

TOWN OF ASHBY, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2010

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The logo for Melanson Heath & Company, PC, featuring the letters "MH&Co" in a white serif font inside a dark blue rectangular box with a thin white border.

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Ashby, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashby, Massachusetts, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ashby's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, 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 Ashby, as of June 30, 2010, and the respective changes in

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financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated March 9, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results 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 should be considered in assessing the results of our audit.

Melanson Heath + Company P.C.

Greenfield, Massachusetts
March 9, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Ashby, we offer readers this narrative overview and analysis of the financial activities of the Town of Ashby for the fiscal year ended June 30, 2010.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise of 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 are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, employee benefits, and intergovernmental. The business-type activities include transfer station activities.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for transfer station operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the transfer station operations, which is considered to be a major fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary

information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 7,780,096 (i.e., net assets), an increase of \$ 400,306 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,732,151, an increase of \$ 242,965 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 319,117, a decrease of \$ (27,697) in comparison with the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 1,961,724	\$ 1,730,058	\$ 36,946	\$ 29,347	\$ 1,998,670	\$ 1,759,405
Capital assets	6,066,574	5,916,368	-	-	6,066,574	5,916,368
Noncurrent assets	<u>54,718</u>	<u>52,729</u>	<u>-</u>	<u>-</u>	<u>54,718</u>	<u>52,729</u>
Total assets	8,083,016	7,699,155	36,946	29,347	8,119,962	7,728,502
Long-term liabilities outstanding	235,893	235,802	-	-	235,893	235,802
Other liabilities	<u>103,622</u>	<u>120,158</u>	<u>351</u>	<u>371</u>	<u>103,973</u>	<u>120,529</u>
Total liabilities	339,515	355,960	351	371	339,866	356,331
Net assets:						
Invested in capital assets, net	6,066,574	5,910,199	-	-	6,066,574	5,910,199
Restricted	834,878	727,269	-	-	834,878	727,269
Unrestricted	<u>842,049</u>	<u>705,727</u>	<u>36,595</u>	<u>28,976</u>	<u>878,644</u>	<u>734,703</u>
Total net assets	\$ <u>7,743,501</u>	\$ <u>7,343,195</u>	\$ <u>36,595</u>	\$ <u>28,976</u>	\$ <u>7,780,096</u>	\$ <u>7,372,171</u>

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 172,132	\$ 182,764	\$ 28,318	\$ 21,586	\$ 200,450	\$ 204,350
Operating grants and contributions	538,738	95,082	-	-	538,738	95,082
Capital grants and contributions	524,826	371,463	-	-	524,826	371,463
General revenues:						
Property taxes	4,298,418	4,228,320	-	-	4,298,418	4,228,320
Excises	322,047	358,665	-	-	322,047	358,665
Penalties and interest on taxes	22,439	26,685	-	-	22,439	26,685
Grants and contributions not restricted to specific programs	468,387	537,470	-	-	468,387	537,470
Investment income	1,758	5,666	188	444	1,946	6,110
Miscellaneous	333,926	19,403	-	-	333,926	19,403
Total revenues	6,682,671	5,825,518	28,506	22,030	6,711,177	5,847,548
Expenses:						
General government	802,160	604,781	-	-	802,160	604,781
Public safety	998,203	1,145,506	-	-	998,203	1,145,506
Education	2,942,241	2,917,151	-	-	2,942,241	2,917,151
Public works	981,375	837,736	-	-	981,375	837,736
Human services	27,530	59,857	-	-	27,530	59,857
Culture and recreation	88,970	96,126	-	-	88,970	96,126
Employee benefits	418,676	389,245	-	-	418,676	389,245
Intergovernmental	23,210	21,955	-	-	23,210	21,955
Transfer station	-	-	20,887	19,217	20,887	19,217
Total expenses	6,282,365	6,072,357	20,887	19,217	6,303,252	6,091,574
Change in net assets	400,306	(246,839)	7,619	2,813	407,925	(244,026)
Net assets - beginning of year	7,343,195	7,590,034	28,976	26,163	7,372,171	7,616,197
Net assets - end of year	\$ 7,743,501	\$ 7,343,195	\$ 36,595	\$ 28,976	\$ 7,780,096	\$ 7,372,171

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 7,780,096, an increase of \$ 400,306 from the prior year.

The largest portion of net assets, \$ 6,066,574, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment). These capital assets

are used to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of net assets, \$ 834,878, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 878,644, may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 400,306. Key elements of this decrease are as follows:

Excess of tax collections compared to budget	\$ 30,229
Excess of State and local revenues over budget	86,061
Budgetary appropriations under-expended by departments	91,829
Use of free cash and overlay surplus as a funding source	(163,583)
Excess of prior year encumbrances spent in the current year over current year encumbrances to be spent in the subsequent year	(35,032)
Other financing uses	107,377
Stabilization fund revenues and transfers in over expenditures	12,306
Ruth Brook non-expendable trust fund revenues over expenditures	358
Non-major fund revenues and over expenditures	113,420
Capital asset additions funded by grants and general fund appropriations	334,018
Current year depreciation (not budgeted for)	(183,812)
Other timing differences	<u>7,135</u>
Total	<u>\$ 400,306</u>

Business-type activities. Business-type activities for the year resulted in an increase in net assets of \$ 7,619, all of which was the result of user fee revenues and investment income in excess of expenditures.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,732,151, an increase of \$ 242,965 in comparison with the prior year. Key elements of this change are as follows:

General fund revenues and transfers in in excess of expenses and transfers out	\$ 116,881
Stabilization fund revenues and transfers in over expenditures	12,306
Ruth Brook non-expendable trust fund revenues over expenditures	358
Non-major governmental funds revenue in excess of expenditures	<u>113,420</u>
Total	<u>\$ 242,965</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 319,117, while total fund balance was \$ 431,574. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.17 percent of total general fund expenditures, while total fund balance represents 8.35 percent of that same amount.

The fund balance of the general fund increased by \$ 116,881 during the current fiscal year. Key factors in this change are as follows:

Excess of tax collections compared to budget	\$ 30,229
Excess of State and local revenues over budget	86,061
Budgetary appropriations under-expended by departments	91,829
Use of free cash and overlay surplus as a funding source	(163,583)
Excess of prior year encumbrances spent in the current year over current year encumbrances to be spent in the subsequent year	(35,032)
Other financing uses	<u>107,377</u>
Total	<u>\$ 116,881</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 36,595, an increase of \$ 7,619 in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$ 24,305. Major reasons for these amendments include:

- \$ 14,625 increase in public safety expenditures.
- \$ 9,650 increase in public works expenditures.

All of these increases were funded by free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$ 6,066,574 (net of accumulated depreciation), an increase of \$ 150,206 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Depreciation expense: \$ (183,812).
- Equipment purchase – Ferris mower: \$ 6,350.
- Construction in progress (library): \$ 1,468.
- Open space acquisition: \$ 326,200.

Additional information on capital assets can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Ashby's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Nancy Haines
Town Accountant
Town of Ashby
895 Main Street
Ashby, MA 01431

TOWN OF ASHBY, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 945,404	\$ 36,946	\$ 982,350
Investments	835,543	-	835,543
Receivables, net of allowance for uncollectibles:			
Property taxes	81,293	-	81,293
Excises	26,327	-	26,327
Departmental and other	35,727	-	35,727
Intergovernmental	33,895	-	33,895
Loans receivable	3,535	-	3,535
Noncurrent:			
Tax liens and foreclosures, net of allowance for uncollectible	3,006	-	3,006
Loans receivable, net of allowance for uncollectible and current portion	51,712	-	51,712
Land and construction in progress	4,805,719	-	4,805,719
Capital assets, net of accumulated depreciation	<u>1,260,855</u>	<u>-</u>	<u>1,260,855</u>
TOTAL ASSETS	8,083,016	36,946	8,119,962
LIABILITIES			
Current:			
Warrants payable	22,593	45	22,638
Accounts payable	44,681	-	44,681
Accrued payroll and withholdings	36,348	306	36,654
Current portion of long-term liabilities:			
Landfill closure	14,000	-	14,000
Noncurrent:			
Landfill closure	<u>221,893</u>	<u>-</u>	<u>221,893</u>
TOTAL LIABILITIES	339,515	351	339,866
NET ASSETS			
Invested in capital assets	6,066,574	-	6,066,574
Restricted for:			
Grants and other statutory restrictions	228,968	-	228,968
Permanent funds:			
Nonexpendable	442,965	-	442,965
Expendable	162,945	-	162,945
Unrestricted	<u>842,049</u>	<u>36,595</u>	<u>878,644</u>
TOTAL NET ASSETS	\$ <u>7,743,501</u>	\$ <u>36,595</u>	\$ <u>7,780,096</u>

See notes to financial statements.

TOWN OF ASHBY MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 802,160	\$ 22,232	\$ 439,764	\$ -	\$ (340,164)	\$ -	\$ (340,164)
Public safety	998,203	139,278	51,955	70,680	(736,290)	-	(736,290)
Education	2,942,241	-	2,400	-	(2,939,841)	-	(2,939,841)
Public works	981,375	8,806	7,327	446,844	(518,398)	-	(518,398)
Health and human services	27,530	-	18,978	-	(8,552)	-	(8,552)
Culture and recreation	88,970	1,816	18,314	7,302	(61,538)	-	(61,538)
Employee benefits	418,676	-	-	-	(418,676)	-	(418,676)
Intergovernmental	23,210	-	-	-	(23,210)	-	(23,210)
Total Governmental Activities	6,282,365	172,132	538,738	524,826	(5,046,669)	-	(5,046,669)
Business-Type Activities:							
Transfer station	20,887	28,318	-	-	-	7,431	7,431
Total Business-Type Activities	20,887	28,318	-	-	-	7,431	7,431
Total	\$ 6,303,252	\$ 200,450	\$ 538,738	\$ 524,826	(5,046,669)	7,431	(5,039,238)
General Revenues:							
Property taxes					4,298,418	-	4,298,418
Excises					322,047	-	322,047
Penalties, interest and other taxes					22,439	-	22,439
Grants and contributions not restricted to specific programs					468,387	-	468,387
Investment income					1,758	188	1,946
Miscellaneous					333,926	-	333,926
Total general revenues					5,446,975	188	5,447,163
Change in Net Assets					400,306	7,619	407,925
Net Assets:							
Beginning of year					7,343,195	28,976	7,372,171
End of year					\$ 7,743,501	\$ 36,595	\$ 7,780,096

See notes to financial statements.

TOWN OF ASHBY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

ASSETS	<u>General</u>	<u>Stabilization</u>	<u>Ruth Brook Non-Expendable Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 467,517	\$ 107,946	\$ 45,804	\$ 324,137	\$ 945,404
Investments	-	357,753	143,102	334,688	835,543
Receivables:					
Property taxes	124,647	-	-	-	124,647
Excises	36,545	-	-	-	36,545
Departmental and other	42,032	-	-	-	42,032
Loans	-	-	-	78,925	78,925
Intergovernmental	-	-	-	33,895	33,895
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>670,741</u>	\$ <u>465,699</u>	\$ <u>188,906</u>	\$ <u>771,645</u>	\$ <u>2,096,991</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 22,593	\$ -	\$ -	\$ -	\$ 22,593
Accounts payable	-	-	-	44,681	44,681
Accrued payroll and withholdings	34,281	-	-	2,067	36,348
Deferred revenues	<u>182,293</u>	<u> </u>	<u> </u>	<u>78,925</u>	<u>261,218</u>
TOTAL LIABILITIES	239,167	-	-	125,673	364,840
Fund Balances:					
Reserved for:					
Encumbrances	43,065	-	-	-	43,065
Expenditures	69,392	-	-	-	69,392
Perpetual (nonexpendable) permanent funds	-	-	188,906	254,059	442,965
Unreserved:					
Undesignated, reported in:					
General fund	319,117	-	-	-	319,117
Special revenue funds	-	465,699	-	236,605	702,304
Capital project funds	-	-	-	(7,637)	(7,637)
Permanent funds	<u> </u>	<u> </u>	<u> </u>	<u>162,945</u>	<u>162,945</u>
TOTAL FUND BALANCES	<u>431,574</u>	<u>465,699</u>	<u>188,906</u>	<u>645,972</u>	<u>1,732,151</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>670,741</u>	\$ <u>465,699</u>	\$ <u>188,906</u>	\$ <u>771,645</u>	\$ <u>2,096,991</u>

See notes to financial statements.

TOWN OF ASHBY, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Total governmental fund balances	\$ 1,732,151
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,066,574
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting, net of an allowance for uncollectibles, and are not deferred until collection.	180,669
<ul style="list-style-type: none">• Long-term liabilities, (landfill closure) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(235,893)</u>
Net assets of governmental activities	<u>\$ 7,743,501</u>

TOWN OF ASHBY, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Stabilization</u>	<u>Ruth Brook Non-Expendable Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 4,318,870	\$ -	\$ -	\$ -	\$ 4,318,870
Excises	322,346	-	-	-	322,346
Penalties, interest and other taxes	22,439	-	-	-	22,439
Charges for services	102,897	-	-	12,526	115,423
Intergovernmental	474,913	-	-	1,048,374	1,523,287
Licenses and permits	28,712	-	-	-	28,712
Fines and forfeits	14,020	-	-	-	14,020
Investment income	1,758	8,306	358	-	10,422
Miscellaneous	4,944	-	-	2,782	7,726
Total Revenues	<u>5,290,899</u>	<u>8,306</u>	<u>358</u>	<u>1,063,682</u>	<u>6,363,245</u>
Expenditures:					
Current:					
General government	421,200	-	-	332,924	754,124
Public safety	795,173	-	-	133,067	928,240
Education	2,941,593	-	-	648	2,942,241
Public works	478,381	-	-	459,018	937,399
Health and human services	21,060	-	-	6,470	27,530
Culture and recreation	70,725	-	-	18,135	88,860
Employee benefits	418,676	-	-	-	418,676
Intergovernmental	23,210	-	-	-	23,210
Total Expenditures	<u>5,170,018</u>	<u>-</u>	<u>-</u>	<u>950,262</u>	<u>6,120,280</u>
Excess (deficiency) of revenues over expenditures	120,881	8,306	358	113,420	242,965
Other Financing Sources (Uses):					
Transfers in	-	4,000	-	-	4,000
Transfers out	(4,000)	-	-	-	(4,000)
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	116,881	12,306	358	113,420	242,965
Fund Equity, at Beginning of Year, as restated	<u>314,693</u>	<u>453,393</u>	<u>188,548</u>	<u>532,552</u>	<u>1,489,186</u>
Fund Equity, at End of Year	<u>\$ 431,574</u>	<u>\$ 465,699</u>	<u>\$ 188,906</u>	<u>\$ 645,972</u>	<u>\$ 1,732,151</u>

See notes to financial statements.

TOWN OF ASHBY, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Net Changes in Fund Balances - Total Governmental Funds	\$ 242,965
<ul style="list-style-type: none">Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: Capital outlay purchases 334,018 Depreciation (183,812)Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (6,774)Some expenses reported in the Statement of Activities, such as landfill closure costs, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <u>13,909</u>	
Change in Net Assets of Governmental Activities	\$ <u>400,306</u>

See notes to financial statements.

TOWN OF ASHBY, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 4,288,641	\$ 4,288,641	\$ 4,288,641	\$ -
Excise	310,000	310,000	322,346	12,346
Penalties, interest and other taxes	20,300	20,300	22,439	2,139
Charges for services	86,650	86,650	102,897	16,247
Intergovernmental	428,868	428,868	474,913	46,045
Licenses and permits	21,650	21,650	28,712	7,062
Fines and forfeits	14,000	14,000	14,020	20
Investment income	4,500	4,500	1,758	(2,742)
Miscellaneous	-	-	4,944	4,944
Other sources	139,278	163,583	163,583	-
Total Revenues and Other Sources	5,313,887	5,338,192	5,424,253	86,061
Expenditures and Other Uses:				
General government	507,335	507,335	434,834	72,501
Public safety	802,577	817,232	788,659	28,573
Education	2,944,413	2,944,413	2,941,593	2,820
Public works	365,571	375,221	438,509	(63,288)
Health and human services	23,424	23,424	21,060	2,364
Culture and recreation	69,008	69,008	68,445	563
Intergovernmental	22,050	22,050	23,210	(1,160)
Employee benefits	467,132	467,132	418,676	48,456
Debt service	1,000	1,000	-	1,000
Transfers out	4,000	4,000	4,000	-
Other uses	107,377	107,377	107,377	-
Total Expenditures and Other Uses	5,313,887	5,338,192	5,246,363	91,829
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 177,890	\$ 177,890

See notes to financial statements.

TOWN OF ASHBY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2010

Business-
Type Activities
Enterprise Funds
Transfer Station

ASSETS

Current:

Cash and short-term investments

\$ 36,946

TOTAL ASSETS

36,946

LIABILITIES

Current:

Warrants payable

45

Accrued payroll

306

TOTAL LIABILITIES

351

NET ASSETS

Unrestricted

36,595

TOTAL NET ASSETS

\$ 36,595

See notes to financial statements.

TOWN OF ASHBY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business- Type Activities Enterprise Funds Transfer Station</u>
Operating Revenues:	
Charges for services	\$ <u>28,318</u>
Total Operating Revenues	28,318
Operating Expenses:	
Salaries and wages	3,636
Operating expenses	<u>17,251</u>
Total Operating Expenses	<u>20,887</u>
Operating Income	7,431
Nonoperating Revenues:	
Investment income	<u>188</u>
Total Nonoperating Revenue	<u>188</u>
Change in Net Assets	7,619
Net Assets at Beginning of Year	<u>28,976</u>
Net Assets at End of Year	<u>\$ <u>36,595</u></u>

See notes to financial statements.

TOWN OF ASHBY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business- Type Activities Enterprise Funds Transfer Station</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 28,318
Payments to vendors and employees	<u>(20,907)</u>
Net Cash Provided By Operating Activities	7,411
 <u>Cash Flows From Investing Activities:</u>	
Investment income	<u>188</u>
Net Cash Provided By Investing Activities	<u>188</u>
Net Change in Cash and Short-Term Investments	7,599
Cash and Short-Term Investments, Beginning of Year	<u>29,347</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 36,946</u></u>
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 7,431
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Warrants payable	(326)
Accrued payroll	<u>306</u>
Net Cash Provided By Operating Activities	<u><u>\$ 7,411</u></u>

See notes to financial statements.

TOWN OF ASHBY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>15,335</u>
Total Assets	\$ <u><u>15,335</u></u>
<u>LIABILITIES</u>	
Accrued payroll	\$ 1,305
Deposits in custody	4,389
Other liabilities	<u>9,641</u>
Total Liabilities	\$ <u><u>15,335</u></u>

See notes to financial statements.

Town of Ashby, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Ashby (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2010, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity 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 or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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. Major individual govern-

mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, landfill closure expenditures are recorded only when payment is due.

The government reports the following major governmental funds:

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

- The *stabilization fund*, an account authorized by Massachusetts General Laws Chapter 40, Section 5B from which the Town can appropriate funds for any legal purpose.
- The *Ruth Brook non-expendable trust fund*, an account accepted at the 1987 Annual Town Meeting under the condition the funds are to be invested and held in a permanent trust fund the income of which should be used to provide scholarship to any residents of the Town.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary fund:

- The *transfer station enterprise fund*, which accounts for operations of the Town's transfer station and supporting infrastructure.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income. For

purposes of the statement of cash flows, the proprietary fund considers investments with original maturities of three months or less to be cash equivalents.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2010 tax levy reflected an excess capacity of \$ 2,844.

G. Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5 - 10
Office equipment	5 - 15
Computer equipment	5 - 10

H. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

J. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

K. Other Post-Employment Benefits

The Town of Ashby does not offer other post-employment benefits to its retirees.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 5,290,899	\$ 5,170,018
Other financing sources/uses (GAAP basis)	-	4,000
Adjust tax revenue to accrual basis	(30,229)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(78,097)
Add end of year appropriation carryforwards to expenditures	-	43,065
Recognize use of fund balance as funding source/use	<u>163,583</u>	<u>107,377</u>
Budgetary basis	<u><u>\$ 5,424,253</u></u>	<u><u>\$ 5,246,363</u></u>

D. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Public Works - (snow and ice)	\$ (69,595)
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E. Deficit Fund Equity

The following funds had deficits as of June 30, 2010:

Capital Projects: Landfill closure	\$ (14,405)
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The deficits in this fund will be eliminated through future departmental revenues, bond proceeds, or transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

As of June 30, 2010, \$ 796,920 of the Town's bank balance of \$ 1,035,928 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Laws Chapter 44, Section 55 limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year end for each investment type:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End AAA</u>
Federal agency securities	\$ 714,599	\$ -	\$ 714,599
Certificates of deposit	53,054	53,054	-
Mutual funds	<u>67,890</u>	<u>67,890</u>	<u>-</u>
Total investments	\$ <u>835,543</u>	\$ <u>120,944</u>	\$ <u>714,599</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) 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 policies for custodial credit risk.

Of the total investments of \$ 835,543, the Town has a custodial credit risk exposure of \$ 795,007 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities.

C. Concentration of Credit Risk

The Town's investments in one issuer other than the Federal government greater than 5% of total investments are as follows:

General Electric Capital Corp.	\$ 53,054
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D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt from Disclosure</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Federal agency securities	\$ 714,599	\$ -	\$ 577,035	\$ -	\$ 137,564
Certificate of deposit	53,054	-	-	53,054	-
Mutual funds	67,890	67,890	-	-	-
Total	\$ 835,543	\$ 67,890	\$ 577,035	\$ 53,054	\$ 137,564

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2010 consist of the following:

Real Estate			
2010	\$ 78,717		
2009 and prior	<u>1,286</u>		
			80,003
Personal Property			
2010	890		
2009 and prior	<u>1,100</u>		
			1,990
Tax Liens and Foreclosures			<u>42,654</u>
Total			<u>\$ 124,647</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>
Property taxes - current	\$ 700
Tax liens and foreclosures	39,648
Excises	10,218
Ambulance	6,305
Title V Septic Loans	23,678

7. Loans Receivable

This balance represents loans to taxpayers for septic improvements granted under a State-sponsored Title V loan program.

8. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

<u>Governmental Activities:</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,910,246	\$ -	\$ -	\$ 4,910,246
Machinery, equipment, and furnishings	1,930,888	6,350	-	1,937,238
Total capital assets, being depreciated	6,841,134	6,350	-	6,847,484
Less accumulated depreciation for:				
Buildings and improvements	(4,363,011)	(45,609)	-	(4,408,620)
Machinery, equipment, and furnishings	(1,039,806)	(138,203)	-	(1,178,009)
Total accumulated depreciation	(5,402,817)	(183,812)	-	(5,586,629)
Total capital assets, being depreciated, net	1,438,317	(177,462)	-	1,260,855
Capital assets, not being depreciated:				
Construction in progress	3,220,220	1,468	-	3,221,688
Land	1,257,831	326,200	-	1,584,031
Total capital assets, not being depreciated	4,478,051	327,668	-	4,805,719
Governmental activities capital assets, net	\$ 5,916,368	\$ 150,206	\$ -	\$ 6,066,574

Depreciation expense was charged to functions of the Town as follows:

<u>Governmental Activities:</u>	
General government	\$ 48,036
Public safety	69,963
Public works	64,235
Culture and recreation	1,578
Total depreciation expense - governmental activities	\$ 183,812

9. Warrants and Accounts Payable

Warrants payable represent 2010 expenditures paid by July 15, 2010 as permitted by law. Accounts payable represent additional fiscal year 2010 expenditures expected to be paid in fiscal year 2011.

10. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2010 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Long-Term Liabilities

A. Changes in General Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Total Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>June 30, 2010</u>	Less Current Portion	Equals Long-Term Portion <u>June 30, 2010</u>
<u>Governmental Activities:</u>						
Landfill closure	\$ <u>249,802</u>	\$ <u>-</u>	\$ <u>(13,909)</u>	\$ <u>235,893</u>	\$ <u>(14,000)</u>	\$ <u>221,893</u>

12. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$ 235,893 reported as landfill liability at June 30, 2010 represents the estimated cost of monitoring the landfill for the next 20 years, less \$ 44,107, which represents the unexpended balance of the landfill capping project which the Town is required to keep in escrow per the Massachusetts Department of Environmental Protection. This amount is based on what it would cost to perform all closure and post-closure care in 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

13. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

14. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2010:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

15. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

16. Pension Plan

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, with respect to the employees' retirement funds.

A. Plan Description

The Town contributes to the Middlesex County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Middlesex County Retirement System, 40 Thorndike Street, New Superior Courthouse - 3rd Level, Cambridge, MA 02141.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2010, 2009, and 2008 were \$ 151,101, \$ 126,520, and \$ 114,360, respectively, which were equal to its annual required contributions for each of these years.

17. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

18. Beginning Fund Balance Restatement

The beginning (July 1, 2010) fund balances of the Town have been restated as follows:

Fund Basis Financial Statements:

	General Fund	Stabilization Fund
As previously reported	\$ 456,718	\$ 311,368
To adjust for interfund payable previously approved and later rescinded at annual town meeting.	<u>(142,025)</u>	<u>142,025</u>
As restated	<u><u>\$ 314,693</u></u>	<u><u>\$ 453,393</u></u>