
Increase in capital assets net of related depreciation	(318,478)
Loss on the sale/disposal of capital assets	(101,949)
Donated capital assets	(345,565)
Net other financing sources	(3,654)
Payment of debt service principal	483,469
Payment of interest as accrued rather than expensed	7,767
Change in accrued compensated absences	(27,206)
TOTAL	$ 415,317

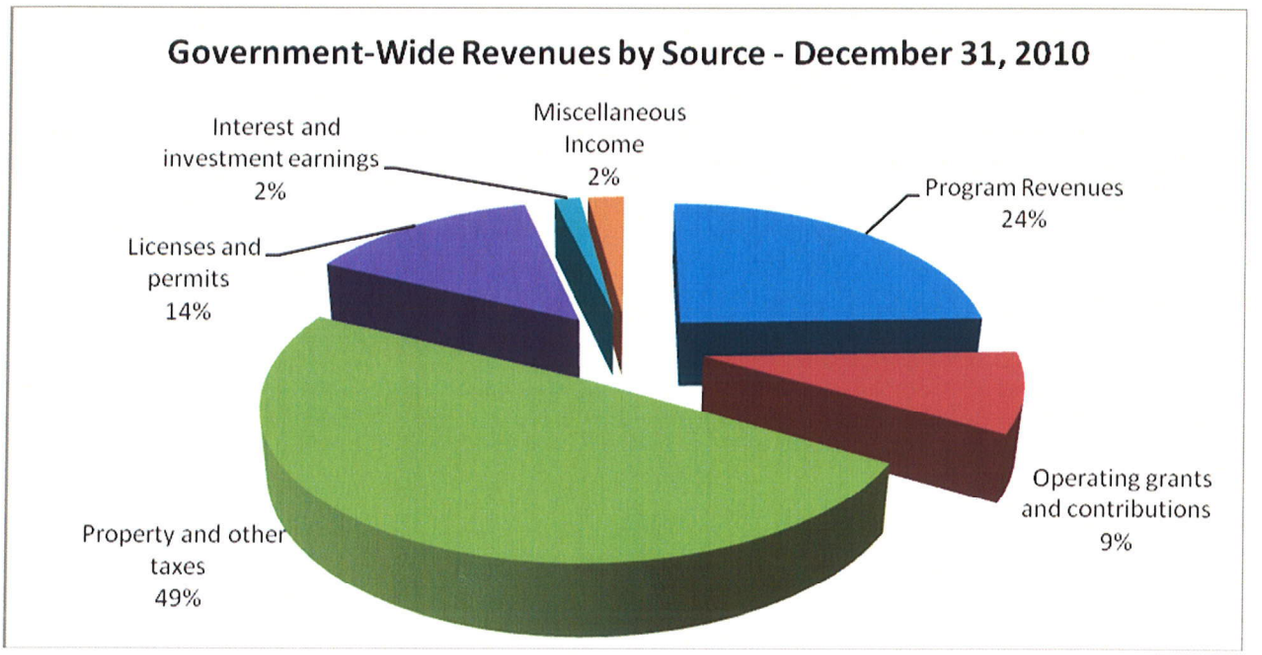
BUSINESS-TYPE ACTIVITIES:

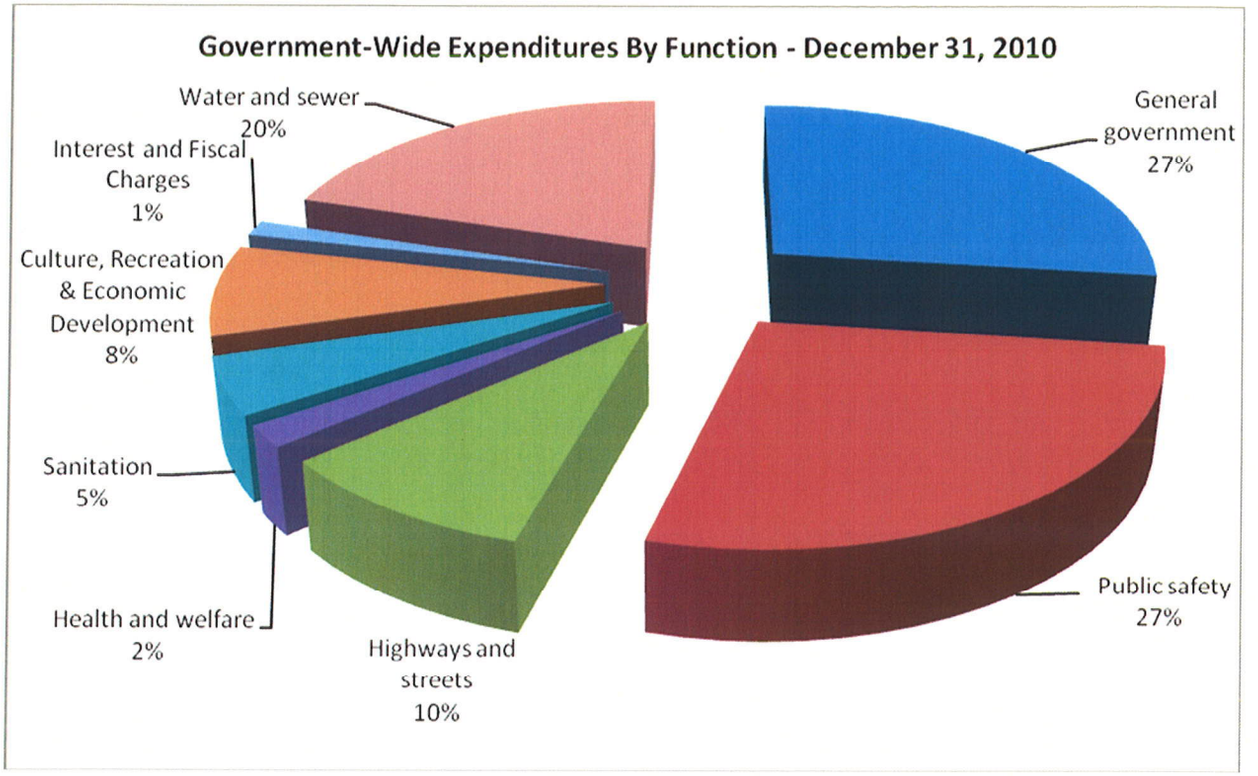
Business-type activities decreased the Town's net assets by $240 thousand, due mainly to sewer operating expenses in excess of operating revenues by $420 thousand. The following is a summary of the activity by fund:

Water Fund	$ 175,404
Sewer Fund	(418,441)
	$ (243,037)

Exhibit F located on page 6 provides a more detailed view of the changes in net assets for water and sewer activities.

The charts below identify the major sources of revenue and expenditures by function for the Town's Government-wide activities.





FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – (Exhibit C & D)

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of resources available for spending. Governmental Fund statements utilize the modified accrual basis of accounting, which is useful in determining the Town's near-term financing requirements. In particular, unreserved fund balance may serve as a benchmark of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental funds reported a combined ending fund balance of roughly $3.9 million, an increase of $0.7 million in comparison with the prior year. Of the $0.7 million increase, $500 thousand was in the General Fund and $200 thousand increased from other governmental funds. Approximately 65% of the total fund balances constitutes unreserved fund balance. The remainder of fund balance is reserved and not available for spending because it has already been committed for a variety of legally restricted purposes.

The General Fund is the chief operating fund of the Town. At the end of the year, unreserved fund balance of the General Fund was $695 thousand, while total fund balance was $791 thousand. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 6.5% of total General Fund expenditures, while total fund balance represents 7.4% of the same amount.

The governmental fund statements can be found on pages 3-4.

Proprietary Funds – (Exhibit E through Exhibit F)

The Town's proprietary funds mirror the business-type activities contained in the government-wide financials, yet in more detail. Unlike governmental funds, proprietary funds utilize the accrual basis of accounting. Therefore, no reconciliation is needed between the government-wide financial statements and the proprietary fund financial statements. The proprietary fund statements can be found on pages 5-6.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget include budgets carried over from the prior year (encumbrances and carryforward appropriations). These authorize the completion of transactions in process at the previous and current year-ends. Encumbrances are reflected in the actual beginning balances, in addition to the amounts appropriated at the March ballot session. Capital projects budgeted but not started by year end are reflected in the beginning, but not in the ending, balance.

On a budgetary basis, the Town had a favorable budget variance of $124 thousand and can be summarized as follows:

Actual revenues and other financing sources were less than budgetary estimates by $68 thousand. This was primarily because abatements on taxes were more than ancicipated and ambulance fees revenue were less than anticipated.

Actual expenditures were below (favorable) final budgeted amounts by approximately $191 thousand mainly due to:

- Actual expenditures in public safety and highways and streets were less than anticipated.

A budget to actual comparison for the General Fund can be found on Schedule 1 located on page 30.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities totals $48.7 million net of depreciation. These assets include land and improvements, buildings, equipment, infrastructure, and construction in process. The net book value of the Town's capital assets decreased $1.0 Million in comparison to the prior year. The Town's net assets are summarized by category in Table 3 below.

Town of Milford
Table 3 - Capital Assets of December 31, 2010 and 2009
(Net of Depreciation)

	2010			2009		
	Governmental Activities	Business-type Activities	Total Combined	Governmental Activities	Business-type Activities	Total Combined
Land & Land Improvements	$ 13,526,920	$ 212,656	$ 13,739,576	$ 13,641,216	$ 268,507	$ 13,909,723
Buildings & Building Improvements	4,940,690	9,824,493	14,765,183	5,115,634	10,184,908	15,300,542
Vehicles and Equipment	1,695,982	1,795,404	3,491,386	1,805,166	1,888,824	3,693,990
Infrastructure	5,299,699	10,264,775	15,564,474	5,619,575	10,449,964	16,069,539
Intangible	131,049	54,636	185,685	-		
Construction in Process	524,183	440,384	964,567	357,359	379,826	737,185
Totals	$ 26,118,523	$ 22,592,348	$ 48,710,871	$ 26,538,950	$ 23,172,029	$ 49,710,979

Major capital asset transactions during the year include the following additions:

Governmental Activities

- $ 110,500 - Upgrade of 35 Fire Department SCBA's
- $ 70,400 - Additions to Town Wide GIS system

Additional information on the Town's capital assets can be found on pages 20-22 of the notes to the financial statements of this report.

Debt Administration

At year-end, the Town had $6.9 million of total debt outstanding versus $7.6 million in the prior year - a decrease of $700 thousand. Of this amount $6.8 million represents general obligation bond debt backed by the full faith and credit of the Town. The remainder of the Town's debt is comprised of capital leases with future lease payments totaling roughly $80 thousand.

Outstanding debt segregating short and long-term portions are summarized in Table 4 below.

Town of Milford
Table 4 - Outstanding Debt
December 31, 2010 and 2009

	2010			2009		
	Governmental Activities	Business-type Activities	Total Combined	Governmental Activities	Business-type Activities	Total Combined
General Obligation Bonds	$ 4,495,000	$ 2,305,000	$ 6,800,000	$ 4,935,000	$ 2,495,000	$ 7,430,000
Capital Leases	28,178	55,443	83,621	71,647	72,596	144,243
Total Debt Outstanding	$ 4,523,178	$ 2,360,443	$ 6,883,621	$ 5,006,647	$ 2,567,596	$ 7,574,243
Less current portion:						
Amounts due within one year	(423,178)	(207,800)	(630,978)	(693,469)	(207,153)	(900,622)
Total Long Term Debt	$ 4,100,000	$ 2,152,643	$ 6,252,643	$ 4,313,178	$ 2,360,443	$ 6,673,621

There was no new general obligation debt issued during the current year.

State statute limits the amount of general obligation debt the Town may issue to 3% of base equalized valuation as calculated by the New Hampshire Department of Revenue. The Town's base equalized valuation as of December 31, 2010 was $1.3 billion. The Town's outstanding general obligation debt of $6.8 million is significantly below the state 3% calculated debt limit of $38.1 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate (not seasonally adjusted) for the Nashua Labor Market Area as of December 31, 2010 was 5.6% and the average unemployment rate for the State of New Hampshire was 5.3% which compared favorably with the national unemployment rate of 9.1%.

Source: U.S. Bureau of Labor Statistics

The Town's population as of 2010 was at 15,100. The Town is ranked 17th of 245 municipalities in the overall state population.

Source: U.S. Census Bureau

The Consumer Price Index (CPI) in the Northeast region for the year was 1.6% in comparison with the national index of 1.5%.

Source: U.S. Bureau of Labor Statistics

In 2006, the Town completed the process of a Town-wide revaluation. As part of a Supreme Court decision on education funding, cities and towns are required to undertake revaluations every five years. The Town's next revaluation was completed effective April 2011.

The operating budget for the General Fund in 2011 increased by 1.0% while facing an impact of decreased State revenues and decreased State contributions to police and fire retirement funds.

Town elected officials are committed to providing appropriate levels of service to the Town and will take all of the above factors into consideration in preparing future budgets.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Milford, 1 Union Square, Milford, NH 03055, or by telephone at (603) 249-0640.

Jack Sheehy,
Director of Financial Operations

EXHIBIT A
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,055,839		$ 2,055,839
Investments	11,990,499		11,990,499
Taxes receivable, net	2,534,810		2,534,810
Accounts receivable, net	183,767	$ 261,855	445,622
Unbilled charges for services		391,950	391,950
Due from other governments	33,502	39,253	72,755
Internal balances	125,627	(125,627)	-
Prepaid expenses	21,269		21,269
Inventory		87,684	87,684
Total Current Assets	16,945,313	655,115	17,600,428
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	13,290,921	683,912	13,974,833
Depreciable capital assets, net	12,827,602	21,908,436	34,736,038
Total Noncurrent Assets	26,118,523	22,592,348	48,710,871
Total Assets	$ 43,063,836	$ 23,247,463	$ 66,311,299
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 215,159	$ 56,753	$ 271,912
Accrued expenses	328,840	69,807	398,647
Retainage payable		12,269	12,269
Deferred revenue	204,790		204,790
Due to other governments	10,704,656	103,040	10,807,696
Deposits	11,277	215	11,492
Current portion of bonds payable	395,000	190,000	585,000
Current portion of capital leases payable	28,178	17,800	45,978
Total Current Liabilities	11,887,900	449,884	12,337,784
Noncurrent Liabilities:			
Bonds payable	4,100,000	2,115,000	6,215,000
Capital leases payable		37,643	37,643
Compensated absences payable	213,374	35,056	248,430
Total Noncurrent Liabilities	4,313,374	2,187,699	6,501,073
Total Liabilities	16,201,274	2,637,583	18,838,857
NET ASSETS			
Invested in capital assets, net of related debt	21,840,345	20,231,905	42,072,250
Restricted	3,543,630		3,543,630
Unrestricted	1,478,587	377,975	1,856,562
Total Net Assets	26,862,562	20,609,880	47,472,442
Total Liabilities and Net Assets	$ 43,063,836	$ 23,247,463	$ 66,311,299

See accompanying notes to the basic financial statements

EXHIBIT B

TOWN OF MILFORD, NEW HAMPSHIRE

Statement of Activities

For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:							
General government	$ 4,093,302	$ 48,604			$ (4,044,698)		$ (4,044,698)
Public safety	4,122,004	642,120	$ 182,114	$ 102,577	(3,195,193)		(3,195,193)
Highways and streets	1,442,509	1,282	298,597	51,808	(1,090,822)		(1,090,822)
Health and welfare	283,384	5,058			(278,326)		(278,326)
Sanitation	746,113	141,787			(604,326)		(604,326)
Culture and recreation	1,169,793	118,146			(1,051,647)		(1,051,647)
Conservation	26,445				(26,445)		(26,445)
Economic development	5,400		18,000		12,600		12,600
Debt service	202,783		3,145		(199,638)		(199,638)
Total governmental activities	12,091,733	956,997	501,856	154,385	(10,478,495)	$ -	(10,478,495)
Business-type activities:							
Water Department	1,231,176	1,414,759				183,583	183,583
Sewer Department	1,852,001	1,384,902		17,100		(449,999)	(449,999)
Total business-type activities	3,083,177	2,799,661	-	17,100	-	(266,416)	(266,416)
Total primary government	$ 15,174,910	$ 3,756,658	$ 501,856	$ 171,485	(10,478,495)	(266,416)	(10,744,911)
General revenues:							
Property and other taxes					7,509,096		7,509,096
Licenses and permits					2,158,420		2,158,420
Grants and contributions:							
State shared revenues					5,729		5,729
Rooms and meals tax distribution					667,818		667,818
Railroad tax					2,858		2,858
Interest and investment earnings					239,875		239,875
Miscellaneous					313,670	19,725	333,395
Transfers					(3,654)	3,654	-
Total general revenues and transfers					10,893,812	23,379	10,917,191
Change in net assets					415,317	(243,037)	172,280
Net assets - beginning					26,447,245	20,852,917	47,300,162
Net assets - ending					$ 26,862,562	$ 20,609,880	$ 47,472,442

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF MILFORD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2010

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,941,811	$ 114,028	$ 2,055,839
Investments	9,089,789	2,900,710	11,990,499
Taxes receivable, net	2,534,810		2,534,810
Accounts receivable, net	176,102	7,665	183,767
Due from other governments		33,502	33,502
Due from other funds	165,113	310,994	476,107
Prepaid expenses	21,269		21,269
Total Assets	$ 13,928,894	$ 3,366,899	$ 17,295,793
LIABILITIES			
Accounts payable	$ 179,771	$ 35,388	$ 215,159
Accrued expenses	241,331	19,972	261,303
Deferred revenue	1,690,074	148,872	1,838,946
Due to other governments	10,704,656		10,704,656
Due to other funds	310,994	39,486	350,480
Deposits	10,777	500	11,277
Total Liabilities	13,137,603	244,218	13,381,821
FUND BALANCES			
Reserved for encumbrances	74,539		74,539
Reserved for prepaid expenses	21,269		21,269
Reserved for endowments		1,285,386	1,285,386
Unreserved, reported in:			
General fund	695,483		695,483
Special revenue funds		1,809,873	1,809,873
Permanent funds		27,422	27,422
Total Fund Balances	791,291	3,122,681	3,913,972
Total Liabilities and Fund Balances	$ 13,928,894	$ 3,366,899	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			26,118,523
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis			1,634,156
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:			
Bonds payable			(4,495,000)
Capital leases payable			(28,178)
Accrued interest on long-term obligations			(67,537)
Compensated absences payable			(213,374)
Net assets of governmental activities			$ 26,862,562

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 7,854,661		$ 7,854,661
Licenses and permits	2,158,420		2,158,420
Intergovernmental	1,107,908	$ 224,738	1,332,646
Charges for services	661,033	284,927	945,960
Investment income	12,785	227,090	239,875
Miscellaneous	211,588	180,868	392,456
Total Revenues	12,006,395	917,623	12,924,018
Expenditures:			
Current operations:			
General government	3,876,325	54,617	3,930,942
Public safety	3,733,716	375,773	4,109,489
Highways and streets	1,166,549	5,829	1,172,378
Health and welfare	248,103	41,194	289,297
Sanitation	716,524		716,524
Culture and recreation	314,844	828,223	1,143,067
Conservation		25,847	25,847
Economic development		5,400	5,400
Capital outlay		116,122	116,122
Debt service:			
Principal retirement	483,469		483,469
Interest and fiscal charges	210,550		210,550
Total Expenditures	10,750,080	1,453,005	12,203,085
Excess of revenues over (under) expenditures	1,256,315	(535,382)	720,933
Other financing sources (uses):			
Transfers in	21,218	789,340	810,558
Transfers out	(743,823)	(70,389)	(814,212)
Total other financing sources (uses)	(722,605)	718,951	(3,654)
Net change in fund balances	533,710	183,569	717,279
Fund balances at beginning of year	257,581	2,939,112	3,196,693
Fund balances at end of year	$ 791,291	$ 3,122,681	$ 3,913,972

See accompanying notes to the basic financial statements

TOWN OF MILFORD, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010

Net Change in Fund Balances--Total Governmental Funds	$ 717,279
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, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(318,478)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss on the disposal of capital assets reduced by the actual proceeds received from the sale of capital assets.	(101,949)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(345,565)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	483,469
In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.	7,767
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(27,206)
Change in Net Assets of Governmental Activities	$ 415,317

EXHIBIT E
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2010

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Accounts receivable	$ 126,034	$ 135,821	$ 261,855
Unbilled charges for services	187,666	204,284	391,950
Due from other governments		39,253	39,253
Inventory	43,233	44,451	87,684
Total Current Assets	356,933	423,809	780,742
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	491,900	192,012	683,912
Depreciable capital assets, net	7,950,744	13,957,692	21,908,436
Total Noncurrent Assets	8,442,644	14,149,704	22,592,348
Total Assets	$ 8,799,577	$ 14,573,513	$ 23,373,090
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 23,420	$ 33,333	$ 56,753
Accrued expenses	42,894	26,913	69,807
Retainage payable	12,269		12,269
Due to other governments		103,040	103,040
Due to other funds	115,493	10,134	125,627
Deposits		215	215
Current portion of bonds payable	170,000	20,000	190,000
Current portion of capital lease payable		17,800	17,800
Total Current Liabilities	364,076	211,435	575,511
Noncurrent Liabilities:			
Bonds payable	1,875,000	240,000	2,115,000
Capital lease payable		37,643	37,643
Compensated absences payable	7,275	27,781	35,056
Total Noncurrent Liabilities	1,882,275	305,424	2,187,699
Total Liabilities	2,246,351	516,859	2,763,210
NET ASSETS			
Invested in capital assets, net of related debt	6,397,644	13,834,261	20,231,905
Unrestricted	155,582	222,393	377,975
Total Net Assets	6,553,226	14,056,654	20,609,880
Total Liabilities and Net Assets	$ 8,799,577	$ 14,573,513	$ 23,373,090

See accompanying notes to the basic financial statements

EXHIBIT F

TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	$ 1,414,759	$ 1,384,902	$ 2,799,661
Miscellaneous	13,481	3,896	17,377
Total operating revenues	1,428,240	1,388,798	2,817,038
Operating expenses:			
Personnel services	290,849	658,134	948,983
Contractual services	470,345	361,899	832,244
Materials and supplies	134,025	216,551	350,576
Depreciation	241,843	594,810	836,653
Miscellaneous	914	3,775	4,689
Total operating expenses	1,137,976	1,835,169	2,973,145
Operating income (loss)	290,264	(446,371)	(156,107)
Non-operating revenues (expenses):			
Gain on sale of assets		2,348	2,348
Interest expense	(93,200)	(16,832)	(110,032)
Net non-operating revenues (expenses)	(93,200)	(14,484)	(107,684)
Income (Loss) before capital contributions and transfers	197,064	(460,855)	(263,791)
Capital contributions		17,100	17,100
Transfers in		25,314	25,314
Transfers out	(21,660)		(21,660)
Change in net assets	175,404	(418,441)	(243,037)
Total net assets at beginning of year	6,377,822	14,475,095	20,852,917
Total net assets at end of year	$ 6,553,226	$ 14,056,654	$ 20,609,880

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	$ 1,388,672	$ 1,366,172	$ 2,754,844
Cash paid to suppliers	(604,062)	(615,815)	(1,219,877)
Cash paid to employees	(290,849)	(658,134)	(948,983)
Net cash provided by operating activities	493,761	92,223	585,984
Cash flows from noncapital financing activities:			
Transfer from other funds		25,314	25,314
Transfer to other funds	(21,660)		(21,660)
Net cash provided (used) for noncapital financing activities	(21,660)	25,314	3,654
Cash flows from capital and related financing activities:			
Capital contributions		17,100	17,100
Purchases of capital assets	(145,755)	(118,889)	(264,644)
Proceeds from sale of town property		2,348	2,348
Principal paid on long-term debt	(170,000)	(37,153)	(207,153)
Interest paid on long-term debt	(96,076)	(15,902)	(111,978)
Net cash (used) for capital and related financing activities	(411,831)	(152,496)	(564,327)
Net increase (decrease) in cash and cash equivalents	60,270	(34,959)	25,311
Cash and cash equivalents (deficiency) at beginning of year	(175,763)	24,825	(150,938)
Cash and cash equivalents (deficiency) at end of year	$ (115,493)	$ (10,134)	$ (125,627)
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 290,264	$ (446,371)	$ (156,107)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	241,843	594,810	836,653
Changes in assets and liabilities:			
Accounts receivable	(35,903)	(18,356)	(54,259)
Unbilled charges for services	(3,665)	5,943	2,278
Due from other governments		(10,213)	(10,213)
Inventory	7,753	(5,331)	2,422
Accounts payable	(9,528)	(29,492)	(39,020)
Accrued expenses	1,701	1,384	3,085
Compensated absences payable	1,296	(151)	1,145
Net cash provided by operating activities	$ 493,761	$ 92,223	$ 585,984

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents		$ 176,757
Investments	$ 2,981,903	
Total assets	$ 2,981,903	$ 176,757
LIABILITIES		
Due to developers		$ 176,757
Total liabilities	$ -	$ 176,757
NET ASSETS		
Held in trust	2,981,903	
Total net assets	$ 2,981,903	

See accompanying notes to the basic financial statements

EXHIBIT I
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2010

	Private-Purpose Trust Funds
ADDITIONS:	
Contributions:	
Private donations	$ 11,902
Total Contributions	11,902
Investment earnings:	
Investment income	85,534
Net increase in the fair value of investments	258,022
Total Investment Earnings	343,556
Less: Investment expense	(14,334)
Net Investment Earnings	329,222
Total Additions	341,124
DEDUCTIONS:	
Benefits	51,867
Total Deductions	51,867
Change in Net Assets	289,257
Net assets - beginning of year	2,692,646
Net assets - end of year	$ 2,981,903

See accompanying notes to the basic financial statements

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Milford, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Milford, New Hampshire (the Town) was incorporated in 1794. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions as authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. **Government-Wide Financial Statements:**

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. **Fund Financial Statements:**

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The Town uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. **Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Town's major governmental fund:

The *General Fund* is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

2. **Proprietary Funds:**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water* and *Sewer Funds* account for all revenues and expenses pertaining to the Town's water and wastewater operations.

The above proprietary funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. **Fiduciary Funds:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains sixteen private purpose trusts, which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for escrow funds from developers which are held by the Town.

Measurement Focus

1. **Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the Statement of Net Assets.

2. **Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

The private purpose trust funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

In the government-wide financial statements and proprietary fund statements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow the FASB pronouncements issued subsequent to November 30, 1989.

1. **Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be

collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes and interest on investments.

Licenses and permits, charges for services, and miscellaneous revenues (except interest on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. **Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

3. **Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2010, the Town applied $125,000 of its unappropriated fund balance to reduce taxes.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders and other commitments for expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgetary integration in Governmental Funds. Encumbrances outstanding at year end are reported as a component of fund balance since they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

Cash and Cash Equivalents

The Town pools its cash resources for the governmental and proprietary funds. Cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	Due *to* other funds
Proprietary Funds:	
Water Fund	$ (115,493)
Sewer Fund	(10,134)
Totals	$ (125,627)

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at December 31, 2010 are recorded as receivables net of reserves for estimated uncollectibles of $383,341.

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of $447,693 in the General Fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2010 are recorded as prepaid items.

Inventory

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets, but are not reported in the governmental fund financial statements.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of $10,000. The Town's infrastructure consists of roads, bridges, sidewalks, water purification and distribution systems, sewer collection and treatment systems, and similar items. Intangible assets of the Town consist of conservation land easements which are reported as non-depreciable capital assets and software which is reported as depreciable capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of the business-type activities is also capitalized.

All reported capital assets except for land, certain intangible assets and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Years
Infrastructure	10-75
Land improvements	15-20
Buildings and improvements	10-50
Vehicles and equipment	3-50
Intangible assets	5

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused vacation pay earned and, upon retirement, resignation or death will be compensated for such amounts at current rates of pay. No payment for unused sick leave is made upon termination.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund

financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Assets

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

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances, prepaid expenses and endowments.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water and sewer funds, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain

reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense and the allowances for uncollectible taxes and accounts receivable.

NOTE 2— STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

The Town did not implement GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 45 were required to be implemented by the Town during the year ended December 31, 2009.

NOTE 3—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 ($1,588,203,571 as of April 1, 2010) and are due in two installments on July 2, 2010 and December 21, 2010. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property is tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Milford School District and Hillsborough County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were $21,731,932 and $1,512,731 for the Milford School District and Hillsborough County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 4—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2010, the Town was a member of the New Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund. The Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and

liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2010.

Property and Liability Insurance

PRIMEX provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of PRIMEX, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self Insured Retention Fund from which is paid up to $500,000 for each and every covered property, crime and/or liability loss that exceeds $1,000.

Worker's Compensation

PRIMEX provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to $2,000,000. The program includes a Loss Fund from which is paid up to $500,000 for each and every covered claim.

NOTE 5—DEPOSITS AND INVESTMENTS

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits and investments as of December 31, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	$ 2,055,839
Investments	11,990,499
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	176,757
Investments	2,981,903
Total deposits and investments	$ 17,204,998

Deposits and investments at December 31, 2010 consist of the following:

Cash on hand	$ 9,440
Deposits with financial institutions	12,038,270
Investments	5,157,288
Total deposits and investments	$ 17,204,998

The Town's investment policy for governmental and proprietary fund types requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit, and repurchase agreements in accordance with New Hampshire

State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Responsibility for the investments of the Trust Funds is with the Board of Trustees, who have employed professional banking assistance in accordance with New Hampshire state law (RSA 31:38a).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy for managing interest rate risk requires investment maturities to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures, as well as anticipated revenue inflows.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

		Remaining Maturity (in Years)		
Investment Type		0-1 Years	1-5 Years	> 5 Years
Federal agency securities	$ 183,368		$ 37,446	$ 145,922
Corporate bonds	651,909		449,700	202,209
	$ 835,277	$ -	$ 487,146	$ 348,131

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy states that the Town's objective is to attain the highest possible rate of return while taking into account the legal constraints, cash flow needs and risk levels consistent with the primary objective of capital preservation.

The following are the actual ratings as of year end for each investment type:

		Investment Type					
		Federal Agency Securities	Corporate Bonds	State Investment Pool	Mutual Funds	Money Market Mutual Funds	Totals
Ratings as of Year End	Aaa	$ 73,820					$ 73,820
	Aa1	109,548	$ 25,681				135,229
	Aa2		184,059				184,059
	A1		115,724				115,724
	A2		254,532				254,532
	A3		39,232				39,232
	Baa1		32,681				32,681
	Not Rated			$ 75,045	$ 875,818	$ 193,392	1,144,255
	Fair Value	$ 183,368	$ 651,909	$ 75,045	$ 875,818	$ 193,392	$ 1,979,532

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 has an investment policy for assurance against custodial credit risk by requiring federal depository insurance or collateralization for all Town deposits.

Of the Town's deposits with financial institutions at year end, $9,315,114 was collateralized by securities held by the bank in the bank's name. As of December 31, 2010, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

Investment Type	Reported Amount
U.S. Treasury obligations	$ 186,789
Federal agency securities	183,368
Corporate bonds	651,909
Equity securities	2,990,967
Mutual funds	875,818
Money market mutual funds	193,392
	$ 5,082,243

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 6—DUE FROM OTHER GOVERNMENTS

Receivables from other governments at December 31, 2010 consist of various federal, state and county fundings and reimbursements from other local governmental units. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

Governmental activities:	
State of New Hampshire - Police Training Grant	$ 1,000
Transportation Enhancement Grants	30,323
Department of Justice Grants	1,129
Hillsborough County Grants	1,050

Business-type activities:	
Town of Wilton, New Hampshire	39,253
	$ 72,755

NOTE 7—CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental funds:

	Balance 1/1/2010	Additions	Reductions	Balance 12/31/2010
Governmental activities:				
Capital assets not depreciated:				
Land	$ 12,598,754	$ 95,223	$ (58,288)	$ 12,635,689
Intangible assets	131,049			131,049
Construction in process	357,359	234,852	(68,028)	524,183
Total capital assets not being depreciated	13,087,162	330,075	(126,316)	13,290,921
Other capital assets:				
Infrastructure	6,598,457			6,598,457
Land improvements	1,914,366	68,028		1,982,394
Buildings and improvements	7,704,940	21,400		7,726,340
Vehicles and equipment	5,262,260	322,170	(161,127)	5,423,303
Intangible assets	189,762			189,762
Total other capital assets at historical cost	21,669,785	411,598	(161,127)	21,920,256
Less accumulated depreciation for:				
Infrastructure	(978,882)	(319,876)		(1,298,758)
Land improvements	(1,002,953)	(88,210)		(1,091,163)
Buildings and improvements	(2,589,306)	(196,344)		(2,785,650)
Vehicles and equipment	(3,457,094)	(387,693)	117,466	(3,727,321)
Intangible assets	(189,762)			(189,762)
Total accumulated depreciation	(8,217,997)	(992,123)	117,466	(9,092,654)
Total other capital assets, net	13,451,788	(580,525)	(43,661)	12,827,602
Total capital assets, net	$ 26,538,950	$ (250,450)	$ (169,977)	$ 26,118,523

Depreciation expense was charged to governmental functions as follows:

General government	$ 243,634
Public safety	251,715
Highways and streets	419,638
Sanitation	28,807
Culture and recreation	48,329
Total governmental activities depreciation expense	$ 992,123

The balance of the asset acquired through capital lease in the governmental funds as of December 31, 2010 is as follows:

Vehicles and equipment	$ 134,393
Less: Accumulated depreciation	(48,157)
	$ 86,236

The following is a summary of changes in capital assets in the proprietary funds:

	Balance 1/1/2010	Additions	Reductions	Balance 12/31/2010
Business-type activities:				
Capital assets not depreciated:				
Land	$ 188,892			$ 188,892
Intangible assets	54,636			54,636
Construction in process	379,826	$ 60,558		440,384
Total capital assets not being depreciated	623,354	60,558	$ -	683,912
Other capital assets:				
Infrastructure	13,565,297	108,942		13,674,239
Land improvements	56,757			56,757
Buildings and improvements	21,032,151	78,090		21,110,241
Vehicles and equipment	2,944,626	9,382		2,954,008
Total other capital assets at historical cost	37,598,831	196,414	-	37,795,245
Less accumulated depreciation for:				
Infrastructure	(3,115,333)	(294,131)		(3,409,464)
Land improvements	(31,778)	(1,215)		(32,993)
Buildings and improvements	(10,847,243)	(438,505)		(11,285,748)
Vehicles and equipment	(1,055,802)	(102,802)		(1,158,604)
Total accumulated depreciation	(15,050,156)	(836,653)	-	(15,886,809)
Total other capital assets, net	22,548,675	(640,239)	-	21,908,436
Total capital assets, net	$ 23,172,029	$ (579,681)	$ -	$ 22,592,348

Depreciation expense was charged to proprietary funds as follows:

Water Fund	$ 241,843
Sewer Fund	594,810
	$ 836,653

The balance of the asset acquired through capital lease in the proprietary funds as of December 31, 2010 is as follows:

Vehicles and equipment	$ 92,490
Less: Accumulated depreciation	(15,415)
	$ 77,075

NOTE 8—DUE TO OTHER GOVERNMENTS

Payables to other governments at December 31, 2010, consist of the balance of the property tax appropriation due to the Milford School District and monies due to the State of New Hampshire. A summary of the principal items of intergovernmental payables is as follows:

Governmental activities:	
Milford School District	$ 10,663,932
State of New Hampshire - Town clerk fees	2,847
State of New Hampshire - Reconstruction project	37,877
Business-type activities:	
State of New Hampshire - Reconstruction project	103,040
	$ 10,807,696

NOTE 9—DEFINED BENEFIT PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policy

Covered public safety employees are required to contribute 9.3% of their covered salary, whereas general employees are required to contribute 5.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 13.66%, 17.28% and 9.16%, respectively through June 30, 2010 and 14.63%, 18.52% and 9.16%, respectively, thereafter. The Town contributes 70% of the employer cost for public safety officers employed by the Town, and the State contributes the remaining 30% of the employer cost, through June 30, 2010 and 75% and 25%, respectively, thereafter. The Town contributes 100% of the employer cost for general employees of the Town. In accordance with accounting principles generally accepted in the United States of America (GASB Statement #24), on-behalf fringe benefits contributed by the State of New Hampshire of $96,623 have been reported as a revenue and expenditure in the General Fund in these financial statements.

Under NHRSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending December 31, 2010, 2009, and 2008 were $569,565, $544,296, and $519,781, respectively, equal to the required contributions for each year.

NOTE 10—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2010 are as follows:

	Balance 1/1/2010	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Governmental activities:					
Bonds payable	$ 4,935,000		$ (440,000)	$ 4,495,000	$ 395,000
Capital leases payable	71,647		(43,469)	28,178	28,178
Compensated absences payable	186,168	$ 61,464	(34,258)	213,374	
Total governmental activities	$ 5,192,815	$ 61,464	$ (517,727)	$ 4,736,552	$ 423,178
Business-type activities:					
Bonds payable	$ 2,495,000		$ (190,000)	$ 2,305,000	$ 190,000
Capital lease payable	72,596		(17,153)	55,443	17,800
Compensated absences payable	33,911	$ 5,805	(4,660)	35,056	
Total business-type activities	$ 2,601,507	$ 5,805	$ (211,813)	$ 2,395,499	$ 207,800

Payments on the general obligation bonds and capital leases of the governmental activities are paid out of the General Fund. Payments on the general obligation bonds of the business-type activities are paid out of the Water and Sewer Funds. Payments on the capital lease of the business-type activities is paid out of the Sewer Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

Bonds payable at December 31, 2010 are comprised of the following individual issues:

	Interest Rate	Final Maturity Date	Balance at 12/31/2010
Governmental Activities:			
Water Main Extension	4.70-5.30%	8/2017	$ 245,000
Brox Property Purchase	5.0-5.25%	7/2015	450,000
Police Station	3.70-4.50%	9/2024	2,100,000
Mileslip Road Land	4.0-4.25%	8/2025	1,700,000
Total governmenal activities			$ 4,495,000
Business-type Activities:			
Water Fund:			
Capital Improvements	6.50-7.0%	8/2011	$ 10,000
Water Main Extension	4.125-4.75%	8/2016	240,000
Storage Tank	4.0-4.25%	8/2025	1,200,000
Elm Street Phase I	4.0-5.0%	8/2026	595,000
			2,045,000
Sewer Fund:			
Outfall Diffuser	4.0-5.0%	8/2026	260,000
			260,000
Total business-type activities			$ 2,305,000

Debt service requirements to retire general obligation bonds for governmental activities at December 31, 2010 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2011	$ 395,000	$ 188,080	$ 583,080
2012	395,000	171,445	566,445
2013	395,000	154,793	549,793
2014	395,000	138,033	533,033
2015	395,000	121,183	516,183
2016-2020	1,420,000	401,865	1,821,865
2021-2025	1,100,000	120,360	1,220,360
	$ 4,495,000	$ 1,295,759	$ 5,790,759

The State of New Hampshire annually reimburses the Town for its share of water related debt service payments. For the year ended December 31, 2010, the reimbursement was $3,145.

As included on the Statement of Activities (Exhibit B), interest expense for the year ended December 31, 2010 was $199,744 on general obligation debt for governmental activities.

Debt service requirements to retire general obligation bonds for business-type activities at December 31, 2010 are as follows:

Water Fund:

Year Ending December 31,	Principal	Interest	Totals
2011	$ 170,000	$ 87,075	$ 257,075
2012	160,000	79,775	239,775
2013	160,000	72,775	232,775
2014	160,000	65,735	225,735
2015	160,000	58,685	218,685
2016-2020	625,000	207,983	832,983
2021-2025	575,000	83,289	658,289
2026	35,000	1,663	36,663
	$ 2,045,000	$ 656,980	$ 2,701,980

Sewer Fund:

Year Ending December 31,	Principal	Interest	Totals
2011	$ 20,000	$ 12,361	$ 32,361
2012	20,000	11,561	31,561
2013	20,000	10,561	30,561
2014	20,000	9,561	29,561
2015	15,000	8,561	23,561
2016-2020	75,000	31,762	106,762
2021-2025	75,000	14,164	89,164
2026	15,000	713	15,713
	$ 260,000	$ 99,244	$ 359,244

As included on the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds (Exhibit F), interest expense for the year ended December 31, 2010 was $110,032 on general obligation debt for business-type activities.

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function.

The following is the individual capital lease obligation for governmental activities at December 31, 2010:

	Interest Rate	Final Maturity Date	Balance at 12/31/2010
Governmental Activities:			
Equipment	4.57%	9/2011	$ 28,178

Debt service requirements to retire the capital lease obligation outstanding for governmental activities at December 31, 2010 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2011	$ 28,178	$ 1,288	$ 29,466

The following is the individual capital lease obligation for business-type activities at December 31, 2010:

	Interest Rate	Final Maturity Date	Balance at 12/31/2010
Business-type Activities:			
Sewer Fund:			
Equipment	3.71%	5/2013	$ 55,443

Debt service requirements to retire the capital lease obligation outstanding for business-type activities at December 31, 2010 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2011	$ 17,800	$ 2,094	$ 19,894
2012	18,473	1,421	19,894
2013	19,170	724	19,894
	$ 55,443	$ 4,239	$ 59,682

Authorized and Unissued Debt

As of December 31, 2010, the Town had the following debt authorized and unissued:

Business-type Activities:	
Water Fund:	
Curtis Well Facility Improvements	$ 295,000
Sewer Fund:	
Sewer Upgrade Project	1,199,690
Total authorized and unissued debt	$ 1,494,690

NOTE 11—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2010 are as follows:

		Due from			
	General Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Totals
Due to: General Fund		$ 39,486	$ 115,493	$ 10,134	$ 165,113
Due to: Nonmajor Governmental Funds	$ 310,994				310,994
	$ 310,994	$ 39,486	$ 115,493	$ 10,134	$ 476,107

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2010 are as follows:

		Transfer from			
	General Fund	Nonmajor Governmental Funds	Water Fund	Totals
Transfer to: General Fund		$ 21,218		$ 21,218
Transfer to: Nonmajor Governmental Funds	$ 743,823	23,857	$ 21,660	789,340
Transfer to: Sewer Fund		25,314		25,314
	$ 743,823	$ 70,389	$ 21,660	$ 835,872

NOTE 12—PERMANENT FUNDS

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. Principal and income balances at December 31, 2010 are as follows:

	Principal	Income	Total
Cemetery Funds	$ 566,331	$ 2,297	$ 568,628
Library Funds	325,119	3,126	328,245
Parks	93,970	587	94,557
Town	299,966	21,412	321,378
	$ 1,285,386	$ 27,422	$ 1,312,808

NOTE 13—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes as follows:

Impact Fees	$ 36,149
Heritage	4,429
Recreation	35,817
Conservation	57,230
Capital Reserves	733,990
Expendable Trusts	775,697
Non-lapsing appropriations	614,932
Endowments	1,285,386
	$ 3,543,630

NOTE 14—PERFORMANCE DEPOSITS

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. These letters of credit and bonds are not included as part of the financial statements. At December 31, 2010, the Town held performance deposits totaling $320,993.

NOTE 15—COMMITMENTS

Water Supply Contract

On March 21, 2002, the Town of Milford entered into an agreement with Pennichuck Water Works, Inc. for supplying water to the Town. The term of the agreement is for 20 years with minimum payments of $81,000 per year. Monthly payments commenced April 1, 2002. Each year's appropriation is expected to be made at Town Meeting.

Sanitation Contract

During July 2009, the Town extended its long-term contract with an independent company for the disposal of solid waste from the transfer station. The contract is effective for the period of July 1, 2009 through June 30, 2014. Terms of the agreement include a disposal rate per ton, adjusted annually by an agreed upon percentage. For the year ended December 31, 2010, the Town expended $359,579 under the terms of the agreement. Each year's appropriation is expected to be made at Town Meeting.

NOTE 16—CONTINGENCIES

Litigation

The Town's general counsel estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

Federal Grants

The Town participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of

expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 17—MILFORD AREA COMMUNICATION CENTER

The Town of Milford is a member of the Milford Area Communication Center. This is a joint venture with three neighboring towns to provide communication dispatch services. The Center is managed by board members representing the participating towns. The Town does not exercise any control over the budgeting and financing of the Center's activities. Financial statements are available from the Milford Area Communication Center. The inter-municipal agreement calls for sharing of budget expenses in proportion to population. The Town of Milford's share for the year ended December 31, 2010 amounted to $393,427 or 70.094%. The Center rents space in the Milford Town Hall for $3,000 per year.

SCHEDULE 1

TOWN OF MILFORD, NEW HAMPSHIRE

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis) - General Fund

For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	$ 7,564,229	$ 7,564,229	$ 7,509,096	$ (55,133)
Licenses and permits	2,136,543	2,136,543	2,158,420	21,877
Intergovernmental	976,589	976,589	1,011,285	34,696
Charges for services	675,082	675,082	661,033	(14,049)
Investment income	12,000	12,000	12,785	785
Miscellaneous	753,295	253,295	211,588	(41,707)
Total Revenues	12,117,738	11,617,738	11,564,207	(53,531)
Expenditures:				
Current:				
General government	3,944,855	3,944,855	3,907,077	37,778
Public safety	3,726,419	3,726,419	3,635,089	91,330
Highways and streets	1,288,659	1,288,659	1,166,549	122,110
Health and welfare	220,140	220,140	248,103	(27,963)
Sanitation	717,564	717,564	716,770	794
Culture and recreation	299,574	299,574	332,229	(32,655)
Capital outlay	500,000	-	-	-
Debt service:				
Principal retirement	483,470	483,470	483,469	1
Interest and fiscal charges	210,552	210,552	210,550	2
Total Expenditures	11,391,233	10,891,233	10,699,836	191,397
Excess of revenues over expenditures	726,505	726,505	864,371	137,866
Other financing sources (uses):				
Transfers in	19,303	19,303	21,218	1,915
Transfers out	(1,350,660)	(727,925)	(743,823)	(15,898)
Total other financing sources (uses)	(1,331,357)	(708,622)	(722,605)	(13,983)
Net change in fund balance	(604,852)	17,883	141,766	123,883
Fund balances at beginning of year - Budgetary Basis	2,209,142	2,209,142	2,209,142	-
Fund balances at end of year - Budgetary Basis	$ 1,604,290	$ 2,227,025	$ 2,350,908	$ 123,883

See accompanying notes to the required supplementary information

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2010

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and expenditures were adjusted for encumbrances and on-behalf payments for fringe benefits.

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	$ 12,027,613	$ 11,493,903
Difference in property taxes meeting susceptible to accrual criteria	(345,565)	
Encumbrances - December 31, 2009		(28,160)
Encumbrances - December 31, 2010		74,539
On-behalf fringe benefits	(96,623)	(96,623)
Per Schedule 1	$ 11,585,425	$ 11,443,659

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund are as follows:

Reserved for prepaid expenses	$ 21,269
Unreserved:	
Designated for subsequent years' expenditures	622,735
Undesignated	1,706,904
	$ 2,350,908

NOTE 3—UNRESERVED DESIGNATED FUND BALANCES

Appropriations for certain projects and specific items not fully expended at year end are carried forward as continuing appropriations to the next year in which they supplement the appropriations of that year. At year end, continuing appropriations are reported as a component of unreserved fund balance and are detailed as follows:

South Street Railroad Crossing	$ 7,803
Union Square/South Street Improvements	96,015
Route 101a/Route 13/ Oval Improvements	518,917
Brox Community Land - Capital Reserve	500,000
	1,122,735
Less revenues not susceptible to accrual	(500,000)
	$ 622,735

SCHEDULE A

TOWN OF MILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2010

	Special Revenue Funds	Permanent Funds	Combining Totals
ASSETS			
Cash and cash equivalents	$ 114,028		$ 114,028
Investments	1,576,067	$ 1,324,643	2,900,710
Accounts receivable	7,665		7,665
Due from other governments	33,502		33,502
Due from other funds	310,994		310,994
Total Assets	$ 2,042,256	$ 1,324,643	$ 3,366,899
LIABILITIES			
Accounts payable	$ 35,388		$ 35,388
Accrued expenses	19,972		19,972
Deferred revenue	148,872		148,872
Due to other funds	27,651	$ 11,835	39,486
Deposits	500		500
Total Liabilities	232,383	11,835	244,218
FUND BALANCES			
Reserved for endowments		1,285,386	1,285,386
Unreserved, reported in:			
Special revenue funds	1,809,873		1,809,873
Permanent funds		27,422	27,422
Total Fund Balances	1,809,873	1,312,808	3,122,681
Total Liabilities and Fund Balances	$ 2,042,256	$ 1,324,643	$ 3,366,899

SCHEDULE A-1

TOWN OF MILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2010

	Library Fund	Impact Fees Fund	Heritage Fund	Fire Alarm Fund	Recreation Fund	Special Purpose Funds	Conservation Commission Fund	Public Safety Revolving Fund	Expendable Trust Funds	Capital Reserve Funds	Combining Totals
ASSETS											
Cash and cash equivalents	$ 106,028									$ 8,000	$ 114,028
Investments	74,380								$ 775,697	725,990	1,576,067
Accounts receivable								$ 7,665			7,665
Due from other governments						$ 33,502					33,502
Due from other funds		$ 36,149	$ 4,429	$ 229	$ 36,707	175,530	$ 57,950				310,994
Total Assets	$ 180,408	$ 36,149	$ 4,429	$ 229	$ 36,707	$ 209,032	$ 57,950	$ 7,665	$ 775,697	$ 733,990	$ 2,042,256
LIABILITIES											
Accounts payable	$ 3,293				$ 51	$ 32,044					$ 35,388
Accrued expenses	18,913				339		$ 720				19,972
Deferred revenue						148,872					148,872
Due to other funds	26,856							$ 795			27,651
Deposits					500						500
Total Liabilities	49,062	$ -	$ -	$ -	890	180,916	720	795	$ -	$ -	232,383
FUND BALANCES											
Unreserved, reported in:											
Special revenue funds	131,346	36,149	4,429	229	35,817	28,116	57,230	6,870	775,697	733,990	1,809,873
Total Fund Balances	131,346	36,149	4,429	229	35,817	28,116	57,230	6,870	775,697	733,990	1,809,873
Total Liabilities and Fund Balances	$ 180,408	$ 36,149	$ 4,429	$ 229	$ 36,707	$ 209,032	$ 57,950	$ 7,665	$ 775,697	$ 733,990	$ 2,042,256

SCHEDULE B

TOWN OF MILFORD, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Funds

For the Year Ended December 31, 2010

	Special Revenue Funds	Permanent Funds	Combining Totals
Revenues:			
Intergovernmental	$ 224,738		$ 224,738
Charges for services	284,927		284,927
Investment income	83,750	$ 143,340	227,090
Miscellaneous	180,868		180,868
Total Revenues	774,283	143,340	917,623
Expenditures:			
Current operations:			
General government	50,039	4,578	54,617
Public safety	375,773		375,773
Highways and streets	5,829		5,829
Health and welfare	41,194		41,194
Culture and recreation	817,915	10,308	828,223
Conservation	25,847		25,847
Economic development	5,400		5,400
Capital outlay	116,122		116,122
Total Expenditures	1,438,119	14,886	1,453,005
Excess of revenues over (under) expenditures	(663,836)	128,454	(535,382)
Other financing sources (uses):			
Transfers in	789,340		789,340
Transfers out	(37,813)	(32,576)	(70,389)
Total other financing sources (uses)	751,527	(32,576)	718,951
Net change in fund balances	87,691	95,878	183,569
Fund balances at beginning of year	1,722,182	1,216,930	2,939,112
Fund balances at end of year	$ 1,809,873	$ 1,312,808	$ 3,122,681

SCHEDULE B-1

TOWN OF MILFORD, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Special Revenue Funds

For the Year Ended December 31, 2010

	Library Fund	Impact Fees Fund	Heritage Fund	Fire Alarm Fund	Recreation Fund	Special Purpose Funds	Conservation Commission Fund	Public Safety Revolving Fund	Expendable Trust Funds	Capital Reserve Funds	Combining Totals
Revenues:											
Intergovernmental						$ 224,738					$ 224,738
Charges for services	$ 12,584	$ 16,621			$ 71,335			$ 184,387			284,927
Investment income	264								$ 82,242	$ 1,244	83,750
Miscellaneous	52,261				6,254	75,242	$ 24,586		22,525		180,868
Total Revenues	65,109	16,621	$ -	$ -	77,589	299,980	24,586	184,387	104,767	1,244	774,283
Expenditures:											
Current operations:											
General government						41,647			8,392		50,039
Public safety				2,025		193,184		180,564			375,773
Highways and streets						5,829					5,829
Health and welfare						41,194					41,194
Culture and recreation	718,641	3,397	36		69,734	22,090			4,017		817,915
Conservation							25,847				25,847
Economic development						5,400					5,400
Capital outlay	14,582					31,442	70,098				116,122
Total Expenditures	733,223	3,397	36	2,025	69,734	340,786	95,945	180,564	12,409	-	1,438,119
Excess of revenues over (under) expenditures	(668,114)	13,224	(36)	(2,025)	7,855	(40,806)	(71,359)	3,823	92,358	1,244	(663,836)
Other financing sources (uses):											
Transfers in	662,112					68,922	36,646			21,660	789,340
Transfers out		(34,697)			(3,116)						(37,813)
Total other financing sources (uses)	662,112	(34,697)	-	-	(3,116)	68,922	36,646	-	-	21,660	751,527
Net change in fund balances	(6,002)	(21,473)	(36)	(2,025)	4,739	28,116	(34,713)	3,823	92,358	22,904	87,691
Fund balances at beginning of year	137,348	57,622	4,465	2,254	31,078	-	91,943	3,047	683,339	711,086	1,722,182
Fund balances at end of year	$ 131,346	$ 36,149	$ 4,429	$ 229	$ 35,817	$ 28,116	$ 57,230	$ 6,870	$ 775,697	$ 733,990	$ 1,809,873