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Bill Fraher, CPA

TOWN OF ASHBURNHAM, MASSACHUSETTS

**Basic Financial Statements, Required Supplementary
Information, and Supplementary Information**

**Year ended June 30, 2010
(Except for the Electric Enterprise Fund
which is December 31, 2009)**

(With Independent Auditor's Report Thereon)

TOWN OF ASHBURNHAM, MASSACHUSETTS

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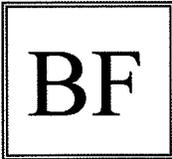
Independent Auditor's Report

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, 2010 (except for the Electric Enterprise Fund which is December 31, 2009), 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, 19% of net assets and 77% 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. The financial statements of the Electric Enterprise Fund were not audited in accordance with *Government Auditing Standards*. 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, 2010 (except for the Electric Enterprise Fund which is December 31, 2009), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, I have also issued a report dated January 7, 2011 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ashburnham's financial statements as a whole. The combining fund 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. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bill Fraher, CPA
Boston, Massachusetts
January 7, 2011



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Selectmen
Town of Ashburnham, Massachusetts

I have audited the 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, 2010 (except for the Electric Enterprise Fund which is December 31, 2009), which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued my report thereon dated January 7, 2011. My report includes a reference to other auditors. I conducted my audit in accordance with generally accepted auditing standards 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. Other auditors audited the financial statements of the Electric Enterprise Fund, as described in my report on the Town of Ashburnham's financial statements. The financial statements of the Electric Enterprise Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ashburnham, Massachusetts' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Ashburnham, Massachusetts' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Town of Ashburnham, Massachusetts' financial statements will not be prevented or detected and corrected on a timely basis.



My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the Town of Ashburnham, Massachusetts, in a separate letter dated January 7, 2011.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the Town, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Bill Fraher".

Bill Fraher, CPA
Boston, Massachusetts
January 7, 2011

TOWN OF ASHBURNHAM, MASSACHUSETTS
Management's Discussion and Analysis
Required Supplementary Information
June 30, 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, 2010. 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, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities (net assets) at the close of the current fiscal year by \$41,035,913, a decrease of \$427,374 (1.0%) from the prior year. Governmental activities showed an increase in net assets of \$158,561 (1.4%) due to current year operating budget results while business-type activities showed a decrease of \$585,935 (1.9%), due to sewer fund activity (primarily unfunded depreciation).
- Total fund balance of the Town's governmental funds at June 30, 2010 was \$1,688,572, a decrease of \$127,028 from June 30, 2009. This was primarily due to expenditures on the public buildings projects, offset by a surplus from current year general fund activities.
- At the end of fiscal 2010, unreserved fund balance for the general fund was \$397,854 or 3.2% of total general fund budgeted expenditures, an increase from the prior year amount of \$204,089, or 1.7% 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

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Management's Discussion and Analysis
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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 12 - 13 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.

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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 14 - 15. Reconciliations to the entity wide statements appear on pages 16 - 17 and budget to actual information appears on page 18.

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 19 - 21.

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 22.

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 23 - 41.

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 42 and 43.

TOWN OF ASHBURNHAM, MASSACHUSETTS
 Management's Discussion and Analysis
 Required Supplementary Information
 June 30, 2010

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 \$41,035,913 at the close of the most recent fiscal year. Of this amount, \$6.0 million is considered unrestricted (unrestricted net assets), compared to \$6.4 million at the end of the prior year. The unrestricted net assets of the Town's governmental activities are \$2.0 million (compared to \$2.5 million at the end of the prior year) 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 \$4.0 million (compared to \$3.9 million at the end of the prior year) 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 \$427,374 (1.0%) from the prior year. Governmental activities showed an increase in net assets of \$158,561 (1.4%) due to current year operating budget results while business-type activities showed a decrease of \$585,935 (1.9%), primarily due to sewer fund activity (primarily unfunded depreciation).

Governmental activities - The Town's total governmental activities revenue was \$13,648,232. The breakdown of revenue by source is detailed below.

Revenue by Source – Governmental Activities

Charges for Services	\$ 487,571	3.6 %
Operating Grants and Contributions	566,957	4.2 %
Capital Grants and Contributions	804,355	5.9 %
Property Taxes	9,923,027	72.7 %
Excise Taxes	659,229	4.8 %
Intergovernmental	832,423	6.1 %
Unrestricted Investment Earnings	58,457	0.4 %
Miscellaneous	316,213	2.3 %
Total General Revenue	\$13,648,232	100.00 %

TOWN OF ASHBURNHAM, MASSACHUSETTS

Management's Discussion and Analysis

Required Supplementary Information

June 30, 2010

Town's total governmental activities expenditures for fiscal year 2010 were \$13,493,762. As shown below, education expenditures were \$7,387,145, which is 54.8% of the total.

General Government	\$ 1,631,118	12.1 %
Public Safety	2,445,165	18.1 %
Education	7,387,145	54.8 %
Public Works	1,287,846	9.5 %
Human Services	127,061	0.9 %
Recreation & Culture	250,750	1.9 %
Interest on Debt Service	364,608	2.7 %
TOTAL	\$13,493,693	100.00 %

Business-type activities - Total revenues from electric, water and sewer were \$6,145,020. Electric revenue was \$4,723,679, water revenue was \$748,904 and sewer revenue was \$672,437. Electric revenues were more than expenses and transfers by \$167,678, water program revenues were less than expenses and transfers by \$43,485 and sewer program revenues were less than expenses by \$710,128 (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 2010, the Town's governmental funds reported a combined ending fund balance of \$1,688,572 compared to \$1,815,600 at the end of fiscal year 2009, a decrease of \$127,028. This was primarily due to expenditures on public buildings capital projects (some of which were funded from a bond issued in the last fiscal year). Of the total fund balances at the end of fiscal 2010, \$397,854 is available for spending at the Town's discretion (general fund unreserved fund balance) and \$946,146 is available for special revenue fund purposes. The capital projects fund shows a negative fund balance of \$360,101 which is a result of spending done in advance of any related bond issue (this negative fund balance is temporarily funded from a bond anticipation note).

TOWN OF ASHBURNHAM, MASSACHUSETTS
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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 \$53,999; 2) for specific purposes \$650,674 (permanent funds); 3) to fund next year's general fund operational budget \$0 (no such funds were earmarked at June 30, 2010).

The general fund is the chief operating fund of the Town. At the end of fiscal 2010 unreserved fund balance of the general fund was \$397,854, a moderate increase from \$204,089 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 3.2% of total general fund expenditures, compared to 1.7% last year, which means that there has been an increase in general fund surplus funds in relation to the Town's total budgetary needs.

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 \$29,856,790. Unrestricted net assets totaled \$3,961,135 consisting of \$1,363,113 in the electric fund, \$404,301 in the water fund and \$2,193,721 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 \$276,678, mainly due to strong property tax receipts and unanticipated miscellaneous revenues. The charges (outflows) were less than budget by \$247,828, due to many Town departments having unexpended and unencumbered funds at year end. Total budgeted charges to appropriations were \$12,507,061 and the total budgeted resources (revenues and transfers in) were \$12,317,005. The budgeted difference of \$190,056 was to be funded from available fund balances in the general fund. Actual results show that the Town actually did not need any resources to fund the budget, as the net amount was favorable to budget by \$524,506.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for governmental and business-type activities as of June 30, 2010, amounts to \$46,668,606 which is net of accumulated depreciation of \$26,742,774. 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.

TOWN OF ASHBURNHAM, MASSACHUSETTS
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	Governmental Activities	Business-type Activities
Land and land improvements	\$ 3,226,144	\$ 317,063
Buildings & improvements	15,200,275	9,089,374
Equipment & machinery	4,619,636	3,558,594
Infrastructure	3,551,864	33,443,563
Construction in progress	400,000	4,867
Accumulated depreciation	(9,959,791)	(16,782,983)
Total	\$17,038,128	\$29,630,478

Additional information on the Town's capital assets may be found in Note 4 to the financial statements pages 32 – 33.

Long-term obligations - At June 30, 2010 the Town had a total long term obligations outstanding of \$13,580,320, \$8,837,321 for governmental activities and \$4,742,999 for business-type activities. Of this total \$13,254,072 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 34.

TOWN OF ASHBURNHAM, MASSACHUSETTS

Statement of Net Assets

For the Year Ended June 30, 2010

(Electric Business-Type Activity is as of December 31, 2009)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,455,762	3,452,339	4,908,101
Investments	870,783	-	870,783
Receivables (net of allowance for uncollectibles)	1,487,950	2,236,719	3,724,669
Due from other governments	587,410	1,072,641	1,660,051
Materials and supplies inventory	-	155,909	155,909
Prepaid expenses	-	116,716	116,716
Other assets	-	617,832	617,832
Capital assets:			
Assets not being depreciated	3,626,144	321,930	3,948,074
Assets being depreciated, net	13,411,984	29,308,548	42,720,532
Total assets	\$ 21,440,033	37,282,634	58,722,667
<u>Liabilities</u>			
Warrants and accounts payable	\$ 748,311	475,423	1,223,734
Other accrued liabilities	258,854	141,681	400,535
Notes payable	400,000	-	400,000
Other liabilities	16,424	2,065,741	2,082,165
Long-term liabilities:			
Due within one year:			
Compensated absences	87,302	-	87,302
Bonds and notes payable	605,921	480,593	1,086,514
Due in more than one year:			
Compensated absences	238,946	-	238,946
Bonds and notes payable	7,905,152	4,262,406	12,167,558
Total liabilities	10,260,910	7,425,844	17,686,754
<u>Net Assets</u>			
Invested in capital assets, net of related debt	8,527,055	25,895,655	34,422,710
Restricted for:			
Specific purposes - expendable	313,254	-	313,254
Specific purposes - nonexpendable	337,420	-	337,420
Unrestricted	2,001,394	3,961,135	5,962,529
Total net assets	\$ 11,179,123	29,856,790	41,035,913

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, 2010

(Electric Business-Type Activity is for the year ended December 31, 2009)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 1,631,118	119,726	85,258	-	(1,426,134)	-	(1,426,134)
Public safety	2,445,165	300,199	42,707	-	(2,102,259)	-	(2,102,259)
Education	7,387,145	-	49,193	-	(7,337,952)	-	(7,337,952)
Public works	1,287,846	59,229	251,824	804,355	(172,438)	-	(172,438)
Human services	127,061	5,962	80,808	-	(40,291)	-	(40,291)
Recreation and culture	250,750	2,455	44,727	-	(203,568)	-	(203,568)
Interest on debt service	364,608	-	12,440	-	(352,168)	-	(352,168)
Total governmental activities	13,493,693	487,571	566,957	804,355	(11,634,810)	-	(11,634,810)
Business-type activities:							
Water	828,367	698,264	50,640	-	-	(79,463)	(79,463)
Sewer	1,382,565	582,988	88,871	-	-	(710,706)	(710,706)
Electric	4,516,001	4,339,029	312,611	-	-	135,639	135,639
Total business-type activities	6,726,933	5,620,281	452,122	-	-	(654,530)	(654,530)
Total government	\$ 20,220,626	6,107,852	1,019,079	804,355	(11,634,810)	(654,530)	(12,289,340)
General revenues:							
Property taxes					\$ 9,923,027	-	9,923,027
Excise taxes					659,229	-	659,229
Intergovernmental					832,423	-	832,423
Unrestricted investment earnings					58,457	51,832	110,289
Miscellaneous					316,213	20,785	336,998
Transfers in (out)					4,022	(4,022)	-
Total general revenues and transfers					11,793,371	68,595	11,861,966
Changes in net assets					158,561	(585,935)	(427,374)
Net assets - beginning of year					11,020,562	30,442,725	41,463,287
Net assets - end of year					\$ 11,179,123	29,856,790	41,035,913

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, 2010

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 684,595	771,167	1,455,762
Investments	-	870,783	870,783
Receivables:			
Property taxes	231,320	-	231,320
Tax liens and foreclosures	986,654	-	986,654
Motor vehicle excise	59,880	-	59,880
Departmental	56,625	202,430	259,055
Less: allowance for abatements	(48,959)	-	(48,959)
Due from other governments	-	582,439	582,439
Total assets	<u>\$ 1,970,115</u>	<u>2,426,819</u>	<u>4,396,934</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Warrants and accounts payable	\$ 160,641	587,670	748,311
Other accrued liabilities	87,817	-	87,817
Deferred revenue	1,253,380	202,430	1,455,810
Notes payable	-	400,000	400,000
Other liabilities	16,424	-	16,424
Total liabilities	<u>1,518,262</u>	<u>1,190,100</u>	<u>2,708,362</u>
Fund balances:			
Reserved for:			
Encumbrances and continued appropriations	53,999	-	53,999
Other specific purposes	-	650,674	650,674
Unreserved, reported in:			
General fund	397,854	-	397,854
Special revenue funds	-	946,146	946,146
Capital projects funds	-	(360,101)	(360,101)
Total fund balances	<u>451,853</u>	<u>1,236,719</u>	<u>1,688,572</u>
Total liabilities and fund balances	<u>\$ 1,970,115</u>	<u>2,426,819</u>	<u>4,396,934</u>

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, 2010

	General Fund	Nonmajor Governmental Funds	Total
Revenues:			
Property taxes	\$ 10,172,188	-	10,172,188
Excise taxes	665,558	-	665,558
Departmental charges for services	277,132	172,111	449,243
Licenses and permits	81,806	-	81,806
Intergovernmental	902,706	1,254,431	2,157,137
Fines and forfeits	28,883	-	28,883
Investment income	10,368	48,089	58,457
Other	78,321	303,858	382,179
	<u>12,216,962</u>	<u>1,778,489</u>	<u>13,995,451</u>
Total revenues			
Expenditures:			
Current:			
General government	784,867	122,782	907,649
Public safety	1,641,778	90,064	1,731,842
Education	6,868,998	467,595	7,336,593
Public works	850,064	58,423	908,487
Human services	51,630	60,931	112,561
Recreation and culture	176,540	-	176,540
Intergovernmental	50,569	-	50,569
Employee benefits	535,672	7,802	543,474
Other	174,752	-	174,752
Debt service	976,462	-	976,462
Capital outlay	-	1,207,572	1,207,572
	<u>12,111,332</u>	<u>2,015,169</u>	<u>14,126,501</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	105,630	(236,680)	(131,050)
Other financing sources (uses):			
Proceeds of borrowing	-	-	-
Operating transfers in	203,842	48,752	252,594
Operating transfers out	(84,730)	(163,842)	(248,572)
	<u>119,112</u>	<u>(115,090)</u>	<u>4,022</u>
Total other financing sources (uses)			
Net changes in fund balances	224,742	(351,770)	(127,028)
Fund balance, beginning of year	227,111	1,588,489	1,815,600
Fund balance, end of year	\$ <u>451,853</u>	<u>1,236,719</u>	<u>1,688,572</u>

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, 2010

Total fund balances - governmental funds \$ 1,688,572

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	3,226,144
Infrastructure assets	3,551,864
Buildings and building improvements	15,200,275
Other capital assets	4,619,636
Construction in progress	400,000
Accumulated depreciation	<u>(9,959,791)</u>

Total Capital Assets 17,038,128

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred or are not recorded in the funds. 1,455,810

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	(8,511,073)
Accrued interest on bonds	(171,037)
State subsidy on accrued interest on bonds	4,971
Compensated absences	<u>(326,248)</u>

Total long-term liabilities (9,003,387)

Net assets of governmental activities \$ 11,179,123

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, 2010

Net changes in fund balances - governmental funds \$ (127,028)

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. 56,441

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. 611,854

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. (347,219)

Some expenses in the Statement of Activities do not require
the use of current financial resources are not reported in the funds. (35,487)

Changes in net assets of governmental activities \$ 158,561

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance To Final Budget Favorable (Unfavorable)</u>
Resources (inflows):				
Property taxes	\$ 10,115,338	10,115,338	10,226,497	111,159
Excise taxes	687,500	687,500	665,558	(21,942)
Departmental charges for services	206,379	206,379	277,132	70,753
Licenses and permits	75,505	75,505	81,806	6,301
Intergovernmental	808,716	808,716	841,076	32,360
Fines	22,525	22,525	28,883	6,358
Investment income	10,000	10,000	10,368	368
Other	7,000	7,000	78,321	71,321
Transfers from other funds	384,042	384,042	384,042	-
Total resources	<u>12,317,005</u>	<u>12,317,005</u>	<u>12,593,683</u>	<u>276,678</u>
Charges to appropriations (outflows):				
General government	924,858	897,100	852,701	44,399
Public safety	1,673,880	1,689,638	1,631,589	58,049
Education	6,868,898	6,868,898	6,868,898	-
Public works	911,754	916,754	842,530	74,224
Human services	58,600	65,600	51,630	13,970
Recreation and culture	176,640	176,640	176,540	100
Debt service	996,512	996,512	980,900	15,612
Intergovernmental	47,889	47,889	50,569	(2,680)
Employee benefits	575,286	575,286	544,394	30,892
Insurance	188,014	188,014	174,752	13,262
Transfers to other funds	84,730	84,730	84,730	-
Total charges to appropriations	<u>12,507,061</u>	<u>12,507,061</u>	<u>12,259,233</u>	<u>247,828</u>
Excess (deficiency) of resources over charges to appropriations	(190,056)	(190,056)	<u>334,450</u>	<u>524,506</u>
Fund balance allocation	<u>190,056</u>	<u>190,056</u>		
Excess (deficiency) of resources over charges to appropriations and fund balance allocation	<u>\$ -</u>	<u>-</u>		

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, 2010

(Except for Electric Enterprise which is as of December 31, 2009)

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 124,124	560,721	831,632	1,516,477
Receivables (net):				
User charges	285,818	146,707	252,430	684,955
Other	-	-	7,187	7,187
Materials and supplies inventory	-	-	155,909	155,909
Prepaid expenses	-	-	116,716	116,716
Other assets	-	-	545,095	545,095
Due from Commonwealth	22,312	42,153	-	64,465
Total current assets	<u>432,254</u>	<u>749,581</u>	<u>1,908,969</u>	<u>3,090,804</u>
Noncurrent assets:				
Cash and cash equivalents - depreciation fund	-	-	751,078	751,078
Cash and cash equivalents - customer deposits	-	-	54,769	54,769
Cash and cash equivalents - stabilization fund	-	-	1,130,015	1,130,015
Other assets	-	-	72,737	72,737
Special Assessments	-	1,544,577	-	1,544,577
Due from Commonwealth	388,855	619,321	-	1,008,176
Capital assets	13,128,661	25,264,761	8,020,039	46,413,461
Accumulated depreciation	<u>(5,122,823)</u>	<u>(8,072,440)</u>	<u>(3,587,720)</u>	<u>(16,782,983)</u>
Total noncurrent assets	<u>8,394,693</u>	<u>19,356,219</u>	<u>6,440,918</u>	<u>34,191,830</u>
Total assets	<u>\$ 8,826,947</u>	<u>20,105,800</u>	<u>8,349,887</u>	<u>37,282,634</u>
<u>Liabilities</u>				
Current Liabilities:				
Warrants and accounts payable	\$ 4,349	58,284	412,790	475,423
Accrued expenses	23,604	42,153	75,924	141,681
Bonds payable	169,493	311,100	-	480,593
Total current liabilities	<u>197,446</u>	<u>411,537</u>	<u>488,714</u>	<u>1,097,697</u>
Noncurrent liabilities:				
Other liabilities	-	-	2,065,741	2,065,741
Bonds payable	1,615,906	2,646,500	-	4,262,406
Total noncurrent liabilities	<u>1,615,906</u>	<u>2,646,500</u>	<u>2,065,741</u>	<u>6,328,147</u>
Total liabilities	<u>1,813,352</u>	<u>3,058,037</u>	<u>2,554,455</u>	<u>7,425,844</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	6,609,294	14,854,042	4,432,319	25,895,655
Unrestricted	404,301	2,193,721	1,363,113	3,961,135
Total net assets	<u>\$ 7,013,595</u>	<u>17,047,763</u>	<u>5,795,432</u>	<u>29,856,790</u>

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, 2010

(Except for Electric Enterprise which is for the year ended December 31, 2009)

	Water Enterprise	Sewer Enterprise	Electric Enterprise	Total
Operating revenues:				
Charges for services	\$ 698,264	582,988	4,260,176	5,541,428
Other operating revenues	-	-	78,853	78,853
Total operating revenues	698,264	582,988	4,339,029	5,620,281
Operating expenditures:				
Energy purchases	-	271,298	2,963,833	3,235,131
Other operating expenses	467,105	425,821	928,052	1,820,978
Depreciation	271,830	541,370	238,793	1,051,993
Total operating expenditures	738,935	1,238,489	4,130,678	6,108,102
Operating income	(40,671)	(655,501)	208,351	(487,821)
Nonoperating revenues (expenses):				
Interest expense	(89,432)	(144,076)	(919)	(234,427)
Intergovernmental	50,640	88,871	-	139,511
Disaster recovery revenue	-	-	312,611	312,611
Disaster recovery expenses	-	-	(384,404)	(384,404)
Other	-	-	20,785	20,785
Investment income	-	578	51,254	51,832
Total nonoperating revenues (expenses)	(38,792)	(54,627)	(673)	(94,092)
Income before transfers	(79,463)	(710,128)	207,678	(581,913)
Operating transfers in (out)	35,978	-	(40,000)	(4,022)
Changes in net assets	(43,485)	(710,128)	167,678	(585,935)
Net assets, beginning of year	7,057,080	17,757,891	5,627,754	30,442,725
Net assets, end of year	\$ 7,013,595	17,047,763	5,795,432	29,856,790

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, 2010

(Except for Electric Enterprise which is as of December 31, 2009)

	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Electric Enterprise</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 739,738	793,667	4,655,784	6,189,189
Cash paid to suppliers	(131,555)	(524,488)	(3,567,959)	(4,224,002)
Cash paid to employees	(334,308)	(135,324)	(655,157)	(1,124,789)
Cash paid for benefits	-	-	(152,231)	(152,231)
Payment in lieu of taxes and transfers	35,978	-	(40,000)	(4,022)
Net cash provided by operating activities	<u>309,853</u>	<u>133,855</u>	<u>240,437</u>	<u>684,145</u>
Cash flows from capital and related financing activities:				
Capital expenditures	-	-	195,285	195,285
Interest paid, net of subsidy	(35,602)	(51,466)	(919)	(87,987)
Net borrowing (repayments), net of subsidy	(130,571)	(215,288)	-	(345,859)
Net cash provided by capital and related financing activities:	<u>(166,173)</u>	<u>(266,754)</u>	<u>194,366</u>	<u>(238,561)</u>
Cash flows from investing activities:				
Proceeds from investments	-	578	476	1,054
Investment income	-	-	51,254	51,254
Rate stabilization reserve	-	-	(514)	(514)
Net cash provided by capital and related financing activities:	<u>-</u>	<u>578</u>	<u>51,216</u>	<u>51,794</u>
Net increase in cash and cash equivalents	<u>143,680</u>	<u>(132,321)</u>	<u>486,019</u>	<u>497,378</u>
Cash and cash equivalents, beginning of year	(19,556)	693,042	2,281,475	2,954,961
Cash and cash equivalents, end of year	<u>\$ 124,124</u>	<u>560,721</u>	<u>2,767,494</u>	<u>3,452,339</u>
Reconciliation of operating income to net cash provided				
By operating activities:				
Operating income (loss)	\$ (40,671)	(655,501)	208,351	(487,821)
Depreciation	271,830	541,370	238,793	1,051,993
Payment in lieu of taxes and transfers	35,978	-	(40,000)	(4,022)
(Increase) decrease in accounts receivable	41,474	255,799	82,876	380,149
(Increase) decrease in materials and supplies	-	-	(54,287)	(54,287)
(Increase) decrease in purchased prepayments	-	-	(22,084)	(22,084)
(Increase) decrease in purchased power working capital	-	-	(37,741)	(37,741)
Increase (decrease) in accounts payable and accrued expenses	1,242	(7,813)	(467,734)	(474,305)
Increase (decrease) in deferred credits	-	-	340,170	340,170
Other, net	-	-	(7,907)	(7,907)
Net cash provided by operating activities	<u>\$ 309,853</u>	<u>133,855</u>	<u>240,437</u>	<u>684,145</u>

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, 2010

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>18,610</u>
Total assets	<u>18,610</u>
<u>Liabilities</u>	
Warrants and accounts payable	9
Other liabilities	<u>18,601</u>
Total liabilities	<u>18,610</u>
<u>Net Assets</u>	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

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

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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 2010 was \$6,521,291, 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 2010 was \$327,607, which represents approximately 3.3% of the District's operating budget. A copy of the District's financial statement is available from the District Superintendent's Office.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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, 2010 (except for the Electric Enterprise Fund which is December 31, 2009). 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.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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:

<u>Assets</u>	<u>Years</u>
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.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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.

- Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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:

	<u>General Fund</u>
Charges to appropriations and transfers out	<u>\$12,507,061</u>
To be funded as follows:	
Budgeted revenue	\$11,932,963
Transfers from other funds	384,042
Allocation of surplus	<u>190,056</u>
Total funding (resources)	<u>\$12,507,061</u>

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.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

Note 2. Budgetary Information (continued)

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2010:

	<u>General Fund</u>
Excess (deficiency) of resources over charges to appropriations:	\$334,450
Adjustments:	
Record Revenues on a Modified Accrual Basis	(\$54,309)
On Behalf Payments, Net (Gross of \$61,633)	-
To record transfers on a budgetary basis	(\$180,200)
Adjustment for Encumbrances and Continuing Appropriation Articles	<u>\$124,801</u>
Net changes in fund balances - GAAP Basis	<u>\$224,742</u>

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

Note 3. Deposits and Investments

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, 2010, the Town's carrying amount of deposits was \$2,807,448 and the bank balance was \$2,863,018. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit. Of the bank balances, \$1,865,118 was covered by Federal Deposit Insurance Corporation or other state insurance and \$997,899 was collateralized by securities held by the depository. There were no funds uninsured or uncollateralized at 6/30/2010.

The difference between deposits at June 30, 2010 as detailed above and as per the financial statements is due solely to the presentation of the Electric Enterprise Fund as of December 31, 2009. 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.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements June 30, 2010

Note 3. Deposits and Investments (continued)

Investments

At June 30, 2010, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Fair Value</u>
US government and agency securities	1,477,832
Pooled investments:	
MMDT/Other Pooled Investment Funds	1,257,358
Money market funds	230,729
Mutual international equity funds	24,657
Mutual equity funds	<u>83,161</u>
Total investments	<u>3,073,737</u>

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, 2009.

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: \$423,195 less than twelve months, \$310,188 from one to two years, \$744,449 from two to 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

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2010

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, 2010 (December 31, 2009 for electric light business-type activities) was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$3,451,928	389,727	615,511	3,226,144
Construction in progress	-	<u>400,000</u>	-	<u>400,000</u>
Total capital assets not being depreciated	<u>3,451,928</u>	<u>789,727</u>	<u>615,511</u>	<u>3,626,144</u>
Capital assets being depreciated:				
Buildings and improvements	15,200,275	-	-	15,200,275
Equipment	4,558,806	60,830	-	4,619,636
Infrastructure	<u>2,780,784</u>	<u>771,080</u>	-	<u>3,551,864</u>
Total capital assets being depreciated	<u>22,539,865</u>	<u>831,910</u>	-	<u>23,371,775</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,403,644)	(400,540)	-	(4,804,184)
Equipment	(3,361,830)	(427,057)	-	(3,788,887)
Infrastructure	<u>(1,244,632)</u>	<u>(122,088)</u>	-	<u>(1,366,720)</u>
Total accumulated depreciation	<u>(9,010,106)</u>	<u>(949,685)</u>	-	<u>(9,959,791)</u>
Capital assets being depreciated, net	<u>13,529,759</u>	<u>(117,775)</u>	-	<u>13,411,984</u>
Total governmental activities capital assets, net	<u>\$16,981,687</u>	<u>671,952</u>	<u>615,511</u>	<u>17,038,128</u>
Depreciation expense was charged to functions as follows:				
		Governmental <u>Activities</u>		
General government		\$179,783		
Public safety		490,233		
Education		1,358		
Public works		226,843		
Recreation and culture		<u>51,468</u>		
Total governmental activities depreciation expense		<u>\$949,685</u>		

Town of Ashburnham, Massachusetts
Notes to the Financial Statements
June 30, 2010

Note 4. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and land improvements	317,063	-	-	317,063
Construction in progress	<u>13,325</u>	<u>3,377</u>	<u>11,835</u>	<u>4,867</u>
Total capital assets not being depreciated	<u>330,388</u>	<u>3,377</u>	<u>11,835</u>	<u>321,930</u>
Capital assets being depreciated:				
Distribution plant	4,792,488	102,896	61,081	4,834,303
General plant	3,167,277	9,195	-	3,176,472
Buildings and improvements	9,089,374	-	-	9,089,374
Equipment	382,122	-	-	382,122
Infrastructure	<u>28,609,260</u>	<u>-</u>	<u>-</u>	<u>28,609,260</u>
Total capital assets being depreciated	<u>46,040,521</u>	<u>112,091</u>	<u>61,081</u>	<u>46,091,531</u>
Less accumulated depreciation for:				
Distribution plant	(2,559,778)	(135,039)	(61,081)	(2,633,736)
General plant	(850,230)	(103,754)	-	(953,984)
Buildings and improvements	(3,021,927)	(236,656)	-	(3,258,583)
Equipment	(154,040)	(37,558)	-	(191,598)
Infrastructure	<u>(9,206,096)</u>	<u>(538,986)</u>	<u>-</u>	<u>(9,745,082)</u>
Total accumulated depreciation	<u>(15,792,071)</u>	<u>(1,051,993)</u>	<u>(61,081)</u>	<u>(16,782,983)</u>
Capital assets being depreciated, net	<u>30,248,450</u>	<u>(939,902)</u>	=	<u>29,308,548</u>
Total business-type activities capital assets, net	<u>\$30,578,838</u>	<u>(936,525)</u>	=	<u>29,630,478</u>
Depreciation expense was charged to functions as follows:				
		<u>Business-type Activities</u>		
Water		\$271,830		
Sewer		541,370		
Electric		<u>238,793</u>		
Total business-type activities depreciation expense		<u>\$1,051,993</u>		

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, 2010 (December 31, 2009 for electric light business-type activities):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Compensated absences	\$290,761	35,487	-	326,248	87,302
Bonds payable	<u>9,122,927</u>	=	<u>611,854</u>	<u>8,511,073</u>	<u>605,921</u>
	<u>9,413,688</u>	<u>35,487</u>	<u>611,854</u>	<u>8,837,321</u>	<u>693,223</u>
Business-type activities:					
Bonds and notes payable	<u>5,207,663</u>	=	<u>464,664</u>	<u>4,742,999</u>	<u>480,593</u>
	<u>\$5,207,663</u>	=	<u>464,664</u>	<u>4,742,999</u>	<u>480,593</u>

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Grant and bond anticipation notes:				
Bond anticipation	-	400,000	-	400,000
Federal grant reimbursement	=	=	=	=
	=	=	=	<u>400,000</u>
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 water and sewer projects. 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, 2010 are as follows:

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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
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	500,873	263,994	511,635	126,583	1,012,508	390,577
2016 - 2020	2,503,480	972,402	2,417,890	256,990	4,921,370	1,229,392
2021 - 2025	2,435,380	444,631	-	-	2,435,380	444,631
2026 - 2027	<u>923,000</u>	<u>37,506</u>	=	=	<u>923,000</u>	=
Totals	<u>\$8,511,073</u>	<u>2,960,866</u>	<u>4,742,999</u>	<u>1,255,639</u>	<u>13,254,072</u>	<u>4,178,999</u>

Of the total business-type activities debt service requirements of \$5,998,638, the Town is scheduled to receive \$1,354,128 as a subsidy from the Commonwealth of Massachusetts Water Pollution Abatement Trust. The amount of this reimbursement that is related to debt principal (\$1,008,176) has been recorded as an intergovernmental receivable in the financial statements. The Town is also scheduled to receive \$69,818 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 Oversight 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, 2010, the Town may issue \$25,858,440 of additional general obligation debt under the normal debt limit. The Town has \$5,079,072 of outstanding debt that is exempt from the debt limit. At June 30, 2010, the Town also has authorized and unissued debt of \$2,680,000 for water tanks 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 \$13,415,000 debt at June 30, 2010 (based on applicable assessment percentages) is \$4,203,777. For the Montachusett Regional Vocational Technical School District, the Town's share of the Regional School's \$9,744,000 debt at June 30, 2010 is 3.88% or \$378,067.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2010

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, 2010, the general fund transferred \$35,978 to the water fund to cover a prior year deficit and \$48,752 to the stabilization fund for future Town use. The general fund received \$40,000 from enterprise funds, \$41,488 from permanent funds, \$25,854 from the Title V fund, \$14,000 from the Whitney donation fund and \$79,000 from the debt reduction fund to offset budget line items.

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.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

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 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 \$283,810 in 2008 and \$311,971 in 2009 and \$346,072 in 2010. 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.

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2010

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, 2010, the state's contribution to this plan on behalf of the Town was \$49,194. 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, 2009. 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

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2010

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, an indirect subsidiary of NextEra Energy Resources, LLC (formerly FPL Energy, LLC), and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCI) the majority owner and indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for Unit 3 extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook Resources, LLC (formerly FPL Energy Seabrook, LLC), the majority owner and indirect subsidiary of Next Era Energy Resources, LLC (formerly FPL Energy, LLC). The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook 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

Town of Ashburnham, Massachusetts

Notes to the Financial Statements
June 30, 2010

Note 11. Commitments (continued)

imposed under the Price-Anderson Act. Originally enacted in 1957, the Act has been 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, 2009, total capital expenditures for MMWEC's projects amounted to \$1,566,416,000, of which \$9,751,000 represents the amount associated with the Department's Project Capability of the projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds \$502,245,000, of which \$2,974,000 is associated with the Department's share of Project Capability of the projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2009, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is \$573,581,000, of which \$3,389,000 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, 2009 and estimated for future years is shown below.

For years ended December 31,	2010	\$ 492,000
	2011	\$ 487,000
	2012	\$ 486,000
	2013	\$ 470,000
	2014	\$ 431,000
	2015 to 2019	<u>\$ 1,023,000</u>
	Total	<u>\$ 3,389,000</u>

Town of Ashburnham, Massachusetts

Notes to the Financial Statements

June 30, 2010

Note 11. Commitments (continued)

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 \$1,239,000 for the year ended December 31, 2009.

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, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 659,785	39,899	71,483	771,167
Investments	291,592	-	579,191	870,783
Receivables:				
Departmental	202,430	-	-	202,430
Due from other governments	582,439	-	-	582,439
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>1,736,246</u>	<u>39,899</u>	<u>650,674</u>	<u>2,426,819</u>
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Warrants and accounts payable	\$ 587,670	-	-	587,670
Deferred revenue	202,430	-	-	202,430
Notes payable	-	400,000	-	400,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>790,100</u>	<u>400,000</u>	<u>-</u>	<u>1,190,100</u>
 <u>Fund Balances:</u>				
Reserved For:				
Other specific purposes	-	-	650,674	650,674
Unreserved	946,146	(360,101)	-	586,045
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>946,146</u>	<u>(360,101)</u>	<u>650,674</u>	<u>1,236,719</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ <u>1,736,246</u>	<u>39,899</u>	<u>650,674</u>	<u>2,426,819</u>

TOWN OF ASHBURNHAM, MASSACHUSETTS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:				
Departmental charges for services	\$ 166,351	-	5,760	172,111
Intergovernmental	1,254,431	-	-	1,254,431
Investment income	14,192	-	33,897	48,089
Other	268,642	-	35,216	303,858
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,703,616	-	74,873	1,778,489
Expenditures:				
Current:				
General government	122,782	-	-	122,782
Public safety	90,064	-	-	90,064
Public works	467,595	-	-	467,595
Human services	58,423	-	-	58,423
Recreation and culture	15,926	-	45,005	60,931
Debt service	-	-	-	-
Employee benefits	7,802	-	-	7,802
Capital outlay	804,910	402,662	-	1,207,572
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,567,502	402,662	45,005	2,015,169
Excess (deficiency) of revenues over expenditures	136,114	(402,662)	29,868	(236,680)
Other financing sources (uses):				
Proceeds of borrowing	-	-	-	-
Operating transfers in	48,752	-	-	48,752
Operating transfers out	(122,354)	-	(41,488)	(163,842)
	<hr/>	<hr/>	<hr/>	<hr/>
Net changes in fund balances	62,512	(402,662)	(11,620)	(351,770)
Fund balance, beginning of year	883,634	42,561	662,294	1,588,489
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 946,146	(360,101)	650,674	1,236,719
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