BF

Bill Fraher, CPA

TOWN OF ASHBURNHAM, MASSACHUSETTS

Basic Financial Statements, Required Supplementary Information, and Supplementary Information

Year ended June 30, 2009
(Except for the Electric Enterprise Fund which is December 31, 2008)

(With Independent Auditor's Report Thereon)

TOWN OF ASHBURNHAM, MASSACHUSETTS

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 9
Basic Financial Statements	
Government-Wide Financial Statements:	
• Statement of Net Assets	10
• Statement of Activities	11
Fund Financial Statements:	
• Balance Sheet - Government Funds	12
• Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
• Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	14
• Reconciliation of the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.	15
• Budgetary Comparison Schedule - General Fund	16
• Statement of Net Assets - Proprietary Funds	17
• Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	18
• Statement of Cash Flows - Proprietary Funds	19
• Statement of Net Assets - Fiduciary Funds	20
Notes to the Financial Statements	21-39
Combining Financial Statements:	
• Combining Balance Sheet - Nonmajor Governmental Funds	40
• Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	41

BF

Bill Fraher, CPA
Nine Taylor Street
Boston, MA 02118
Tel: 617-338-0994
Fax: 617-357-7377
bfcpa1@aol.com

Independent Auditor's Report

The Board of Selectman
Town Of Ashburnham, Massachusetts:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashburnham, Massachusetts, as of and for the year ended June 30, 2009 (except for the Electric Enterprise Fund which is December 31, 2008), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ashburnham's management. My responsibility is to express opinions on these financial statements based on my audit. I did not audit the financial statements of the Electric Enterprise Fund, which represents 22% of total assets, 18% of net assets and 76% of revenues of business type activities and proprietary funds of the Town of Ashburnham. Those financial statements have been audited by other auditors whose report has been furnished to me, and my opinion on the general purpose financial statements, insofar as it relates to the amounts included for the Electric Enterprise Fund, is based on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the report of other auditors provides a reasonable basis for my opinions.

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashburnham, Massachusetts, as of June 30, 2009 (except for the Electric Enterprise Fund which is December 31, 2008), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BF

The Board of Selectmen
Town of Ashburnham, Massachusetts
Independent Auditor's Report

In accordance with *Government Auditing Standards*, I have also issued a report dated February 25, 2010 on my consideration of the Town of Ashburnham's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ashburnham's basic financial statements. The combining financial statements listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bill Fraher, CPA
February 25, 2010

This section of the Town of Ashburnham's annual financial report presents a discussion and analysis of the Town's financial activities during the fiscal year ended June 30, 2009. Please read it in conjunction with the additional information at the front of this report and the financial statements, which follow this section. Amounts related to business type activities and enterprise funds include the Town's electric light department, which is included in the financial statements as of its fiscal year ended December 31, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities (net assets) at the close of the current fiscal year by $41,463,287, a decrease of $1,165,614 (2.7%) from the prior year. Governmental activities showed a decrease in net assets of $389,047 (3.4%) due to general fund activities while business-type activities showed a decrease of $776,567 (2.5%), due to sewer fund activity (primarily unfunded depreciation).

- Total fund balance of the Town's governmental funds at June 30, 2009 was $1,815,600, an increase of $6,834,490 from June 30, 2008. This was primarily due to the issuance of debt on the public buildings projects. Without the public buildings capital projects funds, governmental funds would have shown a decrease in fund balance of $209,617, which is due to general fund activity (planned use of surplus).

- At the end of fiscal 2009, unreserved fund balance for the general fund was $204,089 or 1.7% of total general fund budgeted expenditures, an increase from the prior year amount of $103,712, or 0.9% of prior year general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements - The government-wide financial statements report information about the Town with a broad overview of its finances using accounting methods similar to those used by a private-sector business.

The statement of net assets presents information of all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Town is improving or deteriorating. The statement of activities presents information showing how the Town's net

assets changed during the year. All changes in net assets are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements of the Town are divided into two categories:

- Governmental activities – Governmental activities of the Town such as general government, public works, public safety, public roads, education, health, recreation and culture are reported here. Property taxes, state aid and local fees and charges finance most of these activities.

- Business-type activities – The Town charges fees to users to help it cover costs of certain services it provides. The Town's electric, water and sewer operations are included here.

The government-wide financial statements can be found on pages 10 - 11 of this report.

Fund Financial Statements

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

Governmental funds - Similar to the government activities in the government-wide financial statements, most of the Town's basic services are presented here. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of available resources. They also focus on the balance of available resources at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is short-term and government-wide funds are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and charges in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and library capital projects fund, which are each considered a major fund. Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements.

The Town adopts an annual budget for its general fund. A budgetary comparison schedule for the general fund is presented to show how actual results (on a budgetary basis of accounting) compared with the original and final budget. The governmental fund financial statements can be found on pages 12 - 13. Reconciliations to the entity wide statements appear on pages 14 – 15 and budget to actual information appears on page 16.

Proprietary funds - The Town uses enterprise funds (one type of proprietary fund) to account for electric, water and sewer activities which are all considered to be major funds.

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

The proprietary fund financial statements can be found on pages 17 - 19.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The Town is the trustee, or fiduciary. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Town's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary fund financial statement can be found on page 20.

Notes to the basic 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 basic financial statements can be found on pages 21 - 39.

Other information - In addition to the basic financial statements and accompanying notes this report also presents supplementary information, which pertains to nonmajor governmental funds.

Supplementary information can be found on page 40 and 41.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Town's case, net assets (the amount by which assets exceeded liabilities) are $41,463,287 at the close of the most recent fiscal year. Of this amount, $6.4 million is considered unrestricted (unrestricted net assets). The unrestricted net assets of the Town's governmental activities are $2.5 million and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of the Town's business-type activities are $3.9 million and may be used to meet ongoing obligations of the Town's electric, water and sewer business-type activities.

The largest portion of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, furniture and equipment), less any related debt to acquire those assets that is still outstanding. 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 its 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 these liabilities.

During the current fiscal year, total net assets of the Town decreased $1,165,614 (2.7%) from the prior year. Governmental activities showed a decrease in net assets of $389,047 (3.4%) due to general fund activities while business-type activities showed a decrease of $776,567 (2.5%), due to sewer fund activity (primarily unfunded depreciation).

Governmental activities - The Town's total governmental activities revenue was $13,064,715. The breakdown of revenue by source is detailed below.

Revenue by Source – Governmental Activities

Charges for Services	$ 702,066	5.4 %
Operating Grants and Contributions	216,652	1.7 %
Capital Grants and Contributions	413,611	3.2 %
Property Taxes	9,592,650	73.4 %
Excise Taxes	705,456	5.4 %
Intergovernmental	906,108	6.9 %
Unrestricted Investment Earnings	103,357	0.8 %
Miscellaneous	424,815	3.2 %
Total General Revenue	**$13,064,715**	**100.00 %**

Town's total governmental activities expenditures for fiscal year 2009 were $13,493,762. As shown below, education expenditures were $7,143,067, which is 52.9% of the total.

General Government	$ 1,609,928	11.9 %
Public Safety	2,124,072	15.8 %
Education	7,143,067	52.9 %
Public Works	1,429,214	10.6 %
Human Services	122,190	0.9 %
Recreation & Culture	378,161	2.8 %
Interest on Debt Service	687,130	5.1 %
TOTAL	**$ 13,493,762**	**100.00 %**

Business-type activities - Total revenues from electric, water and sewer were $6,529,559. Electric revenue was $4,989,256, water revenue was $875,433 and sewer revenue was $664,870. Electric revenues were less than expenses by $89,596, water program revenues were less than expenses by $5,985 and sewer program revenues were less than expenses by $680,986 (due mainly to unfunded depreciation).

Revenue by Sources - Business-type activities – Revenues were primarily generated from charges for services, with other revenues coming from special assessments and capital grant revenues and debt subsidies from the Commonwealth of Massachusetts.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

At the end of fiscal 2009, the Town's governmental funds reported a combined ending fund balance of $1,815,600 compared to a deficit of ($5,018,890) at the end of fiscal year 2008, an increase of $6,834,490. This was primarily due to the issuance of debt for the public buildings capital projects. Without the public buildings capital projects funds, governmental funds would have shown a decrease in fund balance of $209,617, which is due to general fund activity (planned use of surplus). Of the total fund balances at the end of fiscal 2009, $204,089 is available for spending at the Town's discretion (general fund unreserved fund balance), $883,634 is available for special revenue fund purposes and $42,561 is available for capital projects.

The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and warrants of the current period $23,022; 2) for specific purposes $662,294 (permanent funds); 3) to fund next year's general fund operational budget $0 (no such funds were earmarked at June 30, 2009).

The general fund is the chief operating fund of the Town. At the end of fiscal 2009 unreserved fund balance of the general fund was $204,089, a moderate increase from $103,712 last year. As a measure of liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 1.7% of total general fund expenditures, compared to 0.9% last year, which means that there has been an increase in general fund surplus funds.

Proprietary funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net assets of the proprietary funds at the end of the year totaled $30,442,725. Unrestricted net assets totaled $3,937,209 consisting of $1,060,275 in the electric fund, $302,906 in the water fund and $2,574,028 in the sewer fund.

Budgetary highlights - The differences between the original budget and final budget were due to special Town Meetings and Finance Committee reserve fund and end of year transfers. Actual revenue and other sources (inflows) were more than budget by $96,634, mainly due to unanticipated miscellaneous revenues (a bond premium and insurance reimbursement from a building flood) and the close out of old special revenue funds. The charges (outflows) were more than budget by $36,766, due mainly to a snow and ice deficit and the aforementioned flood repair costs. Total budgeted charges to appropriations were $12,200,276 and the total budgeted resources (revenues and transfers in) were $11,862,719. The budgeted difference of $337,657 was to be funded from available fund balances in the general fund. Actual results show that the Town actually used fewer resources than were budgeted, as the net amount was favorable to budget by $59,868.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for governmental and business-type activities as of June 30, 2009, amounts to $47,560,525 which is net of accumulated depreciation of $24,802,177. The investment in capital assets includes land; buildings; improvements; machinery and equipment; park facilities; streets; sidewalks; and water and sewer systems. Governmental activity infrastructure includes improvements that were put in service after 1980.

	Governmental Activities	Business-type Activities
Land and land improvements	$ 3,451,928	$ 317,063
Buildings & improvements	15,200,275	9,089,374
Equipment & machinery	4,558,806	3,549,399
Infrastructure	2,780,784	33,401,748
Construction in progress	-	13,325
Accumulated depreciation	(9,010,106)	(15,792,071)
Total	**$ 16,981,687**	**$ 30,578,838**

Additional information on the Town's capital assets may be found in Note 4 to the financial statements pages 30 – 31.

Long-term obligations - At June 30, 2009 the Town had a total long term obligations outstanding of $14,621,351, $9,413,688 for governmental activities and $5,207,663 for business-type activities. Of this total $14,330,590 is related to the Town's long term debt. All debt is a general obligation of the Town, although electric, water and sewer debt service payments are made from the resources of the enterprise funds.

Additional information on the Town's long-term debt can be found in Note 7 to the financial statements beginning on page 32.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Assets
For the Year Ended June 30, 2009
(Electric Business-Type Activity is as of December 31, 2008)

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 889,364	2,954,961	3,844,325
Investments	791,308	-	791,308
Receivables (net of allowance for uncollectibles)	2,081,388	2,987,579	5,068,967
Due from other governments	105,683	1,207,180	1,312,863
Materials and supplies inventory	-	101,622	101,622
Prepaid expenses	-	94,632	94,632
Other assets	-	566,760	566,760
Capital assets:			
Assets not being depreciated	3,451,928	330,388	3,782,316
Assets being depreciated, net	13,529,759	30,248,450	43,778,209
Total assets	$ 20,849,430	38,491,572	59,341,002
Liabilities			
Warrants and accounts payable	$ 157,478	904,631	1,062,109
Other accrued liabilities	241,715	216,368	458,083
Other liabilities	15,987	1,720,185	1,736,172
Long-term liabilities:			
Due within one year:			
Compensated absences	105,249	-	105,249
Bonds and notes payable	611,854	464,663	1,076,517
Due in more than one year:			
Compensated absences	185,512	-	185,512
Bonds and notes payable	8,511,073	4,743,000	13,254,073
Total liabilities	9,828,868	8,048,847	17,877,715
Net Assets			
Invested in capital assets, net of related debt	7,858,760	26,505,516	34,364,276
Restricted for:			
Specific purposes - expendable	331,177	-	331,177
Specific purposes - nonexpendable	331,117	-	331,117
Unrestricted	2,499,508	3,937,209	6,436,717
Total net assets	$ 11,020,562	30,442,725	41,463,287

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2009
(Electric Business-Type Activity is for the year ended December 31, 2008)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Totals
Governmental activities:							
General government	$ 1,609,928	109,948	432	-	(1,499,548)	-	(1,499,548)
Public safety	2,124,072	532,352	77,494	-	(1,514,226)	-	(1,514,226)
Education	7,143,067	-	61,939	-	(7,081,128)	-	(7,081,128)
Public works	1,429,214	7,324	-	413,611	(1,008,279)	-	(1,008,279)
Human services	122,190	52,442	72,076	-	2,328	-	2,328
Recreation and culture	378,161	-	4,711	-	(373,450)	-	(373,450)
Interest on debt service	687,130	-	-	-	(687,130)	-	(687,130)
Total governmental activities	13,493,762	702,066	216,652	413,611	(12,161,433)	-	(12,161,433)
Business-type activities:							
Water	881,418	819,950	47,245	-	-	(14,223)	(14,223)
Sewer	1,345,856	593,585	70,539	-	-	(681,732)	(681,732)
Electric	5,038,852	4,524,706	-	-	-	(514,146)	(514,146)
Total business-type activities	7,266,126	5,938,241	117,784	-	-	(1,210,101)	(1,210,101)
Total government	$ 20,759,888	6,640,307	334,436	413,611	(12,161,433)	(1,210,101)	(13,371,534)
General revenues:							
Property taxes					$ 9,592,650	-	9,592,650
Excise taxes					705,456	-	705,456
Intergovernmental					906,108	-	906,108
Unrestricted investment earnings					103,357	102,823	206,180
Miscellaneous					424,815	370,711	795,526
Transfers in (out)					40,000	(40,000)	-
Total general revenues and transfers					11,772,386	433,534	12,205,920
Changes in net assets					(389,047)	(776,567)	(1,165,614)
Net assets - beginning of year					11,409,609	31,219,292	42,628,901
Net assets - end of year					$ 11,020,562	30,442,725	41,463,287

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Balance Sheet - Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Public Buildings	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 163,287	10,182	715,895	889,364
Investments	-	-	791,308	791,308
Receivables:				
Property taxes	301,118	-	-	301,118
Tax liens and foreclosures	1,214,009	-	-	1,214,009
Motor vehicle excise	59,477	-	-	59,477
Departmental	307,042	-	231,791	538,833
Less: allowance for abatements	(32,049)	-	-	(32,049)
Due from other governments	21,590	-	78,698	100,288
Total assets	$ 2,034,474	10,182	1,817,692	3,862,348
Liabilities and Fund Balances				
Liabilities:				
Warrants and accounts payable	$ 149,884	-	7,594	157,478
Other accrued liabilities	59,603	-	-	59,603
Deferred revenue	1,581,889	-	231,791	1,813,680
Other liabilities	15,987	-	-	15,987
Total liabilities	1,807,363	-	239,385	2,046,748
Fund balances:				
Reserved for:				
Encumbrances and continued appropriations	23,022	-	-	23,022
Other specific purposes	-	-	662,294	662,294
Unreserved, reported in:				
General fund	204,089	-	-	204,089
Special revenue funds	-	-	883,634	883,634
Capital projects funds	-	10,182	32,379	42,561
Total fund balances	227,111	10,182	1,578,307	1,815,600
Total liabilities and fund balances	$ 2,034,474	10,182	1,817,692	3,862,348

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Public Buildings	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes	$ 9,580,460	-	-	9,580,460
Excise taxes	727,721	-	-	727,721
Departmental charges for services	224,658	-	125,467	350,125
Licenses and permits	78,353	-	-	78,353
Intergovernmental	982,908	-	523,557	1,506,465
Fines and forfeits	23,046	-	-	23,046
Investment income	40,615	-	62,742	103,357
Other	202,269	-	345,341	547,610
Total revenues	11,860,030	-	1,057,107	12,917,137
Expenditures:				
Current:				
General government	1,145,291	-	73,902	1,219,193
Public safety	1,655,017	-	81,418	1,736,435
Education	6,890,961	-	-	6,890,961
Public works	998,410	-	138,262	1,136,672
Human services	69,017	-	46,634	115,651
Recreation and culture	194,197	-	108,131	302,328
Intergovernmental	51,296	-	-	51,296
Employee benefits	415,383	-	-	415,383
Other	133,659	-	-	133,659
Debt service	646,384	-	16,851	663,235
Capital outlay	93,243	1,554,893	320,698	1,968,834
Total expenditures	12,292,858	1,554,893	785,896	14,633,647
Excess (deficiency) of revenues over expenditures	(432,828)	(1,554,893)	271,211	(1,716,510)
Other financing sources (uses):				
Proceeds of borrowing	-	8,511,000	-	8,511,000
Operating transfers in	216,094	88,000	32,207	336,301
Operating transfers out	(34,000)	-	(262,301)	(296,301)
Total other financing sources (uses)	182,094	8,599,000	(230,094)	8,551,000
Net changes in fund balances	(250,734)	7,044,107	41,117	6,834,490
Fund balance, beginning of year	477,845	(7,033,925)	1,537,190	(5,018,890)
Fund balance, end of year	$ 227,111	10,182	1,578,307	1,815,600

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Reconciliation of the Governmental Fund Balance Sheet
To the Statement of Net Assets
For the Year Ended June 30, 2009

Total fund balances - governmental funds		$ 1,815,600
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land and land improvements	3,451,928	
Infrastructure assets	2,780,784	
Buildings and building improvements	15,200,275	
Other capital assets	4,558,806	
Construction in progess	-	
Accumulated depreciation	(9,010,106)	
Total Capital Assets		16,981,687
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or are not recorded in the funds.		1,813,680
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds. These liabilities consist of:		
Bonds payable	(9,122,927)	
Accrued interest on bonds	(182,112)	
State subsidy on accrued interest on bonds	5,395	
Compensated absences	(290,761)	
Total long-term liabilities		(9,590,405)
Net assets of governmental activities		$ 11,020,562

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Reconciliation of the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances To the Statement of Activities
For the Year Ended June 30, 2009

Net changes in fund balances - governmental funds	$	6,834,490
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, these amounts are recorded as capital assets and depreciated over their estimated useful lives. This is the amount by which depreciation is less than capital outlays for the year.		1,216,556
Bond proceeds provide financial resources and bond payments are recorded as expenditures in governmental funds, while these are recorded as increases or decreases to long-term liabilities in the statement of net assets. This is the amount by which bond proceeds were less than long-term debt repayments for the year.		(8,534,895)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds, while revenues previously accrued in the statement of activities may be recorded as revenue in the funds.		147,578
Some expenses in the Statement of Activities do not require the use of current financial resources are not reported in the funds.		(52,776)
Changes in net assets of governmental activities	$	(389,047)

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance To Final Budget Favorable (Unfavorable)
Resources (inflows):				
Property taxes	$ 9,578,539	9,578,539	9,531,013	(47,526)
Excise taxes	657,000	657,000	727,721	70,721
Departmental charges for services	177,100	177,100	224,658	47,558
Licenses and permits	125,500	125,500	78,353	(47,147)
Intergovernmental	1,011,226	1,011,226	915,584	(95,642)
Fines	20,500	20,500	23,046	2,546
Investment income	102,000	102,000	40,615	(61,385)
Other	60,000	60,000	202,269	142,269
Transfers from other funds	119,754	130,854	216,094	85,240
Total resources	11,851,619	11,862,719	11,959,353	96,634
Charges to appropriations (outflows):				
General government	991,495	1,077,298	1,018,200	59,098
Public safety	1,779,214	1,739,514	1,653,755	85,759
Education	6,890,961	6,890,961	6,890,961	-
Public works	994,758	1,003,655	1,179,255	(175,600)
Human services	73,550	70,550	61,218	9,332
Recreation and culture	194,697	194,697	194,197	500
Debt service	691,122	650,122	632,999	17,123
Intergovernmental	51,556	51,556	51,296	260
Employee benefits	407,673	407,673	387,502	20,171
Insurance	114,250	114,250	133,659	(19,409)
Transfers to other funds	-	-	34,000	(34,000)
Total charges to appropriations	12,189,276	12,200,276	12,237,042	(36,766)
Excess (deficiency) of resources over charges to appropriations	(337,657)	(337,557)	(277,689)	59,868
Fund balance allocation	337,657	337,657		
Excess (deficiency) of resources over charges to appropriations and fund balance allocation	$ -	-		

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Assets - Proprietary Funds
For the Year Ended June 30, 2009
(Except for Electric Enterprise which is as of December 31, 2008)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Assets				
Current assets:				
Cash and cash equivalents	$ (19,556)	693,042	950,823	1,624,309
Receivables (net):				
User charges	327,292	130,020	223,115	680,427
Other	-	-	490,089	490,089
Materials and supplies inventory	-	-	101,622	101,622
Prepaid expenses	-	-	94,632	94,632
Other assets	-	-	507,354	507,354
Due from Commonwealth	34,587	38,252	-	72,839
Total current assets	342,323	861,314	2,367,635	3,571,272
Noncurrent assets:				
Cash and cash equivalents - depreciation fund	-	-	551,589	551,589
Cash and cash equivalents - customer deposits	-	-	48,534	48,534
Cash and cash equivalents - stabilization fund	-	-	730,529	730,529
Other assets	-	-	59,406	59,406
Special Assessments	-	1,817,063	-	1,817,063
Due from Commonwealth	424,669	709,672	-	1,134,341
Capital assets	13,128,661	25,264,761	7,977,487	46,370,909
Accumulated depreciation	(4,850,993)	(7,531,070)	(3,410,008)	(15,792,071)
Total noncurrent assets	8,702,337	20,260,426	5,957,537	34,920,300
Total assets	$ 9,044,660	21,121,740	8,325,172	38,491,572
Liabilities				
Current Liabilities:				
Warrants and accounts payable	$ 3,107	66,097	835,427	904,631
Accrued expenses	36,310	38,252	141,806	216,368
Bonds payable	162,763	301,900	-	464,663
Total current liabilities	202,180	406,249	977,233	1,585,662
Noncurrent liabilities:				
Other liabilities	-	-	1,720,185	1,720,185
Bonds payable	1,785,400	2,957,600	-	4,743,000
Total noncurrent liabilities	1,785,400	2,957,600	1,720,185	6,463,185
Total liabilities	1,987,580	3,363,849	2,697,418	8,048,847
Net Assets				
Invested in capital assets, net of related debt	6,754,174	15,183,863	4,567,479	26,505,516
Unrestricted	302,906	2,574,028	1,060,275	3,937,209
Total net assets	$ 7,057,080	17,757,891	5,627,754	30,442,725

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2009
(Except for Electric Enterprise which is for the year ended December 31, 2008)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Operating revenues:				
Charges for services	$ 819,950	593,585	4,373,680	5,787,215
Other operating revenues	-	-	151,026	151,026
Total operating revenues	819,950	593,585	4,524,706	5,938,241
Operating expenditures:				
Energy purchases	-	270,157	3,302,830	3,572,987
Other operating expenses	506,711	402,685	984,653	1,894,049
Depreciation	278,332	541,369	219,631	1,039,332
Total operating expenditures	785,043	1,214,211	4,507,114	6,506,368
Operating income	34,907	(620,626)	17,592	(568,127)
Nonoperating revenues (expenses):				
Interest expense	(96,375)	(131,645)	(1,977)	(229,997)
Intergovernmental	47,245	70,539	-	117,784
Disaster recovery revenue	-	-	370,711	370,711
Disaster recovery expenses	-	-	(529,761)	(529,761)
Investment income	8,238	746	93,839	102,823
Total nonoperating revenues (expenses)	(40,892)	(60,360)	(67,188)	(168,440)
Income before transfers	(5,985)	(680,986)	(49,596)	(736,567)
Operating transfers in (out)	-	-	(40,000)	(40,000)
Changes in net assets	(5,985)	(680,986)	(89,596)	(776,567)
Net assets, beginning of year	7,063,065	18,438,877	5,717,350	31,219,292
Net assets, end of year	$ 7,057,080	17,757,891	5,627,754	30,442,725

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

TOWN OF ASHBURNHAM, MASSACHUSETTS
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2009
(Except for Electric Enterprise which is as of December 31, 2008)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Cash flows from operating activities:				
Cash received from customers	$ 750,288	828,849	4,603,081	6,182,218
Cash paid to suppliers	(344,148)	(517,701)	(3,618,603)	(4,480,452)
Cash paid to employees	(171,973)	(164,534)	(584,691)	(921,198)
Cash paid for benefits	-	-	(168,378)	(168,378)
Payment in lieu of taxes and transfers	-	-	(40,000)	(40,000)
Net cash provided by operating activities	234,167	146,614	191,409	572,190
Cash flows from capital and related financing activities:				
Capital expenditures	(74,931)	-	(727,295)	(802,226)
Interest paid, net of subsidy	(39,025)	(55,996)	(1,977)	(96,998)
Net borrowing (repayments), net of subsidy	(127,905)	(216,014)	-	(343,919)
Net cash provided by capital and related financing activities:	(241,861)	(272,010)	(729,272)	(1,243,143)
Cash flows from investing activities:				
Proceeds from investments	8,239	746	689	9,674
Investment income	-	-	93,839	93,839
Rate stabilization reserve	-	-	19,989	19,989
Net cash provided by capital and related financing activities:	8,239	746	114,517	123,502
Net increase in cash and cash equivalents	545	(124,650)	(423,346)	(547,451)
Cash and cash equivalents, beginning of year	(20,101)	817,692	2,704,821	3,502,412
Cash and cash equivalents, end of year	$ (19,556)	693,042	2,281,475	2,954,961
Reconciliation of operating income to net cash provided By operating activities:				
Operating income (loss)	$ 34,907	(620,626)	17,592	(568,127)
Depreciation	278,332	541,369	219,631	1,039,332
Payment in lieu of taxes and transfers	-	-	(40,000)	(40,000)
(Increase) decrease in accounts receivable	(69,662)	235,265	(111,022)	54,581
(Increase) decrease in materials and supplies	-	-	48,243	48,243
(Increase) decrease in purchased prepayments	-	-	(55,452)	(55,452)
(Increase) decrease in purchased power working capital	-	-	(39,145)	(39,145)
Increase (decrease) in accounts payable and accrued expenses	(10,221)	(9,394)	68,612	48,997
Increase (decrease) in deferred credits	-	-	93,796	93,796
Other, net	811	-	(10,846)	(10,035)
Net cash provided by operating activities	$ 234,167	146,614	191,409	572,190

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Assets
Fiduciary Funds
June 30, 2009

	Agency Funds
Assets	
Cash and cash equivalents	$ 18,612
Total assets	18,612
Liabilities	
Other liabilities	18,612
Total liabilities	18,612
Net Assets	
Unrestricted	-
Total net assets	$ -

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

Note 1. Reporting Entity and Significant Accounting Policies

A. Introduction

The Town of Ashburnham (the Town) was incorporated in 1765 under the statutes of the Commonwealth of Massachusetts. The Town operates with a selectmen-open Town meeting form of government and an elected three member Board of Selectmen. The Town provides general municipal services including public safety, education, public works, water, sewer, electric light, health, culture and recreation. This report includes the fund types and account group to account for these activities.

B. Financial Reporting Entity

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

Joint Venture:

The Town is a participant in the Ashburnham-Westminster Regional School District (the District). The District was created as a separate political subdivision of the Commonwealth of Massachusetts to provide education to students in grades kindergarten through twelve, from the Towns of Ashburnham and Westminster. The District is governed by a board composed of the School Committees of member Towns. The Town's assessment for fiscal year 2009 was $6,483,185, which represents approximately 45% of the District's operating budget. A copy of the District's financial statement is available from the District Superintendent's Office.

The Town is also a participant in the Montachusett Regional Vocational Technical School District (the District). The District was created as a separate political subdivision of the Commonwealth of Massachusetts to provide vocational technical education to students in Ashburnham and 16 other surrounding communities. The District is governed by a board composed of the School Committees of member Towns. The Town's assessment for fiscal year 2009 was $387,776, which represents approximately 3.0% of the District's operating budget. A copy of the District's financial statement is available from the District Superintendent's Office.

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

C. Financial Statement Presentation

The financial condition and results of operations of the Town are presented as of and for the year ended June 30, 2009 (except for the Electric Enterprise Fund which is December 31, 2008). The accounting policies of the Town conform to GAAP.

D. Government-wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (statement of net assets and statement of activities) and fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the Town. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods services, or privileges provided by a certain function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Governmental Funds

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

Public Buildings Fund - This fund is used to account for the renovation and construction of the Town's municipal and public safety buildings.

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

E. Measurement Focus and Basis of Accounting

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Town considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes and interest associated with the current fiscal year are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

F. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

State Statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. The Town, with certain restrictions, can also purchase obligations of US Government or its agencies, repurchase agreements, money market funds and units of the Massachusetts Municipal Depository Trust (MMDT). The MMDT is an investment pool established by the State Treasurer that operates in accordance with appropriate state laws and regulations. In addition, certain funds have other investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

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

b. Property Taxes

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

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

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

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

c. Inventory

Inventory is valued at cost using the average cost method in proprietary funds. Inventory in governmental funds is not material and the purchase method is used in these funds.

d. Capital Assets

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

Capital assets are defined by the Town as assets with a initial, individual cost of more than $5,000 and an estimated life in excess of three years. Such assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40 -50
Building improvements	10 - 40
Vehicles and equipment	3 - 25
Infrastructure	30 - 100

e. Compensated Absences

In general, vacation time for Town employees varies from one to four weeks depending on number of years of service, and up to twenty days may be carried over to the next fiscal year. All full time employees are entitled to sick leave benefits which may accumulate, and up to 480 hours will be paid upon termination under certain circumstances. The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave absences. In the government-wide and proprietary fund financial statements, this liability (if material) is recognized when the associated benefit has been earned.

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

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

f. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs (if any), are deferred and amortized over the life of the bonds. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuance's are reported as other financing sources or uses. Issuance costs are reported as debt service expenditures.

g. Fund Balances - Governmental Funds

In the fund financial statements, the fund balance of the governmental funds is divided into reserved and unreserved portions. Reservations of fund balance are required if resources are not available for spending or spending is legally restricted. The Town allocates fund balance as follows:
Reserved for Subsequent Year's Expenditures - This portion of fund balance is the amount Town Meeting has approved to fund the subsequent year's appropriations. This amount of fund balance is no longer available for appropriation.
Reserved for Encumbrances and Continued Appropriations - This portion of fund balance represents the amount of unexpended appropriations carried forward to the subsequent fiscal year for contracts that are still outstanding or for continuing special articles related to projects that have not been completed.
Reserved for Other Specific Purposes - This portion of fund balance that is permanently restricted by trust agreements or state statute for Permanent Fund expenditures.
Unreserved Fund Balances (Undesignated) - In the general fund, this represents the amount available for appropriation. In the other governmental funds, this represents the excess or deficit of assets over liabilities and reserved fund balance.

h. Use of Estimates

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

Note 2. Budgetary Information

Under the Town's by-laws, budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review. The Selectmen and the Finance Committee have until April, when the Town meeting is held, to make their recommendations regarding department requests. After approval of the budget at the annual Town meeting, the tax recapitulation sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval. This process should generally be completed by November so the actual tax bills can be mailed by January 1, due and payable by the taxpayer on February 1.

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

The final Town budget as presented in the Budgetary Comparison Schedule - General Fund was developed as follows:

	General Fund
Charges to appropriations and transfers out	$12,200,276
To be funded as follows:	
Budgeted revenue	$11,731,765
Transfers from other funds	130,854
Allocation of surplus	337,657
Total funding (resources)	$12,200,276

The Town's General Fund budget is prepared on a basis other than GAAP. The "actual" results column of the Budgetary Comparison Schedule - General Fund is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP bases are:

a. Property tax revenues are recorded when the cash is received as opposed to when susceptible to accrual (GAAP);
b. Encumbrances and continuing appropriations are recorded as expenditures (budgetary) as opposed to a reservation of fund balance (GAAP); and
c. On behalf payment for state teacher's retirement system is recognized for GAAP only.

Note 2. Budgetary Information (continued)

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2009:

	General Fund
Excess (deficiency) of resources over charges to appropriations:	($277,689)
Adjustments:	
Record Revenues on a Modified Accrual Basis	$49,447
On Behalf Payments, Net (Gross of $67,324)	-
Adjustment for Encumbrances and Continuing Appropriation Articles	($22,492)
Net changes in fund balances - GAAP Basis	($250,734)

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

Note 3. Deposits and Investments

Cash Deposits

Custodial risk on cash deposits is the risk that in the event of a depository failure, the Town will not be able to recover the value of its deposits or collateral securities that are in the possession of the depository. The Town does not have a formal policy on custodial risk. At June 30, 2009, the Town's carrying amount of deposits was $1,290,555 and the bank balance was $1,596,840. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit. Of the bank balances, $651,579 was covered by Federal Deposit Insurance Corporation or other state insurance and $943,618 was collateralized by securities held by the depository. The remaining $1,643 was not insured nor collateralized and, therefore, is exposed to custodial risk.

The difference between deposits at June 30, 2009 as detailed above and as per the financial statements is due solely to the presentation of the Electric Enterprise Fund as of December 31, 2008. Electric Enterprise Fund deposits and include amounts classified on the balance sheet as customer deposit, depreciation and stabilization funds. These amounts are also included in cash in the statement of cash flows.

Note 3. Deposits and Investments (continued)

Investments

At June 30, 2009, the Town's investment balances were as follows:

Type of Investment	Fair Value
US government and agency securities	1,332,105
Pooled investments:	
MMDT	708,785
Money market funds	246,848
Mutual international equity funds	21,840
Mutual equity funds	71,824
Total investments	2,381,402

The difference between investments as detailed above and as per the financial statements is due solely to the presentation of the Electric Enterprise Fund as of December 31, 2008.

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy covering interest rate risk. The US government and agency securities investments have the following maturities: $270,112 less than twelve months, $367,038 from one to two years, $652,067 from two to five years and $42,888 greater than five years.

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

Concentration of credit risk – The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. Excluding US federal agency

Note 3. Deposits and Investments (continued)

securities, and external investment pools, there are no securities or issuers which represent more than 5% of the total investments of the governmental funds or governmental activities.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the time of real estate receipts, proceeds from borrowings, collection of state and federal receipts and capital outlays throughout the year.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2009 (December 31, 2008 for electric light business-type activities) was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	$3,373,153	164,643	85,868	3,451,928
Construction in progress	8,697,825	1,554,893	10,252,718	-
Total capital assets not being depreciated	12,070,978	1,719,536	10,338,586	3,451,928
Capital assets being depreciated:				
Buildings and improvements	4,959,902	10,252,718	12,345	15,200,275
Equipment	4,492,425	160,706	94,325	4,558,806
Infrastructure	2,621,915	229,795	70,926	2,780,784
Total capital assets being depreciated	12,074,242	10,643,219	177,596	22,539,865
Less accumulated depreciation for:				
Buildings and improvements	(4,565,153)	(380,977)	(542,486)	(4,403,644)
Equipment	(2,623,632)	(247,046)	491,152	(3,361,830)
Infrastructure	(1,191,304)	(124,254)	(70,926)	(1,244,632)
Total accumulated depreciation	(8,380,089)	(752,277)	(122,260)	(9,010,106)
Capital assets being depreciated, net	3,694,153	9,890,942	55,336	13,529,759
Total governmental activities capital assets, net	$15,765,131	11,610,478	10,393,922	16,981,687

Depreciation expense was charged to functions as follows:	Governmental Activities
General government	$107,410
Public safety	322,901
Education	1,358
Public works	253,315
Recreation and culture	67,293
Total governmental activities depreciation expense	$752,277

Note 4. Capital Assets (continued)

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	317,063	-	-	317,063
Construction in progress	105,643	13,325	105,643	13,325
Total capital assets not being depreciated	422,706	13,325	105,643	330,388
Capital assets being depreciated:				
Distribution plant	4,682,305	172,133	61,950	4,792,488
General plant	2,638,718	531,068	2,509	3,167,277
Buildings and improvements	9,089,374	-	-	9,089,374
Equipment	308,002	74,120	-	382,122
Infrastructure	28,609,260	-	-	28,609,260
Total capital assets being depreciated	45,327,659	777,321	64,459	46,040,521
Less accumulated depreciation for:				
Distribution plant	(2,489,997)	(131,731)	(61,950)	(2,559,778)
General plant	(764,839)	(87,900)	(2,509)	(850,230)
Buildings and improvements	(2,785,271)	(236,656)	-	(3,021,927)
Equipment	(114,382)	(39,658)	-	(154,040)
Infrastructure	(8,662,709)	(543,387)	-	(9,206,096)
Total accumulated depreciation	(14,817,198)	(1,039,332)	(64,459)	(15,792,071)
Capital assets being depreciated, net	30,510,461	(262,011)	-	30,248,450
Total business-type activities capital assets, net	$30,933,167	(248,686)	-	30,578,838

Depreciation expense was charged to functions as follows:	Business-type Activities
Water	$278,332
Sewer	541,369
Electric	219,631
Total business-type activities depreciation expense	$1,039,332

Note 5. Long-term Obligations

The following is a summary of the changes in the Town's long-term obligation for the year ended June 30, 2009 (December 31, 2008 for electric light business-type activities):

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities:					
Compensated absences	$237,985	52,776	-	290,761	105,249
Bonds payable	762,781	8,511,000	150,854	9,122,927	611,854
	1,000,766	8,563,776	150,854	9,413,688	717,103
Business-type activities:					
Bonds and notes payable	5,660,200	-	452,537	5,207,663	464,663
	$5,660,200	-	452,537	5,207,663	464,663

Note 6. Short-term Debt

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

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

Short-term debt activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Grant and bond anticipation notes:				
Bond anticipation	7,991,000	-	7,991,000	-
Federal grant reimbursement	-	-	-	-
	7,991,000	-	7,991,000	-
Business-type activities:				
Grant and bond anticipation notes:				
Federal grant reimbursement	-	-	-	-
	-	-	-	-

Note 7. Bonds Payable -

The Town's indebtedness consists of general obligation serial notes issued between fiscal years 1998 and 2009 for funding various special projects. All bond issues must be approved by Town meeting. The outstanding governmental activities bonds were issued for a variety of capital purposes, the largest portion related to school construction. The outstanding business-type activities bonds were issued for an electric substation. The bonds bear interest from 0% to 5.75% and are due in various annual installments ranging through fiscal year 2027.

The annual debt service requirements of the Town's outstanding indebtedness at June 30, 2009 are as follows:

Note 7. Bonds Payable (continued)

Fiscal Year	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2010	$611,854	364,608	464,663	235,140	1,076,517	599,748
2011	605,921	340,604	480,593	210,571	1,086,514	551,175
2012	540,921	319,492	490,400	176,112	1,031,321	495,604
2013	500,625	299,956	345,459	329,944	846,084	629,900
2014	500,873	282,281	497,022	155,439	997,895	437,720
2015 - 2019	2,503,657	1,086,291	2,729,014	378,109	5,232,671	1,464,400
2020 - 2024	2,455,076	546,180	200,512	5,464	2,655,588	551,644
2025 - 2029	1,404,000	86,062	-	-	1,404,000	-
Totals	$9,122,927	3,325,474	5,207,663	1,490,779	14,330,590	4,730,191

Of the total business-type activities debt service requirements of $6,698,441, the Town is scheduled to receive $2,192,101 as a subsidy from the Commonwealth of Massachusetts Water Pollution Abatement Trust. The amount of this reimbursement that is related to debt principal ($1,134,341) has been recorded as an intergovernmental receivable in the financial statements. The Town is also scheduled to receive $82,257 from the Commonwealth as a subsidy on future interest payments on governmental activities debt.

The Town is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2009, the Town may issue $27,144,440 of additional general obligation debt under the normal debt limit. The Town has $5,569,590 of outstanding debt that is exempt from the debt limit. At June 30, 2009, the Town also has authorized and unissued debt of $808,000 for septic and other purposes.

In addition to the Town's outstanding debt, the Town is assessed its share of debt from other governmental entities (known as overlapping debt). For the Ashburnham-Westminster Regional School District, the Town's share of the Regional School's $15,230,000 debt at June 30, 2009 (based on applicable assessment percentages) is $4,803,441. For the Montachusett Regional Vocational Technical School District, the Town's share of the Regional School's $10,537,000 debt at June 30, 2009 is 3.88% or $408,836.

Note 8. Inter-fund Transfers

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Transfers are typically made to offset the cost of budgeted items in the general fund or to set aside funds for future use. For the year ended June 30, 2009, the general fund transferred $34,000 and the special revenue debt reduction fund transferred $54,000 to the capital projects fund for a BAN paydown. The general fund received $40,000 from enterprise funds, $19,854 from the Title V fund, $38,500 from the capital improvement fund, and $18,400 from the conservation fund to offset budget line items. The Town also closed out old special revenue funds to the general fund totaling $99,341 as these funds were no longer active.

Note 9. Pension Plans

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

Worcester Regional Retirement System:

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

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

Note 9. Pension Plans (continued)

Retirement Benefits - The amount of normal monthly retirement benefit is equal to a percentage of the participant's average monthly compensation, determined based on age at retirement, the maximum being 2.5% at age 65, and based on the higher of the participant's (1) highest three consecutive years of compensation or (2) last three calendar years of employment preceding retirement whether or not such years are consecutive, multiplied by years of service, up to a maximum of 80% of the average monthly compensation as computed above or $30,000 in annual compensation for participants who first became employed after January 1, 1979. Any cost-of-living adjustments granted since 1981 and any increase in other benefits imposed by state law after that year are borne by the Commonwealth of Massachusetts.

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

Town Contributions Required and Made - The Town is assessed annually for their share of system. The Town was assessed and paid $252,275 in 2007 and $283,810 in 2008 and $311,971 in 2009. These amounts represent approximately 1.0% of system wide employer assessments for these years.

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

Massachusetts Teachers Retirement System

Eligibility and Vesting - Teaching employees of the Town who were employed on a basis which anticipates work at an annual rate to exceed 1000 hours are required to participate in the System. For participants who were employed by the Town prior to January 1, 1978, benefits become vested after 20 or more years of creditable service or upon reaching the age of 55. Benefits relating to participants who were hired subsequent to December 31, 1977 become vested after 20 or more years of creditable service or after 10 or more years of creditable service and if they have reached the age of 55.

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

Note 9. Pension Plans (continued)

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

Town Contributions Required and Made - The Town is not required to contribute to this plan. State appropriations are made annually to fund system costs. For the fiscal year ended June 30, 2009, the state's contribution to this plan on behalf of the Town was $55,342. For GAAP purposes, this on-behalf payment has been recorded as intergovernmental revenue and employee benefit expenditure in the general fund.

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

Note 10. Post-Retirement Benefits

In addition to the pension benefits described in Note 6, the Town provides for certain health care benefits in accordance with Massachusetts General Law Chapter 32B, to employees who retire in accordance with predetermined years of service and age requirements. Currently, the Town does not contribute towards this benefit, so the retiree is responsible for 100% of the cost. Therefore, there is no GASB 45 liability to report in the financial statements.

Note 11. Commitments

This footnote relates to the electric light enterprise fund and is as of December 31, 2008. The Electric Light Department (Department) is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other Utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt

Note 11. Commitments (continued)

service on revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should any Project Participant fail to make payment when due, other Projects Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

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

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, owned and operated by subsidiaries of FPL Energy Wyman IV, LLC, a subsidiary of FPL Energy, LLC, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCI) the majority owner and indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The license for Unit 2 was extended to July 31, 2035 and the license for Unit 3 was extended to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC, the majority owner and indirect subsidiary of FPL Group, Inc. The operating license for Seabrook Station extends to March, 2030. FPLE has stated its intention to request an extension of the Seabrook Station operating license beyond March, 2030.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. The Project Participants are also liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the Act has been

Note 11. Commitments (continued)

renewed several times. In July, 2005, as part of the Energy Policy Act of 2005, Congress extended the Price-Anderson Act through the end of 2025.

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

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

As of December 31, 2008, total capital expenditures associated amounted to $1,551,793,000, of which $9,656,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects included Power Supply System Revenue Bonds $570,245,000, of which $3,382,000 is associated with the Department's share of Project Capability. As of December 31, 2008, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is $663,144,000, of which $3,927,000 is anticipated to be billed to the Department in future years.

The estimated aggregate amount of the Department's required payments under the PSAs and PPAs, exclusive of Reserve and Contingency Fund billings, to MMWEC at December 31, 2008 and estimated for future years is shown below.

For years ended December 31,	2009	$ 537,000
	2010	$ 492,000
	2011	$ 487,000
	2012	$ 486,000
	2013	$ 470,000
	2014 to 2019	$ 1,423,000
	2019	$ 32,000
	Total	$ 3,927,000

In addition, the Department is required to pay its share of Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs was $1,234,000 for the year ended December 31, 2008.

Note 12. Risk Management

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

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

TOWN OF ASHBURNHAM, MASSACHUSETTS

Combining Balance Sheet - Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue	Capital Projects	Permanent	Totals
Assets				
Cash and cash equivalents	$ 566,557	32,379	116,959	715,895
Investments	245,973	-	545,335	791,308
Receivables:				
Departmental	231,791	-	-	231,791
Due from other governments	78,698	-	-	78,698
Total assets	$ 1,123,019	32,379	662,294	1,817,692
Liabilities and Fund Balances				
Liabilities:				
Warrants and accounts payable	$ 7,594	-	-	7,594
Deferred revenue	231,791	-	-	231,791
Total liabilities	239,385	-	-	239,385
Fund Balances:				
Reserved For:				
Other specific purposes	-	-	662,294	662,294
Unreserved	883,634	32,379	-	916,013
Total fund balances	883,634	32,379	662,294	1,578,307
Total liabilities and fund balances	$ 1,123,019	32,379	662,294	1,817,692

TOWN OF ASHBURNHAM, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue	Capital Projects	Permanent	Totals
Revenues:				
Departmental charges for services	$ 123,947	-	1,520	125,467
Intergovernmental	523,557	-	-	523,557
Investment income	24,301	-	38,441	62,742
Other	345,341	-	-	345,341
Total revenues	1,017,146	-	39,961	1,057,107
Expenditures:				
Current:				
General government	73,902	-	-	73,902
Public safety	81,418	-	-	81,418
Public works	138,262	-	-	138,262
Human services	46,634	-	-	46,634
Recreation and culture	74,641	-	33,490	108,131
Debt service	16,851	-	-	16,851
Capital outlay	317,730	2,968	-	320,698
Total expenditures	749,438	2,968	33,490	785,896
Excess (deficiency) of revenues over expenditures	267,708	(2,968)	6,471	271,211
Other financing sources (uses):				
Proceeds of borrowing	-	-	-	-
Operating transfers in	32,207	-	-	32,207
Operating transfers out	(262,301)	-	-	(262,301)
Net changes in fund balances	37,614	(2,968)	6,471	41,117
Fund balance, beginning of year	846,020	35,347	655,823	1,537,190
Fund balance, end of year	$ 883,634	32,379	662,294	1,578,307