

TOWN OF MILFORD, NEW HAMPSHIRE

Financial Statements

December 31, 2012

and

Independent Auditor's Report

TOWN OF MILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2012

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**TOWN OF MILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Milford, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milford, New Hampshire as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on Governmental Activities

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 position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Milford, New Hampshire, as of December 31, 2012, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the financial statements referred to above 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages i-ix and 32-33 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Milford, New Hampshire’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vaughan Cluckey & Company PC

Manchester, New Hampshire
March 24, 2014

**Town of Milford, New Hampshire
Management's Discussion and Analysis
December 31, 2012**

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, 2012. 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 Position, which presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The statement of activities presents information showing how the Town's net position changed during the year. All changes in net position 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 position 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 these financial statements.

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 position and changes in fiduciary net position. 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 these financial statements.

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 these financial statements.

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 these financial statements.

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 these financial statements.

FINANCIAL HIGHLIGHTS

Government-wide highlights

- The Town's Total Assets exceeded Total Liabilities and Deferred Inflows of Resources by \$48.1 million. This amount is presented as "Total Net Position" on Exhibit A - Statement of Net Position.
- During the year, the Town's Total Net Position increased by roughly \$500 thousand. Net position increased by \$600 thousand for Governmental activities while the net position decreased by \$100 thousand for Business-Type activities.

Fund Highlights

- The Town's governmental funds reported on a current financial resources basis, had combined ending fund balances of \$4.0 million, an increase of \$300 thousand from the prior year.
- The total fund balance for the general fund was \$2.7 million, which represents 22.2% of the total general fund expenditures.

GOVERNMENT-WIDE ANALYSIS

Net Position

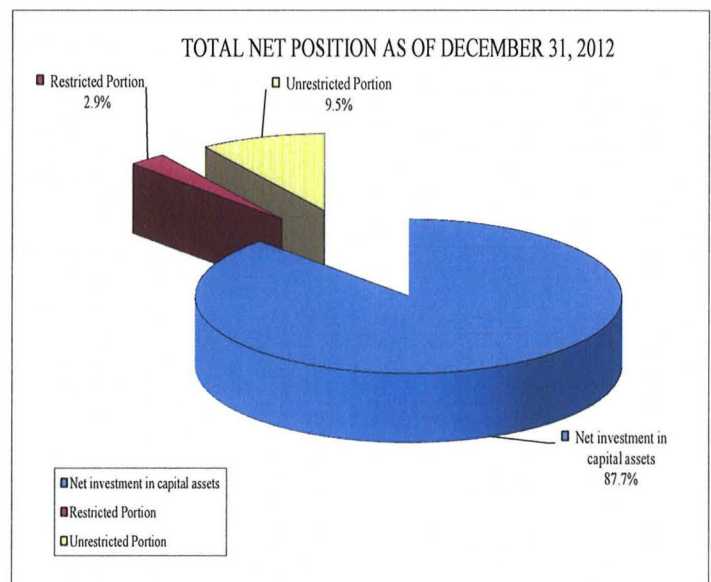
As noted earlier, over time, net position may serve as a useful indication of a government's financial position and determine its ability to finance services in the long-term. The government-wide financial statements are prepared on the full accrual basis of accounting. The condensed analysis below focuses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

Town of Milford						
Government-Wide - Condensed Statements of Net Position						
December 31, 2012 and 2011						
	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current Assets	\$ 17,844,070	\$ 1,139,880	\$ 18,983,950	\$ 17,041,368	\$ 1,164,837	\$ 18,206,205
Capital Assets	26,342,419	23,122,663	49,465,082	25,714,583	22,927,446	48,642,029
TOTAL ASSETS	<u>44,186,489</u>	<u>24,262,543</u>	<u>68,449,032</u>	<u>42,755,951</u>	<u>24,092,283</u>	<u>66,848,234</u>
Deferred Outflows of Resources	-	-	-	-	-	-
LIABILITIES						
Current Liabilities	12,452,900	219,490	12,672,390	11,667,767	460,967	12,128,734
Long-term Liabilities	4,367,311	3,193,606	7,560,917	4,319,137	2,659,345	6,978,482
TOTAL LIABILITIES	<u>16,820,211</u>	<u>3,413,096</u>	<u>20,233,307</u>	<u>15,986,904</u>	<u>3,120,312</u>	<u>19,107,216</u>
Deferred Inflows of Resources	126,264	-	126,264	128,822	-	128,822
NET POSITION						
Net investment in capital assets	22,184,126	19,976,762	42,160,888	21,824,583	20,523,879	42,348,462
Restricted	1,374,741	-	1,374,741	1,296,601	-	1,296,601
Unrestricted	3,681,147	872,685	4,553,832	3,519,041	448,092	3,967,133
TOTAL NET POSITION	<u>\$ 27,240,014</u>	<u>\$ 20,849,447</u>	<u>\$ 48,089,461</u>	<u>\$ 26,640,225</u>	<u>\$ 20,971,971</u>	<u>\$ 47,612,196</u>

The Town's combined net position is \$48.1 million of which approximately \$27.2 million represents governmental activities and the remaining \$20.9 million relates to business-type activities.

As depicted in the chart to the right, the largest portion of the Town's net position, \$42.1 million (87.7%), 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 position, \$1.4 million (2.9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4.6 million (9.5%), may be used to meet the Town's ongoing obligations to citizens and creditors.



Governmental activities reflect a positive unrestricted net position balance of approximately \$3.7 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 position balance of governmental activities would increase by approximately \$175 thousand, while the net position of business-type activities would decrease by the same amount.

Business-type activities reflect a positive unrestricted net position balance of \$873 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 position for each the Water and Sewer Funds.

Changes in Net Position

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

Town of Milford
Table 2 - Changes in Net Position
December 31, 2012 and 2011

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,133,665	\$ 2,917,259	\$ 4,050,924	\$ 1,095,930	\$ 2,784,222	\$ 3,880,152
Operating grants and contributions	419,368		419,368	453,088		453,088
Capital grants and contributions	509,577		509,577	31,875		31,875
General Revenues:						
Property and other taxes	7,725,896		7,725,896	7,620,206		7,620,206
Licenses and permits	2,252,092		2,252,092	2,191,537		2,191,537
Grants and contributions	678,160		678,160	679,838		679,838
Interest and investment earnings (losses)	208,793	100	208,893	57,231	404	57,635
Miscellaneous	288,655	6,021	294,676	412,104	7,993	420,097
TOTAL REVENUES	<u>13,216,206</u>	<u>2,923,380</u>	<u>16,139,586</u>	<u>12,541,809</u>	<u>2,792,619</u>	<u>15,334,428</u>
EXPENSES:						
Program Expenses:						
General government	4,153,698		4,153,698	4,255,882		4,255,882
Public safety	4,355,954		4,355,954	3,975,975		3,975,975
Highways and streets	1,688,590		1,688,590	1,508,635		1,508,635
Health and welfare	259,400		259,400	306,944		306,944
Sanitation	678,843		678,843	686,600		686,600
Culture and recreation	1,307,370		1,307,370	1,355,368		1,355,368
Economic development			-	5,853		5,853
Interest and fiscal charges	172,562		172,562	182,622		182,622
Water and sewer		3,045,904	3,045,904		3,070,995	3,070,995
TOTAL EXPENSES	<u>12,616,417</u>	<u>3,045,904</u>	<u>15,662,321</u>	<u>12,277,879</u>	<u>3,070,995</u>	<u>15,348,874</u>
Excess/(Deficiency) before transfers	599,789	(122,524)	477,265	263,930	(278,376)	(14,446)
Transfers	-	-	-	-	-	-
Increase/(Decrease) in net position	\$ 599,789	\$ (122,524)	\$ 477,265	\$ 263,930	\$ (278,376)	\$ (14,446)
Net Position - Beginning (as restated)	26,640,225	20,971,971	47,612,196	26,376,295	21,250,347	47,626,642
Net Position - End of the year	<u>\$ 27,240,014</u>	<u>\$ 20,849,447</u>	<u>\$ 48,089,461</u>	<u>\$ 26,640,225</u>	<u>\$ 20,971,971</u>	<u>\$ 47,612,196</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's overall financial position. Overall net position for the Town increased by \$500 thousand in the current year.

GOVERNMENTAL ACTIVITIES:

Governmental activities increased the Town's net position by \$600 thousand. Key factors of this increase are as follows:

Governmental Funds expenses over revenues	\$ 268,436
Increase in capital assets net of depreciation expense	114,695
Proceeds from capital leases	(453,293)
Gain on the sale/disposal of capital assets	6,882
Property taxes recognized on accrual basis	(247,791)
Donated capital assets	506,259
Payment of debt service principal	395,000
Payment of interest as accrued rather than expensed	(518)
Change in accrued compensated absences	10,119
TOTAL	<u>\$ 599,789</u>

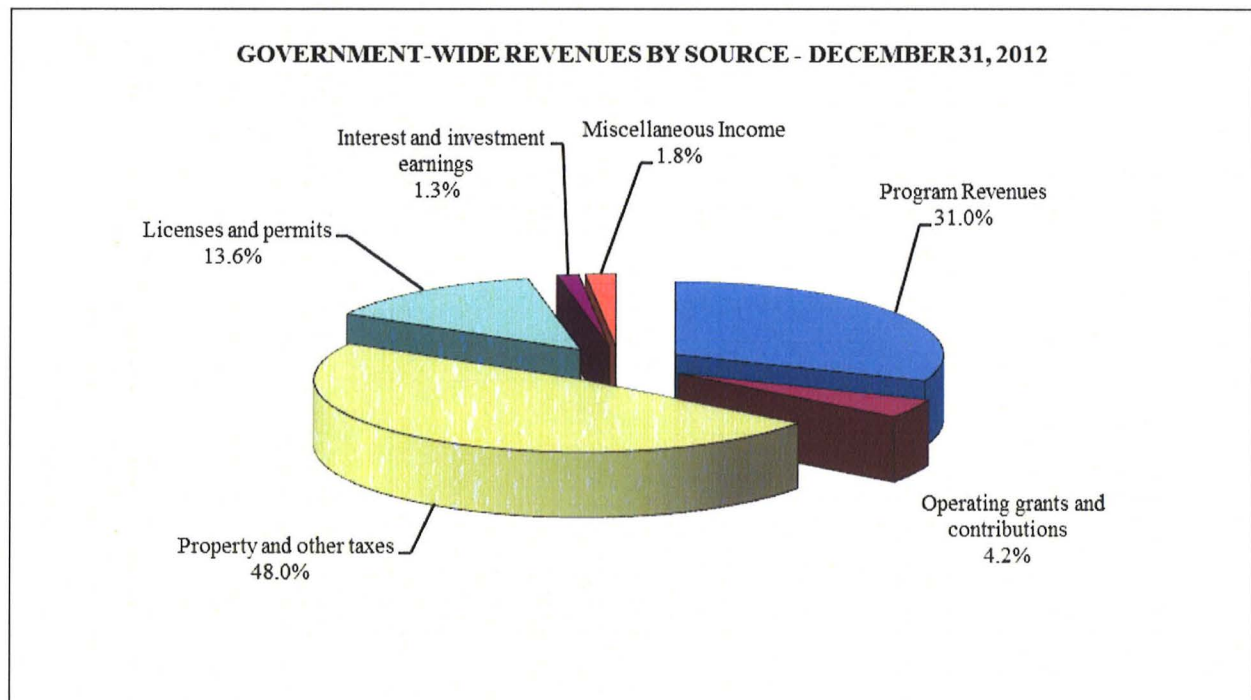
BUSINESS-TYPE ACTIVITIES:

Business-type activities decreased the Town's net position by \$123 thousand, due mainly to sewer operating expenses in excess of operating revenues by \$334 thousand. The following is a summary of the activity by fund:

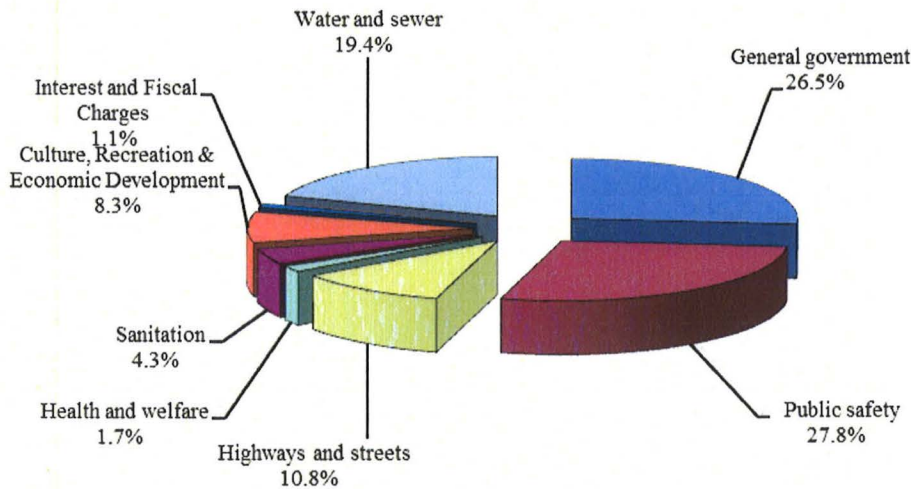
Water Fund	\$ 211,690
Sewer Fund	<u>(334,214)</u>
	<u>\$ (122,524)</u>

Exhibit F located on page 6 provides a more detailed view of the changes in net position 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, 2012



FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

Governmental Funds – (Exhibit C & D)

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

At the end of the year, the Town's governmental funds reported a combined ending fund balance of roughly \$4.0 million, an increase of \$300 thousand in comparison with the prior year. \$255 thousand of the \$4.0 million increase in fund balance is attributable to 'Unassigned' fund balance. The remaining \$3.7 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 on the modified accrual basis was \$530 thousand, while total fund balance was \$2.7 million.

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

Proprietary Funds – (Exhibit E through Exhibit F)

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

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 \$220 thousand and can be summarized as follows:

Actual revenues and other financing sources were less than budgetary estimates by \$101 thousand. This was primarily due to actual state revenues and motor vehicle fees revenue less than anticipated.

Actual expenditures were below (favorable) final budgeted amounts by approximately \$330 thousand mainly due to forced savings in expenditures precipitated by the decrease in revenues.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities totals \$49.5 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 increased \$1.0 Million in comparison to the prior year. The Town's net capital assets are summarized by category in Table 3 below.

Town of Milford						
Table 3 - Capital Assets as of December 31, 2012 and 2011						
(Net of Depreciation)						
	2012				2011	
	Governmental Activities	Business-type Activities	Total Combined		Governmental Activities	Business-type Activities Total Combined
Land & Land Improvements	\$ 13,935,444	\$ 210,224	\$ 14,145,668		\$ 13,723,423	\$ 211,440 \$ 13,934,863
Buildings & Building Improvements	4,525,597	9,550,212	14,075,809		4,708,815	9,638,308 14,347,123
Vehicles and Equipment	1,566,014	1,633,437	3,199,451		1,371,707	1,639,976 3,011,683
Infrastructure	5,339,682	10,162,619	15,502,301		5,214,336	10,338,183 15,552,519
Intangible Assets	131,049	54,636	185,685		131,049	54,636 185,685
Construction in Process	844,633	1,511,535	2,356,168		565,253	1,044,903 1,610,156
Totals	\$ 26,342,419	\$ 23,122,663	\$ 49,465,082		\$ 25,714,583	\$ 22,927,446 \$ 48,642,029

Additional information on the Town's capital assets can be found on pages 22-23 of the notes to the financial statements of this report.

Debt Administration

At year-end, the Town had \$7.3 million of total debt outstanding versus \$6.7 million in the prior year - an increase of \$590 thousand. Of this amount \$6.8 million represents general obligation bond debt backed by the full faith and credit of the Town. The remainder of the Town's debt is comprised of capital leases with future lease payments totaling roughly \$470 thousand.

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

	2012				2011		
	Governmental Activities	Business-type Activities	Total Combined		Governmental Activities	Business-type Activities	Total Combined
General Obligation Bonds	\$ 3,705,000	\$ 3,126,731	\$ 6,831,731		\$ 4,100,000	\$ 2,576,136	\$ 6,676,136
Capital Leases	453,293	19,170	472,463		-	37,643	37,643
Total Debt Outstanding	\$ 4,158,293	\$ 3,145,901	\$ 7,304,194		\$ 4,100,000	\$ 2,613,779	\$ 6,713,779
Less current portion:							
Amounts due within one year	(473,375)	(199,170)	(672,545)		(395,000)	(198,473)	(593,473)
Total Long Term Debt Portion	\$ 3,684,918	\$ 2,946,731	\$ 6,631,649		\$ 3,705,000	\$ 2,415,306	\$ 6,120,306

\$730 thousand was added to long term debt in business-type activities from draw downs on a State of New Hampshire Water Pollution Control Revolving Loan Fund for the Wastewater Treatment Septage Receiving Facility project scheduled to be completed in 2013.

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, 2012 was \$1.2 billion. The Town's outstanding general obligation debt of \$6.8 million is significantly below the state 3% calculated debt limit of \$37.2 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, 2012 was 5.7% and the average unemployment rate for the State of New Hampshire was 5.6% which compared favorably with the national unemployment rate of 7.6%.

Source: U.S. Bureau of Labor Statistics

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

Source: U.S. Census Bureau

The Consumer Price Index (CPI) in the Northeast region for the year was 1.8% in comparison with the national index of 1.7%.

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 2013 increased by 5.2% 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 Position
December 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 12,653,053	\$ 20,000	\$ 12,673,053
Investments	2,501,229	650,586	3,151,815
Taxes receivable, net	1,866,948		1,866,948
Accounts receivable, net	251,218	237,737	488,955
Unbilled charges for services		420,800	420,800
Due from other governments	142,900	59,762	202,662
Internal balances	334,463	(334,463)	-
Prepaid expenses	94,259		94,259
Inventory		85,458	85,458
Total Current Assets	<u>17,844,070</u>	<u>1,139,880</u>	<u>18,983,950</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	14,003,443	1,755,063	15,758,506
Depreciable capital assets, net	<u>12,338,976</u>	<u>21,367,600</u>	<u>33,706,576</u>
Total Noncurrent Assets	<u>26,342,419</u>	<u>23,122,663</u>	<u>49,465,082</u>
Total Assets	<u>44,186,489</u>	<u>24,262,543</u>	<u>68,449,032</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	387,560	130,984	518,544
Accrued expenses	377,755	66,240	443,995
Retainage payable		22,089	22,089
Due to other governments	11,679,004		11,679,004
Deposits	8,581	177	8,758
Current portion of bonds payable	395,000	180,000	575,000
Current portion of capital leases payable	<u>78,375</u>	<u>19,170</u>	<u>97,545</u>
Total Current Liabilities	<u>12,926,275</u>	<u>418,660</u>	<u>13,344,935</u>
Noncurrent Liabilities:			
Bonds payable	3,310,000	1,755,000	5,065,000
Capital leases payable	374,918		374,918
Other long-term obligations		1,191,731	1,191,731
Compensated absences payable	<u>209,018</u>	<u>47,705</u>	<u>256,723</u>
Total Noncurrent Liabilities	<u>3,893,936</u>	<u>2,994,436</u>	<u>6,888,372</u>
Total Liabilities	<u>16,820,211</u>	<u>3,413,096</u>	<u>20,233,307</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned tax revenue	52,482		52,482
Unearned grant revenue	<u>73,782</u>		<u>73,782</u>
Total Deferred Inflows of Resources	<u>126,264</u>	<u>-</u>	<u>126,264</u>
NET POSITION			
Net investment in capital assets	22,184,126	19,976,762	42,160,888
Restricted	1,374,741		1,374,741
Unrestricted	<u>3,681,147</u>	<u>872,685</u>	<u>4,553,832</u>
Total Net Position	<u>\$ 27,240,014</u>	<u>\$ 20,849,447</u>	<u>\$ 48,089,461</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 4,153,698	\$ 43,316	\$ 18,092	\$ 3,318	\$ (4,088,972)		\$ (4,088,972)
Public safety	4,355,954	787,115	34,504	25,000	(3,509,335)		(3,509,335)
Highways and streets	1,688,590	1,265	366,772	481,259	(839,294)		(839,294)
Health and welfare	259,400	15,540			(243,860)		(243,860)
Sanitation	678,843	151,177			(527,666)		(527,666)
Culture and recreation	1,281,486	135,252			(1,146,234)		(1,146,234)
Conservation	25,884				(25,884)		(25,884)
Debt service	172,562				(172,562)		(172,562)
Total governmental activities	<u>12,616,417</u>	<u>1,133,665</u>	<u>419,368</u>	<u>509,577</u>	<u>(10,553,807)</u>	<u>\$ -</u>	<u>(10,553,807)</u>
Business-type activities:							
Water Department	1,180,629	1,389,463				208,834	208,834
Sewer Department	1,865,275	1,527,796				(337,479)	(337,479)
Total business-type activities	<u>3,045,904</u>	<u>2,917,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128,645)</u>	<u>(128,645)</u>
Total primary government	<u>\$ 15,662,321</u>	<u>\$ 4,050,924</u>	<u>\$ 419,368</u>	<u>\$ 509,577</u>	<u>(10,553,807)</u>	<u>(128,645)</u>	<u>(10,682,452)</u>
General revenues:							
Property and other taxes					7,725,896		7,725,896
Licenses and permits					2,252,092		2,252,092
Grants and contributions:							
Rooms and meals tax distribution					674,410		674,410
Railroad tax					96		96
State and federal forest land					3,654		3,654
Interest and investment earnings					208,793	100	208,893
Miscellaneous					288,655	6,021	294,676
Total general revenues					<u>11,153,596</u>	<u>6,121</u>	<u>11,159,717</u>
Change in net position					599,789	(122,524)	477,265
Net position - beginning, as restated					26,640,225	20,971,971	47,612,196
Net position - ending					<u>\$ 27,240,014</u>	<u>\$ 20,849,447</u>	<u>\$ 48,089,461</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF MILFORD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2012

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 12,653,053		\$ 12,653,053
Investments	1,113,375	\$ 1,387,854	2,501,229
Taxes receivable, net	1,866,948		1,866,948
Accounts receivable, net	203,293	47,925	251,218
Due from other governments		142,900	142,900
Due from other funds	635,389	120,331	755,720
Prepaid expenses	94,259		94,259
Total Assets	<u>16,566,317</u>	<u>1,699,010</u>	<u>18,265,327</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,566,317</u>	<u>\$ 1,699,010</u>	<u>\$ 18,265,327</u>
LIABILITIES			
Accounts payable	\$ 332,658	\$ 54,902	\$ 387,560
Accrued expenses	315,878	568	316,446
Due to other governments	11,679,004		11,679,004
Due to other funds	120,331	300,926	421,257
Deposits	8,081	500	8,581
Total Liabilities	<u>12,455,952</u>	<u>356,896</u>	<u>12,812,848</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned tax revenue	1,380,737		1,380,737
Unearned grant revenue		73,782	73,782
Total Deferred Inflows of Resources	<u>1,380,737</u>	<u>73,782</u>	<u>1,454,519</u>
FUND BALANCES			
Nonspendable	94,259	1,335,043	1,429,302
Restricted		39,698	39,698
Committed	1,786,377	168,318	1,954,695
Assigned	319,705		319,705
Unassigned (Deficit)	529,287	(274,727)	254,560
Total Fund Balances	<u>2,729,628</u>	<u>1,268,332</u>	<u>3,997,960</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,566,317</u>	<u>\$ 1,699,010</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			26,342,419
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis			1,328,255
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			(3,705,000)
Capital leases payable			(453,293)
Accrued interest on long-term obligations			(61,309)
Compensated absences payable			(209,018)
Net position of governmental activities			<u>\$ 27,240,014</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, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 7,973,687		\$ 7,973,687
Licenses and permits	2,116,188	\$ 135,904	2,252,092
Intergovernmental	990,728	110,118	1,100,846
Charges for services	855,778	265,221	1,120,999
Investment income	85,486	123,307	208,793
Miscellaneous	229,620	79,401	309,021
Total Revenues	<u>12,251,487</u>	<u>713,951</u>	<u>12,965,438</u>
Expenditures:			
Current operations:			
General government	3,937,073	156,914	4,093,987
Public safety	3,883,011	307,984	4,190,995
Highways and streets	1,209,760		1,209,760
Health and welfare	257,895		257,895
Sanitation	655,300		655,300
Culture and recreation	1,234,814	125,485	1,360,299
Conservation	26,996		26,996
Capital outlay	542,293	245,726	788,019
Debt service:			
Principal retirement	395,000		395,000
Interest and fiscal charges	172,044		172,044
Total Expenditures	<u>12,314,186</u>	<u>836,109</u>	<u>13,150,295</u>
Excess of revenues over (under) expenditures	<u>(62,699)</u>	<u>(122,158)</u>	<u>(184,857)</u>
Other financing sources (uses):			
Proceeds from capital leases	453,293		453,293
Transfers in	40,424	28,079	68,503
Transfers out	(20,830)	(47,673)	(68,503)
Total other financing sources (uses)	<u>472,887</u>	<u>(19,594)</u>	<u>453,293</u>
Net change in fund balances	410,188	(141,752)	268,436
Fund balances at beginning of year	<u>2,319,440</u>	<u>1,410,084</u>	<u>3,729,524</u>
Fund balances at end of year	<u>\$ 2,729,628</u>	<u>\$ 1,268,332</u>	<u>\$ 3,997,960</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, 2012

Net Change in Fund Balances--Total Governmental Funds	\$ 268,436
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 capital outlays exceeded depreciation expense in the current period.	114,695
Proceeds from capital leases are reported as other financing sources in the governmental funds, but capital leases increase long-term liabilities in the statement of net position.	(453,293)
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 gain on the disposal of capital assets reduced by the actual proceeds received from the sale of capital assets.	(5,468)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	270,818
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	395,000
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.	(518)
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.	10,119
Change in Net Position of Governmental Activities	<u>\$ 599,789</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 20,000		\$ 20,000
Investments	289,987	\$ 360,599	650,586
Accounts receivable	108,152	129,585	237,737
Unbilled charges for services	180,394	240,406	420,800
Due from other governments		59,762	59,762
Inventory	44,530	40,928	85,458
Total Current Assets	<u>643,063</u>	<u>831,280</u>	<u>1,474,343</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	250,206	1,504,857	1,755,063
Depreciable capital assets, net	8,223,926	13,143,674	21,367,600
Total Noncurrent Assets	<u>8,474,132</u>	<u>14,648,531</u>	<u>23,122,663</u>
Total Assets	<u>9,117,195</u>	<u>15,479,811</u>	<u>24,597,006</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	50,150	80,834	130,984
Accrued expenses	38,610	27,630	66,240
Retainage payable		22,089	22,089
Due to other funds	36,868	297,595	334,463
Deposits		177	177
Current portion of bonds payable	160,000	20,000	180,000
Current portion of capital lease payable		19,170	19,170
Total Current Liabilities	<u>285,628</u>	<u>467,495</u>	<u>753,123</u>
Noncurrent Liabilities:			
Bonds payable	1,555,000	200,000	1,755,000
Other long-term obligations		1,191,731	1,191,731
Compensated absences payable	15,506	32,199	47,705
Total Noncurrent Liabilities	<u>1,570,506</u>	<u>1,423,930</u>	<u>2,994,436</u>
Total Liabilities	<u>1,856,134</u>	<u>1,891,425</u>	<u>3,747,559</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	6,759,132	13,217,630	19,976,762
Unrestricted	501,929	370,756	872,685
Total Net Position	<u>\$ 7,261,061</u>	<u>\$ 13,588,386</u>	<u>\$ 20,849,447</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 1,389,463	\$ 1,527,796	\$ 2,917,259
Miscellaneous	<u>2,805</u>	<u>3,216</u>	<u>6,021</u>
Total operating revenues	<u>1,392,268</u>	<u>1,531,012</u>	<u>2,923,280</u>
Operating expenses:			
Personnel services	300,544	661,708	962,252
Contractual services	372,097	339,184	711,281
Materials and supplies	159,923	228,561	388,484
Miscellaneous expenses	4,079	30,724	34,803
Depreciation	<u>266,836</u>	<u>592,936</u>	<u>859,772</u>
Total operating expenses	<u>1,103,479</u>	<u>1,853,113</u>	<u>2,956,592</u>
Operating income (loss)	<u>288,789</u>	<u>(322,101)</u>	<u>(33,312)</u>
Non-operating revenues (expenses):			
Interest income	51	49	100
Interest expense	<u>(77,150)</u>	<u>(12,162)</u>	<u>(89,312)</u>
Net non-operating revenues (expenses)	<u>(77,099)</u>	<u>(12,113)</u>	<u>(89,212)</u>
Change in net position	211,690	(334,214)	(122,524)
Total net position at beginning of year	<u>7,049,371</u>	<u>13,922,600</u>	<u>20,971,971</u>
Total net position at end of year	<u>\$ 7,261,061</u>	<u>\$ 13,588,386</u>	<u>\$ 20,849,447</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, 2012

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,409,038	\$ 1,487,596	\$ 2,896,634
Cash paid to suppliers	(532,251)	(576,897)	(1,109,148)
Cash paid to employees	(300,544)	(661,708)	(962,252)
Net cash provided by operating activities	<u>576,243</u>	<u>248,991</u>	<u>825,234</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(169,215)	(1,150,456)	(1,319,671)
Proceeds from other long-term obligations		916,542	916,542
Principal paid on long-term debt	(160,000)	(38,473)	(198,473)
Interest paid on long-term debt	(79,776)	(12,983)	(92,759)
Net cash used for capital and related financing activities	<u>(408,991)</u>	<u>(285,370)</u>	<u>(694,361)</u>
Cash flows from investing activities:			
Purchase of investments	(94,489)	(140)	(94,629)
Interest on investments	51	49	100
Net cash used by investing activities	<u>(94,438)</u>	<u>(91)</u>	<u>(94,529)</u>
Net increase (decrease) in cash and cash equivalents	72,814	(36,470)	36,344
Cash and cash equivalents (deficiency) at beginning of year	<u>(89,682)</u>	<u>(261,125)</u>	<u>(350,807)</u>
Cash and cash equivalents (deficiency) at end of year	<u>\$ (16,868)</u>	<u>\$ (297,595)</u>	<u>\$ (314,463)</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 288,789	\$ (322,101)	\$ (33,312)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	266,836	592,936	859,772
Changes in assets and liabilities:			
Accounts receivable	18,024	25,424	43,448
Unbilled charges for services	(1,254)	(44,873)	(46,127)
Due from other governments		(23,967)	(23,967)
Inventory	(6,020)	2,649	(3,371)
Accounts payable	12,096	17,399	29,495
Accrued expenses	1,403	777	2,180
Retainage payable	(5,023)		(5,023)
Compensated absences payable	1,392	747	2,139
Net cash provided by operating activities	<u>\$ 576,243</u>	<u>\$ 248,991</u>	<u>\$ 825,234</u>
Noncash transactions affecting financial position:			
Capital asset additions included in year end liabilities	<u>\$ -</u>	<u>\$ 44,558</u>	<u>\$ 44,558</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	Private- Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents		\$ 64,760
Investments	\$ 3,219,289	
Total Assets	<u>3,219,289</u>	<u>\$ 64,760</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to developers		\$ 64,760
Total Liabilities	<u>-</u>	<u>\$ 64,760</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>3,219,289</u>	
Total Net Position	<u>\$ 3,219,289</u>	

See accompanying notes to the basic financial statements

EXHIBIT I
TOWN OF MILFORD, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	Private- Purpose Trust <u>Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 36,797
Total Contributions	<u>36,797</u>
Investment earnings:	
Investment income	123,710
Net increase in the fair value of investments	<u>191,542</u>
Total Investment Earnings	315,252
Less: Investment expense	<u>(18,606)</u>
Net Investment Earnings	<u>296,646</u>
Total Additions	<u>333,443</u>
DEDUCTIONS:	
Benefits	<u>56,037</u>
Total Deductions	<u>56,037</u>
Change in Net Position	277,406
Net position - beginning of year	<u>2,941,883</u>
Net position - end of year	<u><u>\$ 3,219,289</u></u>

See accompanying notes to the basic financial statements

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2012

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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

During the year ended December 31, 2012, the Town implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". Under Statement 63, the Town has segregated previously reported assets and liabilities as deferred outflows of resources and deferred inflows of resources, respectively. This statement also identifies net position as the residual of all other elements presented in the statement of financial position. Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

1. Government-Wide Financial Statements:

The statement of net position 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 position 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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

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

Fund Accounting

The Town uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the Town's sole 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 position, 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 Fund* and *Sewer Fund* 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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. 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 eighteen private-purpose trusts, which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for escrow funds from developers which are held by the Town.

Measurement Focus

1. Government-Wide Financial Statements:

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

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, deferred outflows of resources, current liabilities, and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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, proprietary and fiduciary funds are prepared using 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 unearned revenue, and in the presentation of expenses versus expenditures.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: 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. Unearned Revenue:

Unearned 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 unearned grant revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned 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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2012, the Town applied \$100,000 of its unappropriated fund balance to reduce taxes.

Encumbrance Accounting

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

Cash and Cash Equivalents

The Town pools its cash resources for 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 Fund	Sewer Fund	Totals
Cash and cash equivalents	\$ 20,000		\$ 20,000
Due to other funds	(36,868)	\$(297,595)	(334,463)
Total cash and cash equivalents	<u>\$ (16,868)</u>	<u>\$(297,595)</u>	<u>\$ (314,463)</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, 2012 are recorded as receivables net of reserves for estimated uncollectibles of \$386,277.

Accounts Receivable

Ambulance services billed during the current year and prior and uncollected at December 31, 2012 are recorded as receivables net of reserves for estimated uncollectibles of \$657,356 in the General Fund.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2012 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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Capital Assets

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

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

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

	<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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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. Unrestricted net position is the residual amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Fund Balance Policy

The Town has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement 54 established new fund balance classifications and changed the definition of 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 in enabling legislation.
- *Committed Fund Balance*: 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 a specific purpose. 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.
- *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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

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.

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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE 2— STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At December 31, 2012, the Capital Projects Fund, a nonmajor governmental fund, had an unassigned deficit fund balance of (\$274,727).

Other Post-Employment Benefits

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

NOTE 3—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,276,566,807 as of April 1, 2012) and are due in two installments on July 3, 2012 and December 3, 2012. 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 \$23,315,731 and \$1,525,086 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, 2012, 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

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

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, 2012.

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. For the year ended December 31, 2012, the Trust retained \$500,000 of each loss, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

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, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 12,673,053
Investments	3,151,815
Statement of Fiduciary Net Position:	
Cash and cash equivalents	64,760
Investments	3,219,289
Total deposits and investments	<u>\$ 19,108,917</u>

Deposits and investments at December 31, 2012 consist of the following:

Cash on hand	\$ 21,690
Deposits with financial institutions	13,566,496
Investments	5,520,731
Total deposits and investments	<u>\$ 19,108,917</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

The Town's investment policy for governmental and proprietary fund types requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit, and repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Responsibility for the investments of the Trust Funds is with the Board of Trustees, who have employed professional banking assistance in accordance with New Hampshire state law (RSA 31:38a).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy for managing interest rate risk requires investment maturities to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures, as well as anticipated revenue inflows. Information about the sensitivity of the fair values of the Town's investments subject 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>
US Treasury Obligations	\$ 112,695		\$ 112,695	
Government agency bonds	35,050		5,424	\$ 29,626
Municipal bonds	121,999		54,676	67,323
Corporate bonds	822,019	\$ 111,085	680,734	30,200
	<u>\$ 1,091,763</u>	<u>\$ 111,085</u>	<u>\$ 853,529</u>	<u>\$ 127,149</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:

	<u>Investment Type</u>						
	<u>Government</u>	<u>Municipal</u>	<u>Corporate</u>	<u>Money</u>	<u>Mutual</u>	<u>State</u>	<u>Totals</u>
	<u>Agency</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Market</u>	<u>Funds</u>	<u>Investment</u>	
	<u>Bonds</u>			<u>Funds</u>	<u>Funds</u>	<u>Pool</u>	
Ratings as of Year End							
Aaa	\$ 29,626						\$ 29,626
Aa1		\$ 121,999	\$ 79,245				201,244
Aa2			103,692				103,692
A1			184,160				184,160
A2			251,969				251,969
A3			65,148				65,148
Baa1			84,523				84,523
Baa2			26,429				26,429
Not Rated	5,424		26,853	\$ 194,021	\$ 1,048,665	\$ 44,570	1,319,533
Fair Value	<u>\$ 35,050</u>	<u>\$ 121,999</u>	<u>\$ 822,019</u>	<u>\$ 194,021</u>	<u>\$ 1,048,665</u>	<u>\$ 44,570</u>	<u>\$ 2,266,324</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

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. 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, \$493,700 was collateralized by securities held by the bank in the bank's name. As of December 31, 2012, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Obligations	\$ 112,695
Equity securities	3,141,712
Government agency bonds	35,050
Municipal bonds	121,999
Corporate bonds	822,019
Money market funds	194,021
Mutual funds	<u>1,048,665</u>
	<u>\$ 5,476,161</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 due from other governments at December 31, 2012, consist of various federal and state funding, and reimbursements from other local governmental units. All receivables are considered collectible in full and are expected to be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

Governmental activities:	
State of NH - FEMA Safer Grant	\$ 25,367
State of NH - Dam Feasibility Grant	13,422
State of NH - Highway Safety Grant	623
State of NH - Land Use Reg. Grant	4,009

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Governmental activities (continued):

State of NH - Specialized Fire Training Grant	14,571
State of NH - CMAQ - Traffic Signalization	3,317
State of NH - State-Aid Bridge ~ Jennison Rd Bridge	54,204
State of NH - South Street Grant	27,234
Manchester Police Department - JAG Grant	153

Business-type activities:

Town of Wilton, New Hampshire	35,497
State of NH - State Revolving Loan Fund ~ Septage Facility	24,265
	<u>\$ 202,662</u>

NOTE 7—CAPITAL ASSETS

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

	Balance 1/1/2012	Additions	Reductions	Balance 12/31/2012
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 12,819,889	\$ 207,872		\$ 13,027,761
Intangible assets	131,049			131,049
Construction in process	565,253	555,008	\$ (275,628)	844,633
Total capital assets not being depreciated	<u>13,516,191</u>	<u>762,880</u>	<u>(275,628)</u>	<u>14,003,443</u>
Other capital assets:				
Infrastructure	6,837,959	481,259		7,319,218
Land improvements	2,087,205	103,198		2,190,403
Buildings and improvements	7,671,316	13,178		7,684,494
Vehicles and equipment	5,446,054	588,004	(120,790)	5,913,268
Intangible assets	189,762			189,762
Total other capital assets at historical cost	<u>22,232,296</u>	<u>1,185,639</u>	<u>(120,790)</u>	<u>23,297,145</u>
Less accumulated depreciation for:				
Infrastructure	(1,623,623)	(355,913)		(1,979,536)
Land improvements	(1,183,671)	(99,049)		(1,282,720)
Buildings and improvements	(2,962,501)	(196,396)		(3,158,897)
Vehicles and equipment	(4,074,347)	(388,229)	115,322	(4,347,254)
Intangible assets	(189,762)			(189,762)
Total accumulated depreciation	<u>(10,033,904)</u>	<u>(1,039,587)</u>	<u>115,322</u>	<u>(10,958,169)</u>
Total other capital assets, net	<u>12,198,392</u>	<u>146,052</u>	<u>(5,468)</u>	<u>12,338,976</u>
Total capital assets, net	<u>\$ 25,714,583</u>	<u>\$ 908,932</u>	<u>\$ (281,096)</u>	<u>\$ 26,342,419</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 173,136
Public safety	333,368
Highways and streets	452,746
Sanitation	23,588
Culture and recreation	56,749
Total governmental activities depreciation expense	<u>\$ 1,039,587</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

The balance of the assets acquired through capital lease issuances as of December 31, 2012 in the governmental funds is as follows:

Construction in process	\$ 437,000
Vehicles and equipment	104,923
Less: Accumulated depreciation	<u>(7,869)</u>
	<u>\$ 534,054</u>

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

	Balance 1/1/2012	Additions	Reductions	Balance 12/31/2012
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 188,892			\$ 188,892
Intangible assets	54,636			54,636
Construction in process	1,044,903	\$ 955,028	\$ (488,396)	1,511,535
Total capital assets not being depreciated	<u>1,288,431</u>	<u>955,028</u>	<u>(488,396)</u>	<u>1,755,063</u>
Other capital assets:				
Infrastructure	13,870,575	192,869		14,063,444
Land improvements	56,757			56,757
Buildings and improvements	21,367,372	380,078		21,747,450
Vehicles and equipment	2,954,008	15,410		2,969,418
Total other capital assets at historical cost	<u>38,248,712</u>	<u>588,357</u>	<u>-</u>	<u>38,837,069</u>
Less accumulated depreciation for:				
Infrastructure	(3,593,539)	(307,286)		(3,900,825)
Land improvements	(34,209)	(1,216)		(35,425)
Buildings and improvements	(11,729,062)	(468,176)		(12,197,238)
Vehicles and equipment	(1,252,887)	(83,094)		(1,335,981)
Total accumulated depreciation	<u>(16,609,697)</u>	<u>(859,772)</u>	<u>-</u>	<u>(17,469,469)</u>
Total other capital assets, net	<u>21,639,015</u>	<u>(271,415)</u>	<u>-</u>	<u>21,367,600</u>
Total capital assets, net	<u>\$ 22,927,446</u>	<u>\$ 683,613</u>	<u>\$ (488,396)</u>	<u>\$ 23,122,663</u>

Depreciation expense was charged to proprietary funds as follows:

Water Fund	\$ 266,836
Sewer Fund	592,936
	<u>\$ 859,772</u>

The balance of the assets acquired through capital lease issuances as of December 31, 2012 in the proprietary funds is as follows:

Vehicles and equipment	\$ 92,490
Less: Accumulated depreciation	<u>(33,913)</u>
	<u>\$ 58,577</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE 8—DUE TO OTHER GOVERNMENTS

Payables due to other governments at December 31, 2012, consist of the balance of the property tax appropriation due to the Milford School District and monies due to the State of New Hampshire. A summary of the principal items of intergovernmental payables is as follows:

Governmental activities:	
Milford School District	\$ 11,677,557
State of New Hampshire - Town clerk fees	<u>1,447</u>
	<u>\$ 11,679,004</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 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 police officers and fire employees are required to contribute 11.55% and 11.80%, respectively of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 19.95%, 22.89% and 8.80%, respectively. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

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, 2012, 2011, and 2010 were \$667,179, \$624,417, and \$569,565, respectively, equal to the required contributions for each year.

NOTE 10—SHORT-TERM OBLIGATIONS

During the year, the Town issued tax anticipation notes. These borrowings are to assist in the payment of operating expenditures during the year and are guaranteed to be repaid from the property tax revenue received from the various taxpayers within the Town.

The changes in the Town's short-term obligations for the year ended December 31, 2012 are as follows:

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Balance - January 1, 2012	\$ -
Additions	500,000
Reductions	<u>(500,000)</u>
Balance - December 31, 2012	<u>\$ -</u>

NOTE 11—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2012 are as follows:

	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 4,100,000		\$ (395,000)	\$ 3,705,000	\$ 395,000
Capital leases payable		\$ 453,293		453,293	78,375
Compensated absences payable	219,137	41,973	(52,092)	209,018	-
Total governmental activities	<u>\$ 4,319,137</u>	<u>\$ 495,266</u>	<u>\$ (447,092)</u>	<u>\$ 4,367,311</u>	<u>\$ 473,375</u>
Business-type activities:					
Bonds payable	\$ 2,115,000		\$ (180,000)	\$ 1,935,000	\$ 180,000
Capital lease payable	37,643		(18,473)	19,170	19,170
Other long-term obligations	461,136	\$ 730,595		1,191,731	-
Compensated absences payable	45,566	6,075	(3,936)	47,705	-
Total business-type activities	<u>\$ 2,659,345</u>	<u>\$ 736,670</u>	<u>\$ (202,409)</u>	<u>\$ 3,193,606</u>	<u>\$ 199,170</u>

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, 2012 are comprised of the following individual issues:

	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2012</u>
Governmental Activities:			
Water Main Extension	4.70-5.30%	8/2017	\$ 175,000
Brox Property Purchase	5.0-5.25%	7/2015	270,000
Police Station	3.70-4.50%	9/2024	1,800,000
Mileslip Road Land	4.0-4.25%	8/2025	<u>1,460,000</u>
Total governmental activities			<u>\$ 3,705,000</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Business-type Activities:

Water Fund:

Water Main Extension	4.125-4.75%	8/2016	\$ 160,000
Storage Tank	4.0-4.25%	8/2025	1,040,000
Elm Street Phase I	4.0-5.0%	8/2026	515,000
			<u>1,715,000</u>

Sewer Fund:

Outfall Diffuser	4.0-5.0%	8/2026	220,000
			<u>220,000</u>

Total business-type activities			<u>\$ 1,935,000</u>
--------------------------------	--	--	---------------------

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2012 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	305,000	91,840	396,840
2018-2022	1,350,000	288,450	1,638,450
2023-2025	560,000	37,740	597,740
	<u>\$ 3,705,000</u>	<u>\$ 936,234</u>	<u>\$ 4,641,234</u>

As included on the Statement of Activities (Exhibit B), interest expense on general obligation debt for governmental activities for the year ended December 31, 2012 was \$164,984.

Debt service requirements to retire general obligation bonds outstanding for business-type activities at December 31, 2012 are as follows:

Water Fund:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 160,000	\$ 72,775	\$ 232,775
2014	160,000	65,736	225,736
2015	160,000	58,685	218,685
2016	160,000	53,287	213,287
2017	120,000	46,166	166,166
2018-2022	575,000	156,775	731,775
2023-2026	380,000	36,706	416,706
	<u>\$ 1,715,000</u>	<u>\$ 490,130</u>	<u>\$ 2,205,130</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

Sewer Fund:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	15,000	7,061	22,061
2018-2022	75,000	24,675	99,675
2023-2026	60,000	7,092	67,092
	<u>\$ 220,000</u>	<u>\$ 75,322</u>	<u>\$ 295,322</u>

As included on the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds (Exhibit F), interest expense on general obligation debt for business-type activities for the year ended December 31, 2012 was \$89,312.

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 are the individual capital lease obligations outstanding for governmental activities at December 31, 2012:

	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2012</u>
Governmental Activities:			
Fire engine	2.29%	5/2018	\$ 370,252
Backhoe	2.14%	5/2016	83,041
			<u>\$ 453,293</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2012 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 78,375	\$ 10,256	\$ 88,631
2014	80,139	8,491	88,630
2015	81,944	6,687	88,631
2016	83,789	4,842	88,631
2017	63,793	2,955	66,748
2018	65,253	1,494	66,747
	<u>\$ 453,293</u>	<u>\$ 34,725</u>	<u>\$ 488,018</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

The following is the individual capital lease obligation outstanding for business-type activities at December 31, 2012:

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at 12/31/2012</u>
Business-type Activities:			
<i>Sewer Fund:</i>			
Wheel Loader	3.71%	5/2013	<u>\$ 19,170</u>

Debt service requirements to retire the capital lease obligation outstanding for business-type activities at December 31, 2012 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	<u>\$ 19,170</u>	<u>\$ 724</u>	<u>\$ 19,894</u>

Other Long-Term Obligations

The Town has drawn \$1,191,731 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. Total funding to date of \$1,191,731 has been reported as 'Other long-term obligations' in the Sewer Fund.

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 the initial loan repayment.

Authorized and Unissued Debt

As of December 31, 2012, the Town had the following debt authorized and unissued:

<u>Purpose</u>	<u>Amount</u>	<u>Total</u>
Governmental Funds:		
Ambulance Facility	<u>\$ 2,214,000</u>	
Total Governmental Funds		<u>\$ 2,214,000</u>
Business-type Funds:		
<i>Water Fund -</i>		
Curtis Well Facility Improvements	295,000	
Union Street Water Main Replacement	246,000	
<i>Sewer Fund -</i>		
Sewer System Rehabilitation	<u>270,000</u>	
Total Business-type Funds		<u>811,000</u>
Combining Total		<u>\$ 3,025,000</u>

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE 12—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, 2012 are as follows:

		Due from			
		General	Nonmajor	Water	Sewer
		<u>Fund</u>	<u>Governmental</u>	<u>Fund</u>	<u>Fund</u>
			<u>Funds</u>		
Due to	General Fund		\$ 300,926	\$ 36,868	\$ 297,595
	Nonmajor Governmental Funds	\$ 120,331			
		<u>\$ 120,331</u>	<u>\$ 300,926</u>	<u>\$ 36,868</u>	<u>\$ 297,595</u>
					<u>\$ 755,720</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, 2012 are as follows:

		Transfer from		
		General	Nonmajor	
		<u>Fund</u>	<u>Governmental</u>	<u>Totals</u>
			<u>Funds</u>	
Transfer to	General Fund		\$ 40,424	\$ 40,424
	Nonmajor Governmental Funds	\$ 20,830	7,249	28,079
		<u>\$ 20,830</u>	<u>\$ 47,673</u>	<u>\$ 68,503</u>

NOTE 13—RESTRICTED NET POSITION

Net position is restricted for specific purposes at December 31, 2012 as follows:

Governmental Activities:	
Permanent funds - Endowments	\$ 1,335,043
Permanent funds - Income	39,698
	<u>\$ 1,374,741</u>

NOTE 14—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2012 are as follows:

	<u>Fund Balances</u>	General	Nonmajor	Total
		<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
<i>Nonspendable:</i>				
Prepaid expenses	\$ 94,259			\$ 94,259
Permanent Funds - Endowments			\$ 1,335,043	1,335,043

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

<i>Restricted for:</i>		
Permanent Funds - Income	39,698	39,698
<i>Committed for:</i>		
Continuing appropriations - Non-lapsing	769,422	769,422
Expendable Trust Funds	869,017	869,017
Capital Reserve Fund	87,619	87,619
Conservation Commission	60,319	60,319
Impact Fees Fund	27,753	27,753
Recreation Fund	39,587	39,587
Special Purpose Funds	2,000	2,000
Public Safety Revolving Fund	24,384	24,384
Cable Access Fund	74,594	74,594
<i>Assigned for:</i>		
Continuing appropriations	114,973	114,973
Encumbrances	152,758	152,758
Library operations	47,545	47,545
Heritage Trust	4,429	4,429
<i>Unassigned:</i>		
Unassigned - General operations	529,287	529,287
Unassigned (Deficit) - Capital Projects Fund	(274,727)	(274,727)
	<u>\$ 2,729,628</u>	<u>\$ 3,997,960</u>

NOTE 15—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, 2012, the Town held performance deposits totaling \$1,394,575.

NOTE 16—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, 2012 amounted to \$411,588 or 71.294%. The Center rents space in the Milford Town Hall for \$3,000 per year.

NOTE 17—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.

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

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, 2012, the Town expended \$314,925 under the terms of the agreement. Each year's appropriation is expected to be made at Town Meeting.

NOTE 18—CONTINGENCIES

Litigation

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

Federal Grants

The Town participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 19—RESTATEMENT OF NET POSITION

Government-Wide Financial Statements

During the year ended December 31, 2012, it was determined that capital assets of the governmental activities were understated. Net Position of the governmental activities as of January 1, 2012 has been restated as follows:

	<u>Governmental Activities</u>
Net Position - January 1, 2012 (as previously reported)	\$ 26,486,025
Amount of restatement due to:	
Understatement of capital assets	<u>154,200</u>
Net Position - January 1, 2012, as restated	<u><u>\$ 26,640,225</u></u>

NOTE 20—SUBSEQUENT EVENTS

During July 2012, the Town authorized the issuance of a note payable for the construction of an Ambulance Facility in the amount of \$2,214,000; however, the Town did not draw down any funds against the note in 2012. Subsequent to year end, the Town has drawn down \$2,128,000 in funds against this note. The note payable has an interest rate of 2.875% and matures on January 2034.

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 7,791,441	\$ 7,791,441	\$ 7,725,896	\$ (65,545)
Licenses and permits	2,162,735	2,162,735	2,116,188	(46,547)
Intergovernmental	992,786	992,786	990,728	(2,058)
Charges for services	853,153	853,153	855,778	2,625
Investment income	2,000	2,000	1,520	(480)
Miscellaneous	663,869	163,869	174,683	10,814
Total Revenues	<u>12,465,984</u>	<u>11,965,984</u>	<u>11,864,793</u>	<u>(101,191)</u>
Expenditures:				
Current operations:				
General government	4,102,534	4,102,534	3,947,608	154,926
Public safety	3,924,806	3,924,806	3,843,167	81,639
Highways and streets	1,336,168	1,318,168	1,240,340	77,828
Health and welfare	268,597	268,597	260,395	8,202
Sanitation	709,742	709,742	674,732	35,010
Culture and recreation	333,524	333,524	385,196	(51,672)
Capital outlay	109,500	109,500	89,000	20,500
Debt service:				
Principal retirement	395,000	395,000	395,000	-
Interest and fiscal charges	176,445	176,445	172,044	4,401
Total Expenditures	<u>11,356,316</u>	<u>11,338,316</u>	<u>11,007,482</u>	<u>330,834</u>
Excess of revenues over (under) expenditures	<u>1,109,668</u>	<u>627,668</u>	<u>857,311</u>	<u>229,643</u>
Other financing sources (uses):				
Transfers in	17,401	17,401	27,274	9,873
Transfers out	(2,094,294)	(727,899)	(747,899)	(20,000)
Total other financing sources (uses)	<u>(2,076,893)</u>	<u>(710,498)</u>	<u>(720,625)</u>	<u>(10,127)</u>
Net change in fund balance	(967,225)	(82,830)	136,686	219,516
Fund balances at beginning of year				
- Budgetary Basis	<u>2,699,510</u>	<u>2,699,510</u>	<u>2,699,510</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 1,732,285</u>	<u>\$ 2,616,680</u>	<u>\$ 2,836,196</u>	<u>\$ 219,516</u>

See accompanying notes to the required supplementary information

TOWN OF MILFORD, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

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 other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures, non-budgetary transfers in, budgetary transfers out, encumbrances, and capital lease proceeds as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 12,745,204	\$ 12,335,016
Difference in property taxes meeting susceptible to accrual criteria	(247,791)	
Non-budgetary revenues and expenditures	(138,903)	(838,295)
Non-budgetary transfers in	(13,150)	
Budgetary transfers out		727,069
Encumbrances, December 31, 2012		152,758
Encumbrances, December 31, 2011		(167,874)
Proceeds from capital leases	(453,293)	(453,293)
Per Schedule 1	<u>\$ 11,892,067</u>	<u>\$ 11,755,381</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2012 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 94,259
<i>Committed for:</i>	
Continuing appropriations - Non-lapsing	769,422
<i>Assigned for:</i>	
Continuing appropriations	114,973
<i>Unassigned:</i>	
Unassigned - General Operations	<u>1,857,542</u>
	<u>\$ 2,836,196</u>

SCHEDULE A
TOWN OF MILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2012

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Combining Totals
ASSETS				
Investments		\$ 1,387,854		\$ 1,387,854
Accounts receivable	\$ 47,925			47,925
Due from other governments	142,900			142,900
Due from other funds	120,331			120,331
Total Assets	<u>311,156</u>	<u>1,387,854</u>	<u>\$ -</u>	<u>1,699,010</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 311,156</u>	<u>\$ 1,387,854</u>	<u>\$ -</u>	<u>\$ 1,699,010</u>
LIABILITIES				
Accounts payable	\$ 13,379		\$ 41,523	\$ 54,902
Accrued expenses	568			568
Due to other funds	54,609	\$ 13,113	233,204	300,926
Deposits	500			500
Total Liabilities	<u>69,056</u>	<u>13,113</u>	<u>274,727</u>	<u>356,896</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue	<u>73,782</u>			<u>73,782</u>
Total Deferred Inflows of Resources	<u>73,782</u>	<u>-</u>	<u>-</u>	<u>73,782</u>
FUND BALANCES				
Nonspendable		1,335,043		1,335,043
Restricted		39,698		39,698
Committed	168,318			168,318
Unassigned (Deficit)			(274,727)	(274,727)
Total Fund Balances	<u>168,318</u>	<u>1,374,741</u>	<u>(274,727)</u>	<u>1,268,332</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 311,156</u>	<u>\$ 1,387,854</u>	<u>\$ -</u>	<u>\$ 1,699,010</u>

SCHEDULE A-1
TOWN OF MILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2012

	Impact Fees Fund	Recreation Fund	Special Purpose Funds	Public Safety Revolving Fund	Cable Access Fund	Combining Totals
ASSETS						
Accounts receivable				\$ 12,741	\$ 35,184	\$ 47,925
Due from other governments			\$ 142,900			142,900
Due from other funds	\$ 27,753	\$ 41,131		11,643	39,804	120,331
Total Assets	<u>27,753</u>	<u>41,131</u>	<u>142,900</u>	<u>24,384</u>	<u>74,988</u>	<u>311,156</u>
DEFERRED OUTFLOWS OF RESOURCES						
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 27,753</u>	<u>\$ 41,131</u>	<u>\$ 142,900</u>	<u>\$ 24,384</u>	<u>\$ 74,988</u>	<u>\$ 311,156</u>
LIABILITIES						
Accounts payable		\$ 476	\$ 12,509		\$ 394	\$ 13,379
Accrued expenses		568				568
Due to other funds			54,609			54,609
Deposits		500				500
Total Liabilities	<u>\$ -</u>	<u>1,544</u>	<u>67,118</u>	<u>\$ -</u>	<u>394</u>	<u>69,056</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned grant revenue			73,782			73,782
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>73,782</u>	<u>-</u>	<u>-</u>	<u>73,782</u>
FUND BALANCES						
Committed	27,753	39,587	2,000	24,384	74,594	168,318
Total Fund Balances	<u>27,753</u>	<u>39,587</u>	<u>2,000</u>	<u>24,384</u>	<u>74,594</u>	<u>168,318</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,753</u>	<u>\$ 41,131</u>	<u>\$ 142,900</u>	<u>\$ 24,384</u>	<u>\$ 74,988</u>	<u>\$ 311,156</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, 2012

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Combining Totals
Revenues:				
Licenses and permits	\$ 135,904			\$ 135,904
Intergovernmental	110,118			110,118
Charges for services	265,221			265,221
Investment income		\$ 123,307		123,307
Miscellaneous	79,401			79,401
Total Revenues	<u>590,644</u>	<u>123,307</u>	<u>\$ -</u>	<u>713,951</u>
Expenditures:				
Current operations:				
General government	151,679	5,235		156,914
Public safety	220,632		87,352	307,984
Culture and recreation	116,816	8,669		125,485
Capital outlay	58,351		187,375	245,726
Total Expenditures	<u>547,478</u>	<u>13,904</u>	<u>274,727</u>	<u>836,109</u>
Excess of revenues over (under) expenditures	<u>43,166</u>	<u>109,403</u>	<u>(274,727)</u>	<u>(122,158)</u>
Other financing sources (uses):				
Transfers in	28,079			28,079
Transfers out	(16,410)	(31,263)		(47,673)
Total other financing sources (uses)	<u>11,669</u>	<u>(31,263)</u>	<u>-</u>	<u>(19,594)</u>
Net change in fund balances	54,835	78,140	(274,727)	(141,752)
Fund balances at beginning of year	<u>113,483</u>	<u>1,296,601</u>	<u>-</u>	<u>1,410,084</u>
Fund balances (deficit) at end of year	<u>\$ 168,318</u>	<u>\$ 1,374,741</u>	<u>\$ (274,727)</u>	<u>\$ 1,268,332</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, 2012

	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					\$ 135,904	\$ 135,904
Intergovernmental			\$ 110,118			110,118
Charges for services		\$ 101,822		\$ 163,114	285	265,221
Miscellaneous	\$ 17,548	6,683	55,170			79,401
Total Revenues	<u>17,548</u>	<u>108,505</u>	<u>165,288</u>	<u>163,114</u>	<u>136,189</u>	<u>590,644</u>
Expenditures:						
Current operations:						
General government			58,272		93,407	151,679
Public safety			63,337	157,295		220,632
Culture and recreation		105,409	11,407			116,816
Capital outlay			58,351			58,351
Total Expenditures	<u>-</u>	<u>105,409</u>	<u>191,367</u>	<u>157,295</u>	<u>93,407</u>	<u>547,478</u>
Excess of revenues over (under) expenditures	<u>17,548</u>	<u>3,096</u>	<u>(26,079)</u>	<u>5,819</u>	<u>42,782</u>	<u>43,166</u>
Other financing sources (uses):						
Transfers in			28,079			28,079
Transfers out	(14,160)	(2,250)				(16,410)
Total other financing sources (uses)	<u>(14,160)</u>	<u>(2,250)</u>	<u>28,079</u>	<u>-</u>	<u>-</u>	<u>11,669</u>
Net change in fund balances	3,388	846	2,000	5,819	42,782	54,835
Fund balances at beginning of year	<u>24,365</u>	<u>38,741</u>	<u>-</u>	<u>18,565</u>	<u>31,812</u>	<u>113,483</u>
Fund balances at end of year	<u>\$ 27,753</u>	<u>\$ 39,587</u>	<u>\$ 2,000</u>	<u>\$ 24,384</u>	<u>\$ 74,594</u>	<u>\$ 168,318</u>