

TOWN OF MILFORD, NEW HAMPSHIRE

Financial Statements

December 31, 2011

and

Independent Auditor's Report

**TOWN OF MILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2011**

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**TOWN OF MILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2011**

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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 (the Town) as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Milford, New Hampshire'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 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, 2011, 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, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i-ix and 32-33, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Vachon Clark & Company PC

April 30, 2013

**Town of Milford, New Hampshire
Management's Discussion and Analysis
December 31, 2011**

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, 2011. 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 10-31 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 32-33 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 34-37 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 remained constant. Net assets increased by \$300 thousand for Governmental activities while the net assets decreased by \$300 thousand for Business-Type activities.

Fund Highlights

- The Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$3.7 million, an increase of \$450 thousand from the prior year.
- The total fund balance for the general fund was \$2.3 million, which represents 20.2% 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.

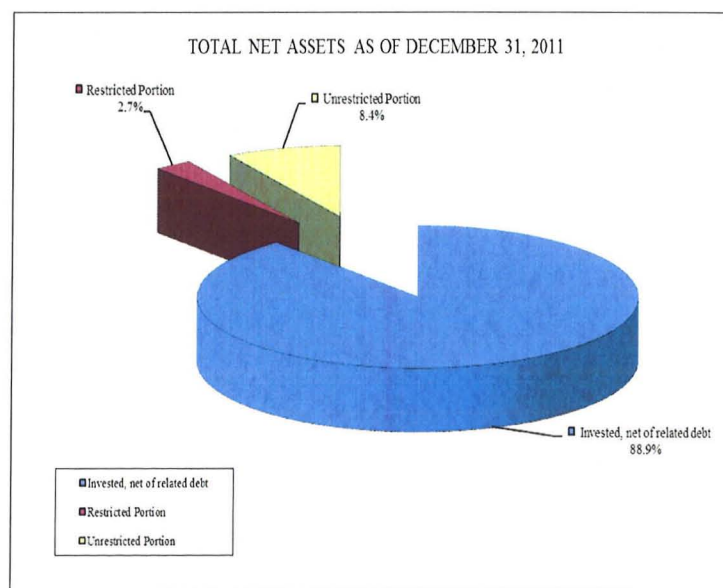
Town of Milford Government-Wide - Condensed Statement of Net Assets December 31, 2011 and 2010

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current Assets	\$ 17,041,368	\$ 1,164,837	\$ 18,206,205	\$ 16,304,846	\$ 1,295,582	\$ 17,600,428
Capital Assets	25,560,383	22,927,446	48,487,829	26,118,523	22,592,348	48,710,871
TOTAL ASSETS	<u>\$ 42,601,751</u>	<u>\$ 24,092,283</u>	<u>\$ 66,694,034</u>	<u>\$ 42,423,369</u>	<u>\$ 23,887,930</u>	<u>\$ 66,311,299</u>
LIABILITIES						
Current Liabilities	\$ 12,191,589	\$ 659,440	\$ 12,851,029	\$ 11,887,900	\$ 449,884	\$ 12,337,784
Noncurrent Liabilities	3,924,137	2,460,872	6,385,009	4,313,374	2,187,699	6,501,073
TOTAL LIABILITIES	<u>16,115,726</u>	<u>3,120,312</u>	<u>19,236,038</u>	<u>16,201,274</u>	<u>2,637,583</u>	<u>18,838,857</u>
NET ASSETS						
Invested in capital assets, net of related debt	21,670,383	20,523,879	42,194,262	21,840,345	20,231,905	42,072,250
Restricted	1,296,601	-	1,296,601	2,903,163	-	2,903,163
Unrestricted	3,519,041	448,092	3,967,133	1,478,587	1,018,442	2,497,029
TOTAL NET ASSETS	<u>\$ 26,486,025</u>	<u>\$ 20,971,971</u>	<u>\$ 47,457,996</u>	<u>\$ 26,222,095</u>	<u>\$ 21,250,347</u>	<u>\$ 47,472,442</u>

The Town's combined net assets are \$47.5 million of which approximately \$26.5 million represents governmental activities and the remaining \$21.0 million relates to business-type activities.

As depicted in the chart to the right, the largest portion of the Town's net assets, \$42.2 million (88.9%), 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, \$1.3 million (2.7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$4.0 million (8.4%), 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 \$3.5 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 \$210 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 \$448 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, 2011 and 2010

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,095,930	\$ 2,784,222	\$ 3,880,152	\$ 956,997	\$ 2,799,661	\$ 3,756,658
Operating grants and contributions	453,088		453,088	501,856		501,856
Capital grants and contributions	31,875		31,875	154,385	17,100	171,485
General Revenues:						
Property and other taxes	7,620,206		7,620,206	7,509,096		7,509,096
Licenses and permits	2,191,537		2,191,537	2,158,420		2,158,420
Grants and contributions	679,838		679,838	676,405		676,405
Interest and investment earnings (losses)	57,231	404	57,635	238,794	1,081	239,875
Miscellaneous	412,104	7,993	420,097	313,670	19,725	333,395
TOTAL REVENUES	<u>12,541,809</u>	<u>2,792,619</u>	<u>15,334,428</u>	<u>12,509,623</u>	<u>2,837,567</u>	<u>15,347,190</u>
EXPENSES:						
Program Expenses:						
General government	4,255,882		4,255,882	4,093,302		4,093,302
Public safety	3,975,975		3,975,975	4,122,004		4,122,004
Highways and streets	1,508,635		1,508,635	1,442,509		1,442,509
Health and welfare	306,944		306,944	283,384		283,384
Sanitation	686,600		686,600	746,113		746,113
Culture and recreation	1,355,368		1,355,368	1,196,238		1,196,238
Economic development	5,853		5,853	5,400		5,400
Interest and fiscal charges	182,622		182,622	202,783		202,783
Water and sewer		3,070,995	3,070,995		3,083,177	3,083,177
TOTAL EXPENSES	<u>12,277,879</u>	<u>3,070,995</u>	<u>15,348,874</u>	<u>12,091,733</u>	<u>3,083,177</u>	<u>15,174,910</u>
Excess/(Deficiency) before transfers	263,930	(278,376)	(14,446)	417,890	(245,610)	172,280
Transfers	-	-	-	(3,654)	3,654	-
Increase/(Decrease) in net assets	\$ 263,930	\$ (278,376)	\$ (14,446)	\$ 414,236	\$ (241,956)	\$ 172,280
Net Assets - Beginning (as restated)	26,222,095	21,250,347	47,472,442	25,807,859	21,492,303	47,300,162
Net Assets - End of the year	<u>\$ 26,486,025</u>	<u>\$ 20,971,971</u>	<u>\$ 47,457,996</u>	<u>\$ 26,222,095</u>	<u>\$ 21,250,347</u>	<u>\$ 47,472,442</u>

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 decreased by \$14 thousand in the current year.

GOVERNMENTAL ACTIVITIES:

Governmental activities increased the Town's net assets by \$264 thousand. Key factors of this increase are as follows:

General Fund expenses over revenues	455,816
Other Governmental Funds revenues over expenses	203
Decrease in capital assets net of related depreciation	(488,414)
Loss on the sale/disposal of capital assets	(86,006)
Donated capital assets and trade-ins	16,280
60-day tax deferral	(58,110)
Payment of debt service principal	423,178
Payment of interest as accrued rather than expensed	6,746
Change in accrued compensated absences	(5,763)
TOTAL	<u>\$ 263,930</u>

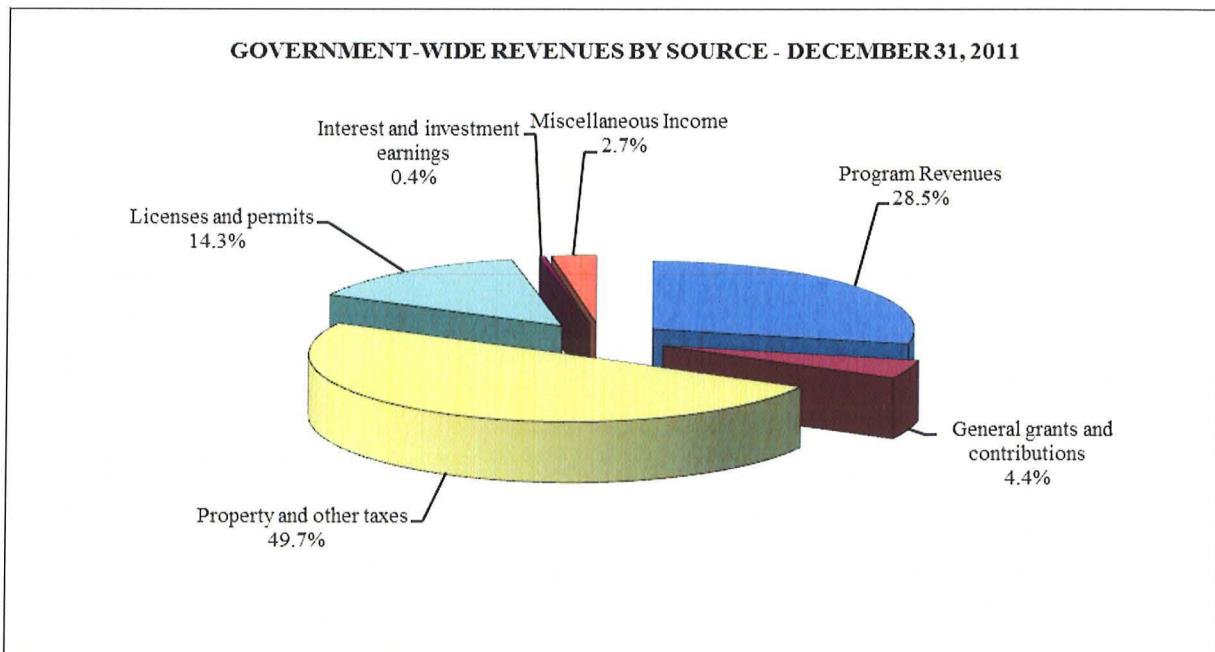
BUSINESS-TYPE ACTIVITIES:

Business-type activities decreased the Town's net assets by \$278 thousand, due mainly to sewer operating expenses in excess of operating revenues by \$480 thousand. The following is a summary of the activity by fund:

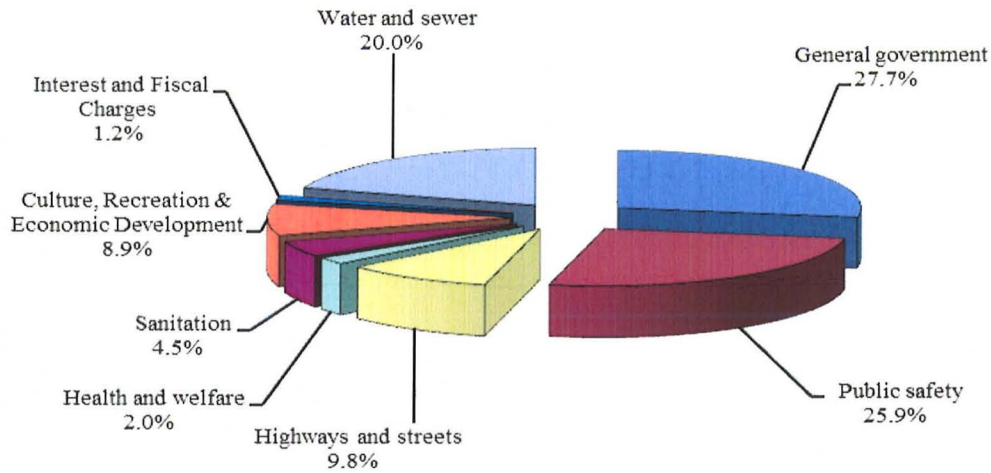
Water Fund	\$ 215,888
Sewer Fund	<u>(494,264)</u>
	<u>\$ (278,376)</u>

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.



GOVERNMENT-WIDE EXPENDITURES BY FUNCTION - DECEMBER 31, 2011



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, unassigned 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 \$3.7 million, an increase of \$450 thousand in comparison with the prior year. \$235 thousand of the \$3.7 million in fund balance is unassigned. The remaining \$3.5 million is non-spendable, restricted, committed or assigned.

The General Fund is the chief operating fund of the Town. At the end of the year, unassigned fund balance of the General Fund was \$235 thousand, while total fund balance was \$2.3 million.

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 5-7.

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 \$104 thousand and can be summarized as follows:

Actual revenues and other financing sources were less than budgetary estimates by \$216 thousand. This was primarily due to state revenues and motor vehicle fees revenues were less than anticipated.

Actual expenditures were below (favorable) final budgeted amounts by approximately \$320 thousand mainly due to forced savings in expenditures precipitated by the lack of state revenue and elimination of the state's retirement contribution.

A budget to actual comparison for the General Fund can be found on Schedule 1 located on page 32.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities totals \$48.5 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 \$200 thousand 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, 2011 and 2010
(Net of Depreciation)

	2011			2010		
	Governmental Activities	Business-type Activities	Total Combined	Governmental Activities	Business-type Activities	Total Combined
Land & Land Improvements	\$ 13,569,223	\$ 211,440	\$ 13,780,663	\$ 13,526,920	\$ 212,656	\$ 13,739,576
Buildings & Building Improvements	4,708,815	9,638,308	14,347,123	4,940,690	9,824,493	14,765,183
Vehicles and Equipment	1,371,707	1,639,976	3,011,683	1,695,982	1,795,404	3,491,386
Infrastructure	5,214,336	10,338,183	15,552,519	5,299,699	10,264,775	15,564,474
Intangible	131,049	54,636	185,685	131,049	54,636	185,685
Construction in Process	565,253	1,044,903	1,610,156	524,183	440,384	964,567
Totals	\$ 25,560,383	\$ 22,927,446	\$ 48,487,829	\$ 26,118,523	\$ 22,592,348	\$ 48,710,871

Additional information on the Town's capital assets can be found on pages 21-23 of the notes to the financial statements of this report.

Debt Administration

At year-end, the Town had \$6.7 million of total debt outstanding versus \$6.8 million in the prior year - a decrease of \$100 thousand. Of this amount, \$6.3 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 \$38 thousand.

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

Town of Milford
Table 4 - Outstanding Debt
December 31, 2011 and 2010

	2011			2010		
	Governmental Activities	Business-type Activities	Total Combined	Governmental Activities	Business-type Activities	Total Combined
General Obligation Bonds	\$ 4,100,000	\$ 2,576,136	\$ 6,676,136	\$ 4,495,000	\$ 2,305,000	\$ 6,800,000
Capital Leases	-	37,643	37,643	28,178	55,443	83,621
Total Debt Outstanding	\$ 4,100,000	\$ 2,613,779	\$ 6,713,779	\$ 4,523,178	\$ 2,360,443	\$ 6,883,621
Less current portion:						
Amounts due within one year	(395,000)	(198,473)	(593,473)	(423,178)	(207,800)	(630,978)
Total Long Term Debt	\$ 3,705,000	\$ 2,415,306	\$ 6,120,306	\$ 4,100,000	\$ 2,152,643	\$ 6,252,643

\$460 thousand was added to long term debt in business-type activities for a draw down on a State of New Hampshire Water Pollution Control Revolving Loan Fund for a Wastewater Treatment Septage Receiving Facility project scheduled to be completed in 2012.

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, 2011 was \$1.3 billion. The Town's outstanding general obligation debt of \$6.3 million is significantly below the state 3% calculated debt limit of \$38.2 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, 2011 was 5.1% and the average unemployment rate for the State of New Hampshire was 4.9% which compared favorably with the national unemployment rate of 8.3%.

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 2.9% in comparison with the national index of 3.0%.

Source: U.S. Bureau of Labor Statistics

The Town completed the process of a Town-wide revaluation in 2011. 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 will be completed in 2016.

The operating budget for the General Fund in 2012 increased by 2.4% while facing impacts 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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,847,854	\$ 11,000	\$ 11,858,854
Investments	2,337,470	555,957	2,893,427
Taxes receivable, net	2,111,859		2,111,859
Accounts receivable, net	296,604	281,185	577,789
Unbilled charges for services		374,673	374,673
Due from other governments	64,896	221,742	286,638
Internal balances	361,807	(361,807)	-
Prepaid expenses	20,878		20,878
Inventory		82,087	82,087
Total Current Assets	<u>17,041,368</u>	<u>1,164,837</u>	<u>18,206,205</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	13,361,991	1,288,431	14,650,422
Depreciable capital assets, net	<u>12,198,392</u>	<u>21,639,015</u>	<u>33,837,407</u>
Total Noncurrent Assets	<u>25,560,383</u>	<u>22,927,446</u>	<u>48,487,829</u>
Total Assets	<u>\$ 42,601,751</u>	<u>\$ 24,092,283</u>	<u>\$ 66,694,034</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 232,273	\$ 347,912	\$ 580,185
Accrued expenses	338,840	67,507	406,347
Retainage payable	4,500	45,371	49,871
Deferred revenue	128,822		128,822
Due to other governments	11,078,179		11,078,179
Deposits	13,975	177	14,152
Current portion of bonds payable	395,000	180,000	575,000
Current portion of capital leases payable		18,473	18,473
Total Current Liabilities	<u>12,191,589</u>	<u>659,440</u>	<u>12,851,029</u>
Noncurrent Liabilities:			
Bonds payable	3,705,000	1,935,000	5,640,000
Capital leases payable		19,170	19,170
Other long-term obligations		461,136	461,136
Compensated absences payable	<u>219,137</u>	<u>45,566</u>	<u>264,703</u>
Total Noncurrent Liabilities	<u>3,924,137</u>	<u>2,460,872</u>	<u>6,385,009</u>
Total Liabilities	<u>16,115,726</u>	<u>3,120,312</u>	<u>19,236,038</u>
NET ASSETS			
Invested in capital assets, net of related debt	21,670,383	20,523,879	42,194,262
Restricted	1,296,601		1,296,601
Unrestricted	<u>3,519,041</u>	<u>448,092</u>	<u>3,967,133</u>
Total Net Assets	<u>26,486,025</u>	<u>20,971,971</u>	<u>47,457,996</u>
Total Liabilities and Net Assets	<u>\$ 42,601,751</u>	<u>\$ 24,092,283</u>	<u>\$ 66,694,034</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 4,255,882	\$ 69,350	\$ 64,483		\$ (4,122,049)		\$ (4,122,049)
Public safety	3,975,975	715,514	67,963	\$ 29,325	(3,163,173)		(3,163,173)
Highways and streets	1,508,635	9,125	320,642	2,550	(1,176,318)		(1,176,318)
Health and welfare	306,944	4,421			(302,523)		(302,523)
Sanitation	686,600	178,127			(508,473)		(508,473)
Culture and recreation	1,327,285	119,393			(1,207,892)		(1,207,892)
Conservation	28,083				(28,083)		(28,083)
Economic development	5,853				(5,853)		(5,853)
Debt service	182,622				(182,622)		(182,622)
Total governmental activities	<u>12,277,879</u>	<u>1,095,930</u>	<u>453,088</u>	<u>31,875</u>	<u>(10,696,986)</u>	<u>\$ -</u>	<u>(10,696,986)</u>
Business-type activities:							
Water Department	1,182,049	1,394,555				212,506	212,506
Sewer Department	1,888,946	1,389,667				(499,279)	(499,279)
Total business-type activities	<u>3,070,995</u>	<u>2,784,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(286,773)</u>	<u>(286,773)</u>
Total primary government	<u>\$ 15,348,874</u>	<u>\$ 3,880,152</u>	<u>\$ 453,088</u>	<u>\$ 31,875</u>	<u>(10,696,986)</u>	<u>(286,773)</u>	<u>(10,983,759)</u>
General revenues:							
Property and other taxes					7,620,206		7,620,206
Licenses and permits					2,191,537		2,191,537
Grants and contributions:							
Rooms and meals tax distribution					675,192		675,192
Railroad tax					1,053		1,053
State and federal forest land					3,593		3,593
Interest and investment earnings					57,231	404	57,635
Miscellaneous					412,104	7,993	420,097
Total general revenues					<u>10,960,916</u>	<u>8,397</u>	<u>10,969,313</u>
Change in net assets					263,930	(278,376)	(14,446)
Net assets - beginning (as restated)					<u>26,222,095</u>	<u>21,250,347</u>	<u>47,472,442</u>
Net assets - ending					<u>\$ 26,486,025</u>	<u>\$ 20,971,971</u>	<u>\$ 47,457,996</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF MILFORD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2011

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 11,831,854	\$ 16,000	\$ 11,847,854
Investments	1,028,902	1,308,568	2,337,470
Taxes receivable, net	2,111,859		2,111,859
Accounts receivable, net	231,233	65,371	296,604
Due from other governments		64,896	64,896
Due from other funds	394,414	65,491	459,905
Prepaid expenses	20,878		20,878
Total Assets	<u>\$ 15,619,140</u>	<u>\$ 1,520,326</u>	<u>\$ 17,139,466</u>
LIABILITIES			
Accounts payable	\$ 229,719	\$ 2,554	\$ 232,273
Accrued expenses	277,369	680	278,049
Retainage payable	4,500		4,500
Deferred revenue	1,632,078	72,790	1,704,868
Due to other governments	11,077,068	1,111	11,078,179
Due to other funds	65,491	32,607	98,098
Deposits	13,475	500	13,975
Total Liabilities	<u>13,299,700</u>	<u>110,242</u>	<u>13,409,942</u>
FUND BALANCES			
Nonspendable	20,878	1,255,962	1,276,840
Restricted		40,639	40,639
Committed	1,698,128	113,483	1,811,611
Assigned	365,073		365,073
Unassigned	235,361		235,361
Total Fund Balances	<u>2,319,440</u>	<u>1,410,084</u>	<u>3,729,524</u>
Total Liabilities and Fund Balances	<u>\$ 15,619,140</u>	<u>\$ 1,520,326</u>	
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			25,560,383
Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis			1,576,046
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			(4,100,000)
Accrued interest on long-term obligations			(60,791)
Compensated absences payable			(219,137)
Net assets of governmental activities			<u>\$ 26,486,025</u>

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, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 7,678,316		\$ 7,678,316
Licenses and permits	2,064,814	\$ 126,723	2,191,537
Intergovernmental	1,045,656	109,365	1,155,021
Charges for services	773,652	298,119	1,071,771
Investment income	33,968	23,263	57,231
Miscellaneous	307,348	134,815	442,163
Total Revenues	<u>11,903,754</u>	<u>692,285</u>	<u>12,596,039</u>
Expenditures:			
Current operations:			
General government	3,930,390	62,824	3,993,214
Public safety	3,600,346	255,103	3,855,449
Highways and streets	1,207,362	39,668	1,247,030
Health and welfare	279,107	26,910	306,017
Sanitation	653,980	3,437	657,417
Culture and recreation	1,093,313	203,748	1,297,061
Conservation	30,857		30,857
Economic development		5,853	5,853
Capital outlay	40,037	94,539	134,576
Debt service:			
Principal retirement	423,178		423,178
Interest and fiscal charges	189,368		189,368
Total Expenditures	<u>11,447,938</u>	<u>692,082</u>	<u>12,140,020</u>
Excess of revenues over expenditures	<u>455,816</u>	<u>203</u>	<u>456,019</u>
Other financing sources (uses):			
Transfers in	17,361	26,826	44,187
Transfers out	(7,482)	(36,705)	(44,187)
Total other financing sources (uses)	<u>9,879</u>	<u>(9,879)</u>	<u>-</u>
Net change in fund balances	465,695	(9,676)	456,019
Fund balances at beginning of year, as restated	<u>1,853,745</u>	<u>1,419,760</u>	<u>3,273,505</u>
Fund balances at end of year	<u>\$ 2,319,440</u>	<u>\$ 1,410,084</u>	<u>\$ 3,729,524</u>

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, 2011

Net Change in Fund Balances--Total Governmental Funds	\$ 456,019
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.	(488,414)
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.	(86,006)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(41,830)
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.	423,178
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.	6,746
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.	(5,763)
Change in Net Assets of Governmental Activities	<u>\$ 263,930</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2011

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,000		\$ 11,000
Investments	195,498	\$ 360,459	555,957
Accounts receivable	126,176	155,009	281,185
Unbilled charges for services	179,140	195,533	374,673
Due from other governments		221,742	221,742
Inventory	38,510	43,577	82,087
Total Current Assets	<u>550,324</u>	<u>976,320</u>	<u>1,526,644</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	633,976	654,455	1,288,431
Depreciable capital assets, net	<u>7,937,777</u>	<u>13,701,238</u>	<u>21,639,015</u>
Total Noncurrent Assets	<u>8,571,753</u>	<u>14,355,693</u>	<u>22,927,446</u>
Total Assets	<u>\$ 9,122,077</u>	<u>\$ 15,332,013</u>	<u>\$ 24,454,090</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 38,054	\$ 309,858	\$ 347,912
Accrued expenses	39,833	27,674	67,507
Retainage payable	5,023	40,348	45,371
Due to other funds	100,682	261,125	361,807
Deposits		177	177
Current portion of bonds payable	160,000	20,000	180,000
Current portion of capital lease payable		18,473	18,473
Total Current Liabilities	<u>343,592</u>	<u>677,655</u>	<u>1,021,247</u>
Noncurrent Liabilities:			
Bonds payable	1,715,000	220,000	1,935,000
Capital lease payable		19,170	19,170
Other long-term obligations		461,136	461,136
Compensated absences payable	<u>14,114</u>	<u>31,452</u>	<u>45,566</u>
Total Noncurrent Liabilities	<u>1,729,114</u>	<u>731,758</u>	<u>2,460,872</u>
Total Liabilities	<u>2,072,706</u>	<u>1,409,413</u>	<u>3,482,119</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,696,753	13,827,126	20,523,879
Unrestricted	<u>352,618</u>	<u>95,474</u>	<u>448,092</u>
Total Net Assets	<u>7,049,371</u>	<u>13,922,600</u>	<u>20,971,971</u>
Total Liabilities and Net Assets	<u>\$ 9,122,077</u>	<u>\$ 15,332,013</u>	<u>\$ 24,454,090</u>

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, 2011

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 1,394,555	\$ 1,389,667	\$ 2,784,222
Miscellaneous	3,227	4,766	7,993
Total operating revenues	<u>1,397,782</u>	<u>1,394,433</u>	<u>2,792,215</u>
Operating expenses:			
Personnel services	276,506	673,866	950,372
Contractual services	398,709	356,042	754,751
Materials and supplies	149,098	245,759	394,857
Miscellaneous expenses	1,749	5,359	7,108
Depreciation	246,946	593,590	840,536
Total operating expenses	<u>1,073,008</u>	<u>1,874,616</u>	<u>2,947,624</u>
Operating income (loss)	<u>324,774</u>	<u>(480,183)</u>	<u>(155,409)</u>
Non-operating revenues (expenses):			
Loss on sale of assets	(24,525)		(24,525)
Interest income	155	249	404
Interest expense	(84,516)	(14,330)	(98,846)
Net non-operating revenues (expenses)	<u>(108,886)</u>	<u>(14,081)</u>	<u>(122,967)</u>
Change in net assets	215,888	(494,264)	(278,376)
Total net assets at beginning of year, as restated	<u>6,833,483</u>	<u>14,416,864</u>	<u>21,250,347</u>
Total net assets at end of year	<u>\$ 7,049,371</u>	<u>\$ 13,922,600</u>	<u>\$ 20,971,971</u>

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, 2011

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,406,166	\$ 1,411,719	\$ 2,817,885
Cash paid to suppliers	(530,791)	(718,583)	(1,249,374)
Cash paid to employees	(276,506)	(673,866)	(950,372)
Net cash provided by operating activities	<u>598,869</u>	<u>19,270</u>	<u>618,139</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(400,580)	(468,250)	(868,830)
Proceeds from other long-term obligations		250,924	250,924
Principal paid on long-term debt	(170,000)	(37,800)	(207,800)
Interest paid on long-term debt	(87,392)	(15,135)	(102,527)
Net cash (used) for capital and related financing activities	<u>(657,972)</u>	<u>(270,261)</u>	<u>(928,233)</u>
Cash flows from investing activities:			
Investments redeemed	76,759		76,759
Interest on investments	155		155
Net cash provided by investing activities	<u>76,914</u>	<u>-</u>	<u>76,914</u>
Net increase (decrease) in cash and cash equivalents	17,811	(250,991)	(233,180)
Cash and cash equivalents (deficiency) at beginning of year	(107,493)	(10,134)	(117,627)
Cash and cash equivalents (deficiency) at end of year	<u>\$ (89,682)</u>	<u>\$ (261,125)</u>	<u>\$ (350,807)</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 324,774	\$ (480,183)	\$ (155,409)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	246,946	593,590	840,536
Changes in assets and liabilities:			
Accounts receivable	(142)	(19,188)	(19,330)
Unbilled charges for services	8,526	8,751	17,277
Due from other governments		27,723	27,723
Inventory	4,723	874	5,597
Accounts payable	14,634	(14,456)	178
Accrued expenses	(185)	1,566	1,381
Retainage payable	(7,246)		(7,246)
Deposits		(38)	(38)
Due to other governments		(103,040)	(103,040)
Compensated absences payable	6,839	3,671	10,510
Net cash provided by operating activities	<u>\$ 598,869</u>	<u>\$ 19,270</u>	<u>\$ 618,139</u>
Noncash transactions affecting financial position:			
Capital asset additions included in year end liabilities		\$ 331,329	\$ 331,329
Cost basis of disposed capital assets	\$ 142,173		142,173
	<u>\$ 142,173</u>	<u>\$ 331,329</u>	<u>\$ 473,502</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

	Private- Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 78,842
Investments	\$ 2,941,883	
Total assets	<u>\$ 2,941,883</u>	<u>\$ 78,842</u>
LIABILITIES		
Due to developers		\$ 78,842
Total liabilities	<u>\$ -</u>	<u>\$ 78,842</u>
NET ASSETS		
Held in trust	<u>2,941,883</u>	
Total net assets	<u>\$ 2,941,883</u>	

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, 2011

	Private- Purpose Trust <u>Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 13,267
Total Contributions	<u>13,267</u>
Investment earnings:	
Investment income	183,888
Net decrease in the fair value of investments	<u>(156,651)</u>
Total Investment Earnings	27,237
Less: Investment expense	<u>(15,456)</u>
Net Investment Earnings	<u>11,781</u>
Total Additions	<u>25,048</u>
DEDUCTIONS:	
Benefits	<u>65,068</u>
Total Deductions	<u>65,068</u>
Change in Net Assets	(40,020)
Net assets - beginning of year	<u>2,981,903</u>
Net assets - end of year	<u>\$ 2,941,883</u>

See accompanying notes to the basic financial statements

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2011

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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, respectively.

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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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.

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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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 its 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:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 11,000		\$ 11,000
Due to other funds	<u>(100,682)</u>	\$ (261,125)	<u>(361,807)</u>
Total cash and cash equivalents	<u>\$ (89,682)</u>	<u>\$ (261,125)</u>	<u>\$ (350,807)</u>

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, 2011 are recorded as receivables net of reserves for estimated uncollectibles of \$381,428.

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$531,640 in the General Fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2011 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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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:

<u>Description</u>	<u>Years</u>
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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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 Policy

During the year ended December 31, 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changes the definition of the governmental fund types. Under Statement 54, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts that can only be spent for the specific purposes stipulated by external resource providers or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation.
- *Committed Fund Balance*: Includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (the annual Town Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's action must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts the Town intends to use for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "Assigned". The Selectmen expressly delegates this authority to the Town Administrator. Items that would fall under this classification would be encumbrances.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as unassigned.

Spending Prioritizations

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Deficit Fund Balance

At year end, if any of the special revenue funds has a deficit unassigned fund balance, the Board of Selectmen is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

Minimum Level of Unassigned Fund Balance

As recommended by the New Hampshire Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-15% of the total annual appropriations of the community (which includes Town, County, and School District).

Interfund Activity

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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 3—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,271,676,126 as of April 1, 2011) and are due in two installments on July 2, 2011 and December 2, 2011. 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 may be 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 \$22,393,675 and \$1,488,483 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, 2011, 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, 2011.

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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 11,858,854
Investments	2,893,427
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	78,842
Investments	2,941,883
Total deposits and investments	<u>\$ 17,773,006</u>

Deposits and investments at December 31, 2011 consist of the following:

Cash on hand	\$ 28,440
Deposits with financial institutions	12,664,056
Investments	5,080,510
Total deposits and investments	<u>\$ 17,773,006</u>

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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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:

<u>Investment Type</u>		<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
Government agency bonds	\$ 46,864	\$ 10,305	\$ 7,652	\$ 28,907
Municipal bonds	119,356			119,356
Corporate bonds	912,159	50,046	804,561	57,552
	<u>\$ 1,078,379</u>	<u>\$ 60,351</u>	<u>\$ 812,213</u>	<u>\$ 205,815</u>

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						
		Government			Money		State	
		Agency	Municipal	Corporate	Market	Mutual	Investment	
		<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Funds</u>	<u>Funds</u>	<u>Pool</u>	<u>Totals</u>
Ratings as of Year End	Aaa	\$ 39,212		\$ 50,880				\$ 90,092
	Aa1		\$ 119,356	26,897				146,253
	Aa2			183,875				183,875
	A1			180,814				180,814
	A2			342,789				342,789
	A3			94,578				94,578
	Baa1			32,326				32,326
	Not Rated	7,652			\$ 188,209	\$ 873,386	\$ 44,522	1,113,769
Fair Value	\$ 46,864	\$ 119,356	\$ 912,159	\$ 188,209	\$ 873,386	\$ 44,522	\$ 2,184,496	

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, \$400,922 was collateralized by securities held by the bank in the bank's name. As of December 31, 2011, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury obligations	\$ 114,742
Equity securities	2,781,272
Government agency bonds	46,864
Municipal bonds	119,356
Corporate bonds	912,159
Money market funds	188,209
Mutual funds	873,386
	<u>\$ 5,035,988</u>

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, 2011 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 - FEMA Safer Grant	\$ 18,650
State of New Hampshire - Dam Feasibility Grant	9,339
State of New Hampshire - Highway Safety Grant	1,037
NH DOT - Oval Improvement Grant	3,151
NH DOT - South Street Grant	27,234
Manchester Police Department - JAG Grant	5,485
Business-type activities:	
Town of Wilton, New Hampshire	11,530
State Revolving Loan Fund - Septage Receiving Facility	210,212
	<u>\$ 286,638</u>

NOTE 7—CAPITAL ASSETS

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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

	Balance 1/1/2011	Additions	Reductions	Balance 12/31/2011
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 12,635,689	\$ 30,000		\$ 12,665,689
Intangible assets	131,049			131,049
Construction in process	524,183	225,676	\$ (184,606)	565,253
Total capital assets not being depreciated	<u>13,290,921</u>	<u>255,676</u>	<u>(184,606)</u>	<u>13,361,991</u>
Other capital assets:				
Infrastructure	6,598,457	239,502		6,837,959
Land improvements	1,982,394	104,811		2,087,205
Buildings and improvements	7,726,342	22,285	(77,311)	7,671,316
Vehicles and equipment	5,423,303	90,225	(67,474)	5,446,054
Intangible assets	189,762			189,762
Total other capital assets at historical cost	<u>21,920,258</u>	<u>456,823</u>	<u>(144,785)</u>	<u>22,232,296</u>
Less accumulated depreciation for:				
Infrastructure	(1,298,758)	(324,865)		(1,623,623)
Land improvements	(1,091,163)	(92,508)		(1,183,671)
Buildings and improvements	(2,785,651)	(196,822)	19,972	(2,962,501)
Vehicles and equipment	(3,727,322)	(385,832)	38,807	(4,074,347)
Intangible assets	(189,762)			(189,762)
Total accumulated depreciation	<u>(9,092,656)</u>	<u>(1,000,027)</u>	<u>58,779</u>	<u>(10,033,904)</u>
Total other capital assets, net	<u>12,827,602</u>	<u>(543,204)</u>	<u>(86,006)</u>	<u>12,198,392</u>
Total capital assets, net	<u>\$ 26,118,523</u>	<u>\$ (287,528)</u>	<u>\$ (270,612)</u>	<u>\$ 25,560,383</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 239,665
Public safety	259,350
Highways and streets	422,288
Sanitation	28,648
Culture and recreation	50,076
Total governmental activities depreciation expense	<u>\$ 1,000,027</u>

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

	Balance 1/1/2011	Additions	Reductions	Balance 12/31/2011
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 188,892			\$ 188,892
Intangible assets	54,636			54,636
Construction in process	440,384	\$ 604,519		1,044,903
Total capital assets not being depreciated	<u>683,912</u>	<u>604,519</u>	<u>\$ -</u>	<u>1,288,431</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Other capital assets:

Infrastructure	13,674,239	338,511	(142,173)	13,870,577
Land improvements	56,757			56,757
Buildings and improvements	21,110,241	257,129		21,367,370
Vehicles and equipment	2,954,008			2,954,008
Total other capital assets at historical cost	<u>37,795,245</u>	<u>595,640</u>	<u>(142,173)</u>	<u>38,248,712</u>
Less accumulated depreciation for:				
Infrastructure	(3,409,464)	(240,578)	117,648	(3,532,394)
Land improvements	(32,993)	(1,216)		(34,209)
Buildings and improvements	(11,285,748)	(443,314)		(11,729,062)
Vehicles and equipment	(1,158,604)	(155,428)		(1,314,032)
Total accumulated depreciation	<u>(15,886,809)</u>	<u>(840,536)</u>	<u>117,648</u>	<u>(16,609,697)</u>
Total other capital assets, net	<u>21,908,436</u>	<u>(244,896)</u>	<u>(24,525)</u>	<u>21,639,015</u>
Total capital assets, net	<u>\$ 22,592,348</u>	<u>\$ 359,623</u>	<u>\$ (24,525)</u>	<u>\$ 22,927,446</u>

Depreciation expense was charged to proprietary funds as follows:

Water Fund	\$ 246,946
Sewer Fund	593,590
	<u>\$ 840,536</u>

The balance of the asset acquired through capital lease in the proprietary funds as of December 31, 2011 is as follows:

Vehicles and equipment	\$ 92,490
Less: Accumulated depreciation	(24,664)
	<u>\$ 67,826</u>

NOTE 8—DUE TO OTHER GOVERNMENTS

Payables to other governments at December 31, 2011, consists 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	\$ 11,075,675
State of New Hampshire - Town clerk fees	1,393
Impact fees to Milford School District	1,111
	<u>\$ 11,078,179</u>

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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, through June 30, 2011. Effective July 1, 2011 covered police officers, firefighters, and general employees are required to contribute 11.55%, 11.8% and 7.0%, respectively. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, firefighters, and general employees were 14.63%, 18.52% and 9.16%, respectively through June 30, 2011, 25.57%, 30.9% and 11.09%, respectively, in July 2011, and 19.95%, 22.89% and 8.8%, respectively, thereafter. The Town contributed 75% of the employer cost for public safety officers employed by the Town and the State contributed the remaining 25% of the employer cost, through June 30, 2011, and the Town contributed 100% of the employer cost 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 \$38,525 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, 2011, 2010, and 2009 were \$624,417, \$569,565, and \$544,296, 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, 2011 are as follows:

	Balance 1/1/2011	Additions	Reductions	Balance 12/31/2011	Due Within One Year
Governmental activities:					
Bonds payable	\$ 4,495,000		\$ (395,000)	\$ 4,100,000	\$ 395,000
Capital leases payable	28,178		(28,178)	-	-
Compensated absences payable	213,374	\$ 48,442	(42,679)	219,137	-
Total governmental activities	<u>\$ 4,736,552</u>	<u>\$ 48,442</u>	<u>\$ (465,857)</u>	<u>\$ 4,319,137</u>	<u>\$ 395,000</u>
Business-type activities:					
Bonds payable	\$ 2,305,000		\$ (190,000)	\$ 2,115,000	\$ 180,000
Capital lease payable	55,443		(17,800)	37,643	18,473
Other long-term obligations	-	\$ 461,136		461,136	-
Compensated absences payable	35,056	15,421	(4,911)	45,566	-
Total business-type activities	<u>\$ 2,395,499</u>	<u>\$ 476,557</u>	<u>\$ (212,711)</u>	<u>\$ 2,659,345</u>	<u>\$ 198,473</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, 2011 are comprised of the following individual issues:

	Interest Rate	Final Maturity Date	Balance at 12/31/2011
Governmental Activities:			
Water Main Extension	4.70-5.30%	8/2017	\$ 210,000
Brox Property Purchase	5.0-5.25%	7/2015	360,000
Police Station	3.70-4.50%	9/2024	1,950,000
Milesip Road Land	4.0-4.25%	8/2025	1,580,000
Total governmental activities			<u>\$ 4,100,000</u>
Business-type Activities:			
<i>Water Fund:</i>			
Water Main Extension	4.125-4.75%	8/2016	\$ 200,000
Storage Tank	4.0-4.25%	8/2025	1,120,000
Elm Street Phase I	4.0-5.0%	8/2026	555,000
			<u>1,875,000</u>
<i>Sewer Fund:</i>			
Outfall Diffuser	4.0-5.0%	8/2026	240,000
			<u>240,000</u>
Total business-type activities			<u>\$ 2,115,000</u>

Debt service requirements to retire general obligation bonds for governmental activities at December 31, 2011 are as follows:

Year Ending December 31,	Principal	Interest	Totals
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	305,000	104,195	409,195
2017-2021	1,385,000	344,530	1,729,530
2022-2025	830,000	73,500	903,500
	<u>\$ 4,100,000</u>	<u>\$ 1,107,679</u>	<u>\$ 5,207,679</u>

As included on the Statement of Activities (Exhibit B), interest expense for the year ended December 31, 2011 was \$181,617 on general obligation debt for governmental activities.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Debt service requirements to retire general obligation bonds for business-type activities at December 31, 2011 are as follows:

Water Fund:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	160,000	53,287	213,287
2017-2021	580,000	181,250	761,250
2022-2026	495,000	58,398	553,398
	<u>\$ 1,875,000</u>	<u>\$ 569,905</u>	<u>\$ 2,444,905</u>

Sewer Fund:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	15,000	7,811	22,811
2017-2021	75,000	28,200	103,200
2022-2026	75,000	10,628	85,628
	<u>\$ 240,000</u>	<u>\$ 86,883</u>	<u>\$ 326,883</u>

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, 2011 was \$98,846 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 business-type activities at December 31, 2011:

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at 12/31/2011</u>
Business-type Activities:			
<i>Sewer Fund:</i>			
Equipment	3.71%	5/2013	<u>\$ 37,643</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Debt service requirements to retire the capital lease obligation outstanding for business-type activities at December 31, 2011 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 18,473	\$ 1,421	\$ 19,894
2013	19,170	724	19,894
	<u>\$ 37,643</u>	<u>\$ 2,145</u>	<u>\$ 39,788</u>

Other Long-Term Obligations

The Town has drawn \$461,136 of approximately \$1,199,690 in funds under the State of New Hampshire, Water Pollution Control Revolving Loan Fund Program for improvements to the Wastewater Treatment Facility Septage Receiving Facility Project. Payments are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the construction project within the following year.

As authorized by the American Recovery and Reinvestment Act, the Town shall be provided federal financial assistance for the above Wastewater Treatment Facility Project, whereby a portion of the principal sum, not to exceed \$594,138 or 50% of aggregate disbursements, whichever is less, will be forgiven. The principal forgiveness will be applied at the time of each loan repayment over a period not to exceed 20 years.

Authorized and Unissued Debt

As of December 31, 2011, the Town had the following debt authorized and unissued:

Business-type Activities:

Water Fund:

Curtis Well Facility Improvements	\$ 295,000
Union Street Water Main Replacement	246,000

Sewer Fund:

Sewer Upgrade Project	1,199,690
Sewer System Rehabilitation	270,000
Total authorized and unissued debt	<u>\$ 2,010,690</u>

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, 2011 are as follows:

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

	Due from				Totals
	General Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	
Due to General Fund		\$ 32,607	\$ 100,682	\$ 261,125	\$ 394,414
Nonmajor Governmental Funds	\$ 65,491				65,491
	<u>\$ 65,491</u>	<u>\$ 32,607</u>	<u>\$ 100,682</u>	<u>\$ 261,125</u>	<u>\$ 459,905</u>

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, 2011 are as follows:

	Transfer from		
	General Fund	Nonmajor Governmental Funds	Totals
Transfer to General Fund		\$ 17,361	\$ 17,361
Nonmajor Governmental Funds	\$ 7,482	19,344	26,826
	<u>\$ 7,482</u>	<u>\$ 36,705</u>	<u>\$ 44,187</u>

NOTE 12—RESTRICTED NET ASSETS

Net assets are restricted for specific purposes as follows:

Governmental Activities:	
Permanent funds - Endowments	\$ 1,255,962
Permanent funds - Income	40,639
	<u>\$ 1,296,601</u>

NOTE 13—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2011 are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Fund Balances</u>			
<i>Nonspendable:</i>			
Prepaid expenses	\$ 20,878		\$ 20,878
Permanent Funds - Endowments		\$ 1,255,962	1,255,962
<i>Restricted for:</i>			
Permanent Funds - Income		40,639	40,639
<i>Committed for:</i>			
Continuing appropriations - Non-lapsing	777,225		777,225
Expendable Trust Funds	785,536		785,536
Capital Reserve Fund	93,078		93,078
Conservation Commission	42,289		42,289

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Impact Fees Fund		24,365	24,365
Recreation Fund		38,741	38,741
Public Safety Revolving Fund		18,565	18,565
Cable Access Fund		31,812	31,812
<i>Assigned for:</i>			
Continuing appropriations	90,000		90,000
Encumbrances	167,874		167,874
Library operations	102,770		102,770
Heritage trust	4,429		4,429
<i>Unassigned:</i>			
Unassigned - General operations	235,361		235,361
	<u>\$ 2,319,440</u>	<u>\$ 1,410,084</u>	<u>\$ 3,729,524</u>

NOTE 14—PERFORMANCE DEPOSITS

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit and performance bonds are not included as part of the financial statements. At December 31, 2011, the Town held performance deposits totaling \$1,379,575.

NOTE 15—COMMITMENTS

Water Supply Contract

On March 21, 2002, the Town of Milford entered into an agreement with Pennichuck Water Works, Inc. for the purpose of supplying water to the Town. The terms of the agreement are 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, 2011, the Town expended \$323,067 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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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 budgeted expenses in proportion to population. The Town of Milford's share for the year ended December 31, 2011 amounted to \$411,588 or 71.294%. The Center rents space in the Milford Town Hall for \$3,000 per year.

NOTE 18—RESTATEMENT OF EQUITY

Effective January 1, 2011, the Town retroactively changed its method of financial reporting to conform to a recent pronouncement of the Governmental Accounting Standards Board (Statement No. 54). This new standard changes how fund balance is reported and changes the definition of the governmental fund types. As a result, the Expendable Trust Funds, Library Fund, Heritage Fund, Fire Alarm Fund and Conservation Commission Fund, all previously reported as Nonmajor Governmental Funds, have been reclassified and were combined into the General Fund for reporting purposes. Also, the Capital Reserve Funds, previously reported as a Nonmajor Governmental Fund, have been reclassified and were combined into the General Fund, Water Fund and Sewer Fund, as applicable, for reporting purposes.

Government-Wide Financial Statements

Net Assets of the governmental and business-type activities as of January 1, 2011 have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net assets - January 1, 2011 (as previously reported)	\$ 26,862,562	\$ 20,609,880
Amount of restatement due to:		
Reclassification of Capital Reserve Funds	<u>(640,467)</u>	<u>640,467</u>
Net assets - January 1, 2011, as restated	<u>\$ 26,222,095</u>	<u>\$ 21,250,347</u>

Proprietary Fund Statements

The impact of the restatements on the proprietary funds as of January 1, 2011 is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Net assets - January 1, 2011 (as previously reported)	\$ 6,553,226	\$ 14,056,654
Amount of restatement due to:		
Reclassification of Capital Reserve Funds	<u>280,257</u>	<u>360,210</u>
Net assets - January 1, 2011, as restated	<u>\$ 6,833,483</u>	<u>\$ 14,416,864</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

Governmental Fund Statements

The impact of the restatements on the governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds
Fund balance - January 1, 2011 (as previously reported)	\$ 791,291	\$ 3,122,681
Amount of restatement due to:		
Reclassification of Capital Reserve Funds	93,523	(733,990)
Reclassification of Expendable Trust Funds	775,697	(775,697)
Reclassification of Library Fund	131,346	(131,346)
Reclassification of Heritage Fund	4,429	(4,429)
Reclassification of Fire Alarm Fund	229	(229)
Reclassification of Conservation Commission Fund	57,230	(57,230)
Fund balance - January 1, 2011, as restated	<u>\$ 1,853,745</u>	<u>\$ 1,419,760</u>

NOTE 19—SUBSEQUENT EVENTS

During July 2012, the Town issued a note payable for the construction of an Ambulance Facility in the amount of \$2,214,000. Subsequent to year end, the Town has not drawn down any funds against this note. The note payable has an interest rate of 2.875% and matures on January 2034.

Additionally, during March 2012, the Town entered into two capital lease agreements for the acquisition of a fire truck in the amount of \$437,000 and a backhoe in the amount of \$104,923. The fire truck lease is due in annual installments of \$66,748, including interest at 2.29% through April 2018. The backhoe lease is due in annual installments of \$21,883, including interest at 2.14% through April 2016. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations.

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 7,692,932	\$ 7,692,932	\$ 7,620,206	\$ (72,726)
Licenses and permits	2,161,111	2,161,111	2,064,814	(96,297)
Intergovernmental	1,009,406	1,009,406	1,007,131	(2,275)
Charges for services	772,700	772,700	773,652	952
Investment income	20,000	20,000	14,593	(5,407)
Miscellaneous	763,225	263,225	225,658	(37,567)
Total Revenues	<u>12,419,374</u>	<u>11,919,374</u>	<u>11,706,054</u>	<u>(213,320)</u>
Expenditures:				
Current operations:				
General government	3,984,292	3,984,292	3,913,738	70,554
Public safety	3,769,873	3,769,873	3,603,806	166,067
Highways and streets	1,301,787	1,301,787	1,214,152	87,635
Health and welfare	251,159	251,159	279,107	(27,948)
Sanitation	723,493	723,493	652,006	71,487
Culture and recreation	316,885	316,885	379,712	(62,827)
Capital outlay	500,000	-	-	-
Debt service:				
Principal retirement	423,178	423,178	423,178	-
Interest and fiscal charges	204,368	204,368	189,368	15,000
Total Expenditures	<u>11,475,035</u>	<u>10,975,035</u>	<u>10,655,067</u>	<u>319,968</u>
Excess of revenues over expenditures	<u>944,339</u>	<u>944,339</u>	<u>1,050,987</u>	<u>106,648</u>
Other financing sources (uses):				
Transfers in	20,900	20,900	17,586	(3,314)
Transfers out	(1,587,974)	(720,749)	(719,971)	778
Total other financing sources (uses)	<u>(1,567,074)</u>	<u>(699,849)</u>	<u>(702,385)</u>	<u>(2,536)</u>
Net change in fund balance	(622,735)	244,490	348,602	104,112
Fund balances at beginning of year				
- Budgetary Basis	<u>2,350,908</u>	<u>2,350,908</u>	<u>2,350,908</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 1,728,173</u>	<u>\$ 2,595,398</u>	<u>\$ 2,699,510</u>	<u>\$ 104,112</u>

See accompanying notes to the required supplementary information

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

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 non-budgetary revenues and expenditures, budgetary transfers in and out, encumbrances, and on-behalf payments for fringe benefits as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 11,921,115	\$ 11,455,420
Difference in property taxes meeting susceptible to accrual criteria	(58,110)	
Non-budgetary revenues and expenditures	(101,065)	(847,681)
Budgetary transfers in and out	225	712,489
Encumbrances, December 31, 2011		167,874
Encumbrances, December 31, 2010		(74,539)
On-behalf fringe benefits	(38,525)	(38,525)
Per Schedule 1	<u>\$ 11,723,640</u>	<u>\$ 11,375,038</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2011 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 20,878
<i>Committed:</i>	
Continuing appropriations - Non-lapsing	777,225
<i>Assigned for:</i>	
Continuing appropriations	90,000
<i>Unassigned:</i>	
Unassigned - General Operations	1,811,407
	<u>\$ 2,699,510</u>

SCHEDULE A
TOWN OF MILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2011

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 16,000		\$ 16,000
Investments		\$ 1,308,568	1,308,568
Accounts receivable	65,371		65,371
Due from other governments	64,896		64,896
Due from other funds	65,491		65,491
Total Assets	<u>\$ 211,758</u>	<u>\$ 1,308,568</u>	<u>\$ 1,520,326</u>
LIABILITIES			
Accounts payable	\$ 2,554		\$ 2,554
Accrued expenses	680		680
Deferred revenue	72,790		72,790
Due to other governments	1,111		1,111
Due to other funds	20,640	\$ 11,967	32,607
Deposits	500		500
Total Liabilities	<u>98,275</u>	<u>11,967</u>	<u>110,242</u>
FUND BALANCES			
Nonspendable		1,255,962	1,255,962
Restricted		40,639	40,639
Committed	113,483		113,483
Total Fund Balances	<u>113,483</u>	<u>1,296,601</u>	<u>1,410,084</u>
Total Liabilities and Fund Balances	<u>\$ 211,758</u>	<u>\$ 1,308,568</u>	<u>\$ 1,520,326</u>

SCHEDULE A-1
TOWN OF MILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2011

	Impact Fees Fund	Recreation Fund	Special Purpose Funds	Public Safety Revolving Fund	Cable Access Fund	Combining Totals
ASSETS						
Cash and cash equivalents			\$ 16,000			\$ 16,000
Accounts receivable				\$ 33,686	\$ 31,685	65,371
Due from other governments			64,896			64,896
Due from other funds	\$ 24,365	\$ 40,032			1,094	65,491
Total Assets	<u>\$ 24,365</u>	<u>\$ 40,032</u>	<u>\$ 80,896</u>	<u>\$ 33,686</u>	<u>\$ 32,779</u>	<u>\$ 211,758</u>
LIABILITIES						
Accounts payable		\$ 180	\$ 1,407		\$ 967	\$ 2,554
Accrued expenses		611		\$ 69		680
Deferred revenue			72,790			72,790
Due to other governments			1,111			1,111
Due to other funds			5,588	15,052		20,640
Deposits		500				500
Total Liabilities	<u>\$ -</u>	<u>1,291</u>	<u>80,896</u>	<u>15,121</u>	<u>967</u>	<u>98,275</u>
FUND BALANCES						
Committed	24,365	38,741		18,565	31,812	113,483
Total Fund Balances	<u>24,365</u>	<u>38,741</u>	<u>-</u>	<u>18,565</u>	<u>31,812</u>	<u>113,483</u>
Total Liabilities and Fund Balances	<u>\$ 24,365</u>	<u>\$ 40,032</u>	<u>\$ 80,896</u>	<u>\$ 33,686</u>	<u>\$ 32,779</u>	<u>\$ 211,758</u>

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, 2011

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:			
Licenses and permits	\$ 126,723		\$ 126,723
Intergovernmental	109,365		109,365
Charges for services	298,119		298,119
Investment income	96	\$ 23,167	23,263
Miscellaneous	134,815		134,815
Total Revenues	<u>669,118</u>	<u>23,167</u>	<u>692,285</u>
Expenditures:			
Current operations:			
General government	58,043	4,781	62,824
Public safety	255,103		255,103
Highways and streets	39,668		39,668
Health and welfare	26,910		26,910
Sanitation	3,437		3,437
Culture and recreation	197,122	6,626	203,748
Economic development	5,853		5,853
Capital outlay	94,539		94,539
Total Expenditures	<u>680,675</u>	<u>11,407</u>	<u>692,082</u>
Excess of revenues over (under) expenditures	<u>(11,557)</u>	<u>11,760</u>	<u>203</u>
Other financing sources (uses):			
Transfers in	26,826		26,826
Transfers out	(8,738)	(27,967)	(36,705)
Total other financing sources (uses)	<u>18,088</u>	<u>(27,967)</u>	<u>(9,879)</u>
Net change in fund balances	6,531	(16,207)	(9,676)
Fund balances at beginning of year	<u>106,952</u>	<u>1,312,808</u>	<u>1,419,760</u>
Fund balances at end of year	<u>\$ 113,483</u>	<u>\$ 1,296,601</u>	<u>\$ 1,410,084</u>

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, 2011

	Impact Fees <u>Fund</u>	Recreation <u>Fund</u>	Special Purpose <u>Funds</u>	Public Safety Revolving <u>Fund</u>	Cable Access <u>Fund</u>	Combining <u>Totals</u>
Revenues:						
Licenses and permits					\$ 126,723	\$ 126,723
Intergovernmental			\$ 109,365			109,365
Charges for services		\$ 90,328		\$ 207,391	400	298,119
Investment income					96	96
Miscellaneous	\$ 9,345	5,633	119,837			134,815
Total Revenues	<u>9,345</u>	<u>95,961</u>	<u>229,202</u>	<u>207,391</u>	<u>127,219</u>	<u>669,118</u>
Expenditures:						
Current operations:						
General government			58,043			58,043
Public safety			59,407	195,696		255,103
Highways and streets			39,668			39,668
Health and welfare			26,910			26,910
Sanitation			3,437			3,437
Culture and recreation	15,735	89,693	7,039		84,655	197,122
Economic development			5,853			5,853
Capital outlay			83,787		10,752	94,539
Total Expenditures	<u>15,735</u>	<u>89,693</u>	<u>284,144</u>	<u>195,696</u>	<u>95,407</u>	<u>680,675</u>
Excess of revenues over (under) expenditures	<u>(6,390)</u>	<u>6,268</u>	<u>(54,942)</u>	<u>11,695</u>	<u>31,812</u>	<u>(11,557)</u>
Other financing sources (uses):						
Transfers in			26,826			26,826
Transfers out	(5,394)	(3,344)				(8,738)
Total other financing sources (uses)	<u>(5,394)</u>	<u>(3,344)</u>	<u>26,826</u>	<u>-</u>	<u>-</u>	<u>18,088</u>
Net change in fund balances	(11,784)	2,924	(28,116)	11,695	31,812	6,531
Fund balances at beginning of year	<u>36,149</u>	<u>35,817</u>	<u>28,116</u>	<u>6,870</u>	<u>-</u>	<u>106,952</u>
Fund balances at end of year	<u>\$ 24,365</u>	<u>\$ 38,741</u>	<u>\$ -</u>	<u>\$ 18,565</u>	<u>\$ 31,812</u>	<u>\$ 113,483</u>