

***TOWN OF WENHAM, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***FISCAL YEAR ENDED JUNE 30, 2009***

TOWN OF WENHAM, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

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## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Wenham, Massachusetts

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wenham, Massachusetts, as of and for the fiscal year ended June 30, 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 Wenham, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Wenham, Massachusetts, as of June 30, 2009, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009, on our consideration of the Town of Wenham, Massachusetts' internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund and community preservation fund – budgetary basis, schedule of funding progress, and schedule of employer contributions located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles 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.

Wakefield, Massachusetts  
October 15, 2009

***Management's Discussion and Analysis***

# ***Management's Discussion and Analysis***

## ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to 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, human services, culture and recreation, community preservation, and interest. The Town's business-type activities relate to the water 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 statements focus on *near-term inflows 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*.

The Town adopts an annual appropriated budget for its general fund and community preservation fund. Budgetary comparison schedules have been provided as required supplementary information after the notes to the financial statements to demonstrate compliance with these budgets.

**Proprietary funds.** Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town maintains one proprietary fund to account for its water activities.

**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 statement 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 propriety funds. The Town does not report any fiduciary funds.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town’s budgetary basis of accounting as well as pension obligations.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The Town’s governmental assets exceeded liabilities by \$11.2 million at the close of FY2009. Key components of the Town’s governmental financial position are listed below.

	Governmental Activities	
	FY09	FY08
<b>Assets:</b>		
Current assets.....	\$ 6,462,988	\$ 6,424,664
Noncurrent assets (excluding capital).....	241,893	236,318
Capital assets.....	12,811,924	12,913,941
<b>Total assets.....</b>	<b>19,516,805</b>	<b>19,574,923</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	382,657	351,999
Noncurrent liabilities (excluding debt).....	107,000	115,000
Current debt.....	1,181,811	1,181,811
Noncurrent debt.....	6,685,000	7,210,000
<b>Total liabilities.....</b>	<b>8,356,468</b>	<b>8,858,810</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	4,945,113	4,522,130
Restricted.....	3,631,988	3,642,137
Unrestricted.....	2,583,236	2,551,846
<b>Total net assets.....</b>	<b>\$ 11,160,337</b>	<b>\$ 10,716,113</b>

Net assets of \$4.9 million (44%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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.

A restricted portion of the net assets totaling \$3.6 million (33%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* totaling \$2.6 million (23%) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets.

**Governmental Activities**

The governmental activities of the Town are detailed below. The governmental activities net assets increased by \$444,000 during the current fiscal year which is primarily the result of capital grants received for state highway projects, totaling approximately \$233,000, and the state’s matching share recorded under the community preservation act as a capital grant, totaling approximately \$265,000.

	FY09	FY08
<b>Program revenues:</b>		
Charges for services.....	\$ 1,161,889	\$ 1,037,124
Operating grants and contributions.....	212,692	940,460
Capital grants and contributions.....	501,900	1,321,539
<b>General Revenues:</b>		
Real estate and personal property taxes.....	11,639,994	10,709,759
Motor vehicle and other excise taxes.....	526,401	574,638
Community preservation surcharge.....	281,175	264,430
Nonrestricted grants.....	380,261	556,416
Unrestricted investment income.....	93,833	238,430
Other revenues.....	83,189	63,164
<b>Total revenues.....</b>	<b>14,881,334</b>	<b>15,705,960</b>
<b>Expenses:</b>		
General Government.....	1,452,020	1,128,379
Public Safety.....	2,565,683	2,516,640
Education.....	7,435,481	6,614,986
Public Works.....	1,472,141	1,360,997
Human Services.....	136,570	122,213
Culture and Recreation.....	1,001,394	1,181,897
Community preservation.....	48,451	70,059
Interest.....	325,370	406,181
<b>Total expenses.....</b>	<b>14,437,110</b>	<b>13,401,352</b>
<b>Change in net assets.....</b>	<b>\$ 444,224</b>	<b>\$ 2,304,608</b>

**Business-type Activities**

The Town's business-type activities reflect the operations of the Town's water enterprise fund. Business-type assets exceeded liabilities by \$895,000 at the close of fiscal year 2009. The following table identifies key elements of the net assets of the Town's business-type activities.

	<u>FY09</u>	<u>FY08</u>
<b>Assets:</b>		
Current assets.....	\$ 413,505	\$ 718,823
Capital assets.....	<u>1,648,351</u>	<u>1,598,363</u>
<b>Total assets.....</b>	<b><u>2,061,856</u></b>	<b><u>2,317,186</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	46,524	263,986
Noncurrent liabilities (excluding debt).....	-	23,000
Current debt.....	345,189	370,189
Noncurrent debt.....	<u>775,000</u>	<u>850,000</u>
<b>Total liabilities.....</b>	<b><u>1,166,713</u></b>	<b><u>1,507,175</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	528,162	140,223
Unrestricted.....	<u>366,981</u>	<u>669,788</u>
<b>Total net assets.....</b>	<b><u>\$ 895,143</u></b>	<b><u>\$ 810,011</u></b>

The Town's business type activities net assets increased by \$85,000 during the current fiscal year. The results reflect the Town's intention to recover (100%) of its costs of operations through rates. Within the categories of net assets, the Town did report an increase in the capital assets net of related debt of approximately \$150,000, while unrestricted net assets dropped by approximately \$65,000. This was mainly due to investments made on capital assets and the payments made of outstanding debt.

	<u>FY09</u>	<u>FY08</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 452,899	\$ 487,354
<b>Expenses:</b>		
Water expenses.....	324,682	311,922
Interest.....	<u>43,085</u>	<u>46,085</u>
<b>Total expenses.....</b>	<b><u>367,767</u></b>	<b><u>358,007</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 85,132</u></b>	<b><u>\$ 129,347</u></b>

**Financial Analysis of the Government'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 *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 \$4.5 million, a net decrease of \$49,000 from the prior year.

The General Fund is the Town's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund totaled \$904,000, while total fund balance totaled \$954,000 million. 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% of total general fund expenditures, while total fund balance represents 7% of that same amount. The General Fund's results of operation resulted in an approximately \$409,000 decrease in fund balance.

The Town voted to establish a community preservation fund in fiscal year 2006, which is funded by a combination of real estate surcharges to tax payers and a matching grant from the Commonwealth. At the end of fiscal year 2009, the fund had a positive balance of \$1.3 million, which is recorded in the Community Preservation major governmental fund. As funds accumulate, the Town expects to appropriate funds in accordance with the legislation and in the best interest of the Town of Wenham.

The Town Hall and Police Station major governmental fund is used to account for the Town's major capital project for the renovation of Town Hall and the Police Station. The projects were substantially completed prior to fiscal year 2009. The Town expended \$21,000 during fiscal year 2009 for the completion of the Town Hall and Police Station renovation projects. At year end there remained \$180,000 of unexpended bond funds.

The Emergency Culvert Repair major governmental fund had no activity during fiscal year 2009. The fund had a year end deficit balance of \$476,000 because the project has been financed through short term borrowing. The deficit balance should be removed once the Town obtains permanent financing for the project.

During fiscal year 2008, the Town received a gift of \$703,000 to purchase land for the purpose of providing space to build affordable housing. The gift is accounted for in the Affordable Housing major governmental fund. No land has been purchased as of June 30, 2009.

### ***General Fund Budgetary Highlights***

The Town adopted a \$14.3 million dollar fiscal year 2009 operating budget for the General Fund. The budget was financed through current revenues and prior year reserves. Actual revenues came in approximately \$13,000 under budget, while actual expenditures came in approximately \$288,000 under budget, resulting in a net budget to actual positive variance of \$275,000. Consequently, rather than the budgeted \$697,000 decrease in fund balance, the Town experienced a \$421,000 decrease in fund balance on a budgetary basis, including current year encumbrances.

The Town's Community Preservation Special Revenue fund adopted a \$560,000 revenue budget and a \$241,000 expenditure budget for fiscal year 2009. The fund increased its fund balance by \$319,000 during fiscal year 2009.

### ***Capital Asset and Debt Administration***

Outstanding long-term debt of governmental activities, as of June 30, 2009, totaled \$7.2 million and bond anticipation notes of \$657,000. The Water Enterprise Fund has \$850,000 of long-term debt and bond anticipation notes of \$270,000 outstanding at year end which are fully supported by water rates.

During the fiscal year, the Town acquired \$513,000 in new capital assets. Significant additions consisted of \$185,000 for road construction, \$75,000 for a backhoe, and \$100,000 for library books.

Please refer to the Notes to the Basic Financial Statements for further discussion of the debt and capital activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town'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 the Finance Director, Wenham Town Hall, 138 Main Street, Wenham, MA 01984.

# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 4,700,692	\$ 239,789	\$ 4,940,481
Investments.....	724,207	-	724,207
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	292,757	-	292,757
Community preservation fund surtax.....	6,948	-	6,948
Tax liens.....	34,303	-	34,303
Motor vehicle excise taxes.....	40,715	-	40,715
Water fees.....	-	173,716	173,716
Departmental and other.....	25,829	-	25,829
Intergovernmental.....	214,603	-	214,603
Community preservation fund state share.....	125,927	-	125,927
Tax foreclosures.....	297,007	-	297,007
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	241,893	-	241,893
Capital assets, nondepreciable.....	486,680	17,361	504,041
Capital assets, net of accumulated depreciation.....	12,325,244	1,630,990	13,956,234
<b>TOTAL ASSETS.....</b>	<b>19,516,805</b>	<b>2,061,856</b>	<b>21,578,661</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	244,855	46,524	291,379
Accrued payroll.....	2,500	-	2,500
Accrued interest.....	98,662	-	98,662
Other liabilities.....	15,640	-	15,640
Compensated absences.....	21,000	-	21,000
Bonds and notes payable.....	1,181,811	345,189	1,527,000
<b>NONCURRENT:</b>			
Compensated absences.....	107,000	-	107,000
Bonds and notes payable.....	6,685,000	775,000	7,460,000
<b>TOTAL LIABILITIES.....</b>	<b>8,356,468</b>	<b>1,166,713</b>	<b>9,523,181</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	4,945,113	528,162	5,473,275
Restricted for:			
Permanent funds:			
Expendable.....	108,075	-	108,075
Nonexpendable.....	546,205	-	546,205
Other purposes.....	2,977,708	-	2,977,708
Unrestricted.....	2,583,236	366,981	2,950,217
<b>TOTAL NET ASSETS.....</b>	<b>\$ 11,160,337</b>	<b>\$ 895,143</b>	<b>\$ 12,055,480</b>

See notes to basic financial statements.

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**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 1,452,020	\$ 169,385	\$ 16,227	\$ -	\$ (1,266,408)
Public safety.....	2,565,683	353,305	97,331	3,897	(2,111,150)
Education.....	7,435,481	-	-	-	(7,435,481)
Public works.....	1,472,141	25,538	5,020	233,432	(1,208,151)
Human services.....	136,570	33,731	20,589	-	(82,250)
Culture and recreation.....	1,001,394	579,930	73,525	-	(347,939)
Community preservation.....	48,451	-	-	264,571	216,120
Interest.....	325,370	-	-	-	(325,370)
<b>Total Governmental Activities.....</b>	<b>14,437,110</b>	<b>1,161,889</b>	<b>212,692</b>	<b>501,900</b>	<b>(12,560,629)</b>
<i>Business-Type Activities:</i>					
Water.....	367,767	452,899	-	-	<b>85,132</b>
<b>Total Primary Government.....</b>	<b>\$ 14,804,877</b>	<b>\$ 1,614,788</b>	<b>\$ 212,692</b>	<b>\$ 501,900</b>	<b>\$ (12,475,497)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(12,560,629)</b>	\$ <b>85,132</b>	\$ <b>(12,475,497)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	11,639,994	-	11,639,994
Motor vehicle excise taxes.....	526,401	-	526,401
Community preservation surcharge.....	281,175	-	281,175
Grants and contributions not restricted to specific programs.....	380,261	-	380,261
Unrestricted investment income.....	93,833	-	93,833
Miscellaneous.....	83,189	-	83,189
Total general revenues and transfers.....	<u>13,004,853</u>	<u>-</u>	<u>13,004,853</u>
Change in net assets.....	444,224	85,132	529,356
<i>Net Assets:</i>			
Beginning of year.....	<u>10,716,113</u>	<u>810,011</u>	<u>11,526,124</u>
End of year.....	\$ <u><u>11,160,337</u></u>	\$ <u><u>895,143</u></u>	\$ <u><u>12,055,480</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2009

<b>ASSETS</b>	<u>General</u>	<u>Community Preservation</u>	<u>Town Hall and Police Station</u>	<u>Emergency Culvert Repair</u>
Cash and cash equivalents.....	\$ 1,153,338	\$ 1,259,223	\$ 180,114	\$ 180,533
Investments.....	-	-	-	-
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	292,757	-	-	-
Real estate tax deferrals.....	241,893	-	-	-
Community preservation fund surtax.....	-	6,948	-	-
Tax liens.....	34,303	-	-	-
Motor vehicle excise taxes.....	40,715	-	-	-
Departmental and other.....	25,829	-	-	-
Intergovernmental.....	17,590	-	-	-
Community preservation fund state share.....	-	125,927	-	-
Tax foreclosures.....	297,007	-	-	-
<b>TOTAL ASSETS.....</b>	<b><u>\$ 2,103,432</u></b>	<b><u>\$ 1,392,098</u></b>	<b><u>\$ 180,114</u></b>	<b><u>\$ 180,533</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 226,340	\$ 750	\$ -	\$ -
Accrued payroll.....	2,500	-	-	-
Other liabilities.....	9,184	-	-	-
Deferred revenues.....	911,568	132,875	-	-
Notes payable.....	-	-	-	656,811
<b>TOTAL LIABILITIES.....</b>	<b><u>1,149,592</u></b>	<b><u>133,625</u></b>	<b><u>-</u></b>	<b><u>656,811</u></b>
 <b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances and continuing appropriations.....	49,311	-	-	-
Perpetual permanent funds.....	-	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund.....	904,529	-	-	-
Special revenue funds.....	-	1,258,473	-	-
Capital projects funds.....	-	-	180,114	(476,278)
Permanent funds.....	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b><u>953,840</u></b>	<b><u>1,258,473</u></b>	<b><u>180,114</u></b>	<b><u>(476,278)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 2,103,432</u></b>	<b><u>\$ 1,392,098</u></b>	<b><u>\$ 180,114</u></b>	<b><u>\$ 180,533</u></b>

See notes to basic financial statements.

	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds		
\$	719,788	\$	1,207,696		
	-	724,207	\$	4,700,692	
	-	-	724,207	292,757	
	-	-	-	241,893	
	-	-	-	6,948	
	-	-	-	34,303	
	-	-	-	40,715	
	-	-	-	25,829	
	-	197,013	-	214,603	
	-	-	-	125,927	
	-	-	-	297,007	
\$	<u>719,788</u>	\$	<u>2,128,916</u>	\$	<u>6,704,881</u>
\$	-	\$	17,765	\$	244,855
	-	-	-	2,500	
	-	6,456	-	15,640	
	-	197,013	-	1,241,456	
	-	-	-	656,811	
	<u>-</u>	<u>221,234</u>	<u>-</u>	<u>2,161,262</u>	
	-	-	-	49,311	
	-	546,205	-	546,205	
	-	-	-	904,529	
	719,788	1,186,200	-	3,164,461	
	-	67,202	-	(228,962)	
	-	108,075	-	108,075	
	<u>719,788</u>	<u>1,907,682</u>	<u>-</u>	<u>4,543,619</u>	
\$	<u>719,788</u>	\$	<u>2,128,916</u>	\$	<u>6,704,881</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2009

Total governmental fund balances.....	\$	4,543,619
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		12,811,924
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,241,456
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(98,662)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(7,210,000)	
Compensated absences.....	<u>(128,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(7,338,000)</u>
Net assets of governmental activities.....	\$	<u><u>11,160,337</u></u>

See notes to basic financial statements.

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**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2009

	General	Community Preservation	Town Hall and Police Station	Emergency Culvert Repair
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 11,495,097	\$ -	\$ -	\$ -
Motor vehicle excise taxes.....	552,821	-	-	-
Community preservation surcharge.....	-	281,175	-	-
Intergovernmental.....	1,125,497	-	-	-
Departmental and other.....	397,236	-	-	-
Contributions.....	-	-	-	-
Investment income.....	33,692	14,389	-	-
Community preservation state match.....	-	264,571	-	-
Miscellaneous.....	10,258	-	-	-
<b>TOTAL REVENUES.....</b>	<b>13,614,601</b>	<b>560,135</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	906,081	-	20,517	-
Public safety.....	1,810,875	-	-	-
Education.....	7,435,481	-	-	-
Public works.....	1,222,009	-	-	-
Human services.....	103,271	-	-	-
Culture and recreation.....	725,914	-	-	-
Community preservation.....	-	48,451	-	-
Pension benefits.....	341,018	-	-	-
Property and liability insurance.....	105,305	-	-	-
Employee benefits.....	617,857	-	-	-
State and county charges.....	120,165	-	-	-
Debt service:				
Principal.....	415,000	110,000	-	-
Interest.....	250,344	82,203	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>14,053,320</b>	<b>240,654</b>	<b>20,517</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(438,719)</b>	<b>319,481</b>	<b>(20,517)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	45,400	-	-	-
Transfers out.....	(15,400)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(408,719)</b>	<b>319,481</b>	<b>(20,517)</b>	<b>-</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,362,559</b>	<b>938,992</b>	<b>200,631</b>	<b>(476,278)</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 953,840</b>	<b>\$ 1,258,473</b>	<b>\$ 180,114</b>	<b>\$ (476,278)</b>

See notes to basic financial statements.

	Affordable Housing	Nonmajor Governmental Funds	Total Governmental Funds
\$	-	\$ -	\$ 11,495,097
	-	-	552,821
	-	-	281,175
	-	327,569	1,453,066
	-	229,379	626,615
	-	63,139	63,139
	8,892	36,274	93,247
	-	-	264,571
	-	-	10,258
	<u>8,892</u>	<u>656,361</u>	<u>14,839,989</u>
	-	26,771	953,369
	-	194,902	2,005,777
	-	-	7,435,481
	-	244,684	1,466,693
	-	13,142	116,413
	-	95,280	821,194
	-	-	48,451
	-	-	341,018
	-	-	105,305
	-	-	617,857
	-	-	120,165
	-	-	525,000
	-	-	332,547
	-	<u>574,779</u>	<u>14,889,270</u>
	<u>8,892</u>	<u>81,582</u>	<u>(49,281)</u>
	-	-	45,400
	-	<u>(30,000)</u>	<u>(45,400)</u>
	-	<u>(30,000)</u>	<u>-</u>
	8,892	51,582	(49,281)
	<u>710,896</u>	<u>1,856,100</u>	<u>4,592,900</u>
\$	<u>719,788</u>	<u>\$ 1,907,682</u>	<u>\$ 4,543,619</u>

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

FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds..... \$ (49,281)

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.....	513,443	
Depreciation expense.....	<u>(615,460)</u>	
Net effect of reporting capital assets.....		(102,017)

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..... 41,345

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Debt service principal payments.....	<u>525,000</u>	
Net effect of reporting long-term debt.....		525,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	22,000	
Net change in accrued interest on long-term debt.....	<u>7,177</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>29,177</u>

Change in net assets of governmental activities..... \$ 444,224

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2009

		Water Enterprise Fund
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$	239,789
Receivables, net of allowance for uncollectibles:		
Water fees.....		173,716
		<u>413,505</u>
Total current assets.....		<u>413,505</u>
NONCURRENT:		
Capital assets, nondepreciable.....		17,361
Capital assets, net of accumulated depreciation.....		1,630,990
		<u>1,648,351</u>
Total noncurrent assets.....		<u>1,648,351</u>
TOTAL ASSETS.....		<u>2,061,856</u>
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....		46,524
Bonds and notes payable.....		345,189
		<u>391,713</u>
Total current liabilities.....		<u>391,713</u>
NONCURRENT:		
Bonds and notes payable.....		775,000
		<u>775,000</u>
Total noncurrent liabilities.....		<u>775,000</u>
TOTAL LIABILITIES.....		<u>1,166,713</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....		528,162
Unrestricted.....		366,981
		<u>895,143</u>
TOTAL NET ASSETS.....	\$	<u><u>895,143</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	Water Enterprise Fund
<u>OPERATING REVENUES:</u>	
Charges for services .....	\$ 452,899
TOTAL OPERATING REVENUES .....	452,899
<u>OPERATING EXPENSES:</u>	
Cost of services and administration .....	272,328
Depreciation.....	52,354
TOTAL OPERATING EXPENSES .....	324,682
OPERATING INCOME (LOSS).....	128,217
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest expense.....	(43,085)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(43,085)
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	85,132
<u>OPERATING TRANSFERS:</u>	
Transfers in.....	15,400
Transfers out.....	(15,400)
TOTAL OPERATING TRANSFERS.....	-
CHANGE IN NET ASSETS.....	85,132
NET ASSETS AT BEGINNING OF YEAR.....	810,011
NET ASSETS AT END OF YEAR.....	\$ 895,143

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

		Water Enterprise Fund
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from customers and users.....	\$	432,841
Payments to vendors.....		(141,318)
Payments to employees.....		(143,911)
		147,612
<b><u>NET CASH FROM OPERATING ACTIVITIES.....</u></b>		
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Transfers in.....		15,400
Transfers out.....		(15,400)
		-
<b><u>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</u></b>		
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Proceeds from the issuance of bonds and notes.....		270,189
Acquisition and construction of capital assets.....		(329,903)
Principal payments on bonds and notes.....		(370,189)
Interest expense.....		(43,085)
		(472,988)
<b><u>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</u></b>		
<b><u>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</u></b>		
		(325,376)
<b><u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</u></b>		
		565,165
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</u></b>		
	\$	239,789
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>		
Operating income (loss).....	\$	128,217
Adjustments to reconcile operating income (loss) to net Cash from operating activities:		
Depreciation.....		52,354
Changes in assets and liabilities:		
Water fee receivable.....		(20,058)
Warrants payable.....		10,099
Accrued compensated absences.....		(23,000)
		19,395
<b><u>NET CASH FROM OPERATING ACTIVITIES.....</u></b>		
	\$	147,612

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Wenham, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The Town is a municipal corporation governed by an elected three member Board of Selectmen and an appointed Town Administrator.

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town has no Component Units that require inclusion in these basic financial statements.

The Town has an agreement with the Town of Hamilton to operate a Joint Public Library under the direction of a Joint Board of Library Trustees. The Town is the administrator for all matters associated with the management of the Joint Public Library. All revenues and expenditures related to the operation of the Joint Public Library are accounted for in the Town's General Fund. Reimbursements from the Town of Hamilton for their apportioned share of expenditures are recorded as intergovernmental revenue. In fiscal year 2009 operating expenses were approximately \$806,000 of which the Town's share was \$234,000 and Hamilton's share was \$572,000. The \$572,000 is reported as intergovernmental revenue.

The Town is a member of the Hamilton-Wenham Regional School District (the District) which provides educational services to both communities. This joint venture assesses each community its share of operating and debt service costs based on student population and other factors. In fiscal year 2009, Wenham's share of the operating expense was \$7,024,859 and its share of the debt service expense was \$377,000. There is no equity interest required to be reported in the basic financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 5 School Street, Wenham, MA 01984.

**B. Government-Wide and Fund Financial Statements*****Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

***Fund Financial Statements***

The GASB requires separate financial statements be provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

*Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

*Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation fund* is used to account for the proceeds of a surcharge to real estate taxes along with a matching state grant. These funds must be spent in accordance with state law.

The *town hall and police station fund* is used to account for the construction costs of the renovation of these facilities.

The *emergency culvert repair fund* is used to account for the construction costs of the repair of culverts damaged during flooding.

The *affordable housing fund* is used to account for a gift to be used for the purchase of land to use to develop affordable housing.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town of Wenham reports the following proprietary fund:

The *water enterprise fund* is used to account for the Town's water activities.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The Town does not currently have any funds that are required to be reported as fiduciary funds.

#### *Government-Wide and Fund Financial Statements*

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the 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 Town has elected not to follow subsequent private-sector guidance.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> 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 August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 of the levy.

Real estate tax liens are processed after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

### ***Water Fees***

Water user fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water liens are processed after year end and included as a lien on the property owner's tax bill.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

## **F. Inventories**

### ***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide financial statements.

## **G. Capital Assets**

### ***Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, and similar items), are reported in the applicable governmental activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date

of donation. Capital assets of the governmental activities column in the government-wide financial statements do not include construction period interest.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Machinery and equipment.....	5-50
Infrastructure.....	10-60

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

*Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

*Government Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

*Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

*Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the Statement of Activities as "Transfers, net".

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Permanent funds - expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds - nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

*Fund Financial Statements (Fund Balances)*

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Perpetual permanent funds" represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2010 operating budget.

L. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

*Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

O. Post Retirement Benefits*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, the Town provides health insurance coverage for retired employees and their survivors. The Town recognizes the cost of providing health insurance by recording its share of insurance premiums in the General Fund in the fiscal year paid. For the fiscal year ended June 30, 2009, this expenditure totaled approximately \$129,000. There were 26 participants eligible to receive benefits at June 30, 2009.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Q. Total Column*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 – CASH AND INVESTMENTS**

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's investment pool (the Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Town maintains a cash and investment pool that is available for use by all funds, except the Trust Funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the Trust Funds are held separately from those of other Town funds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town has not formally adopted a policy for custodial credit risk of deposits. At fiscal year-end, the carrying amount of deposits totaled \$4,691,706 and the bank balance totaled \$4,786,290. Of the bank balance, \$1,750,000 was covered by Federal Depository Insurance, \$1,078,933 was covered by Depositors Insurance Fund, \$154,180 was covered by the Securities Investor Protector Corporation, \$1,100,537 was collateralized and \$702,640 was uninsured and uncollateralized.

Investments and Credit Risk

The Town has not adopted a formal policy related to credit risk. As of June 30, 2009, the Town had the following investments:

Investment Type	Fair Value	Maturity		Moody's Rating
		Under 1 Year	1-5 Years	
<u>Debt Securities</u>				
Government Sponsored Enterprises:				
Federal Home Loan Mortgage Corporation.....	\$ 135,332	\$ -	\$ 135,332	Aaa
Federal Farm Credit Backs Global.....	35,000	-	35,000	Aaa
Federal Home Loan Banks.....	267,314	-	267,314	Aaa
Federal National Mortgage Association.....	134,131	-	134,131	Aaa
Corporate Bonds:				
Verizon Penn Notes.....	78,580	-	78,580	Baa1
International Lease Finance Corporation.....	39,383	-	39,383	Baa2
Total Debt Securities.....	689,740	\$ -	\$ 689,740	
<u>Other Investments:</u>				
Equity Securities:				
Federal Home Loan Mortgage Corporation.....	636			
Federal National Mortgage Association.....	349			
Money Market Mutual Funds.....	248,775			
Mutual Funds.....	33,482			
Total Investments.....	\$ 972,982			

Interest Rate Risk

The government does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

More than 5 percent of the Town's investments are in the following securities:

Issuer	Percentage of Total Investments
Federal National Mortgage Association	14%
Federal Home Loan Mortgage Corporation	14%
Federal Home Loan Banks	27%
Verizon Penn Notes	8%

**NOTE 3 – RECEIVABLES**

At June 30, 2009, receivables for the governmental funds, in the aggregate, including the applicable allowance for uncollectibles, are as follows:

**Governmental Funds**

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 292,757	\$ -	\$ 292,757
Real estate tax deferrals.....	241,893	-	241,893
Community preservation fund surtax .....	6,948	-	6,948
Tax liens.....	34,303	-	34,303
Motor vehicle excise taxes.....	43,015	(2,300)	40,715
Departmental and other.....	25,829	-	25,829
Intergovernmental.....	214,603	-	214,603
Community preservation fund state share.....	125,927	-	125,927
Total.....	<u>\$ 985,275</u>	<u>\$ (2,300)</u>	<u>\$ 982,975</u>

At June 30, 2009, receivables for the water enterprise consist of the following:

**Enterprise Funds**

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	<u>\$ 173,716</u>	<u>\$ -</u>	<u>\$ 173,716</u>

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. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 271,821	\$ -	\$ 271,821
Real estate tax deferrals.....	241,893	-	241,893
Community preservation fund surtax .....	-	6,948	6,948
Tax liens.....	34,303	-	34,303
Motor vehicle excise taxes.....	40,715	-	40,715
Departmental and other.....	25,829	-	25,829
Intergovernmental.....	-	197,013	197,013
Community preservation fund state share.....	-	125,927	125,927
<u>Other asset type:</u>			
Tax foreclosures.....	<u>297,007</u>	<u>-</u>	<u>297,007</u>
Total.....	<u>\$ 911,568</u>	<u>\$ 329,888</u>	<u>\$ 1,241,456</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 486,680	\$ -	\$ -	\$ 486,680
<u>Capital assets being depreciated:</u>				
Buildings.....	9,724,160	7,806	(11,720)	9,720,246
Machinery and equipment.....	4,011,308	292,366	(191,224)	4,112,450
Infrastructure.....	2,382,248	213,271	-	2,595,519
Total capital assets being depreciated.....	16,117,716	513,443	(202,944)	16,428,215
<u>Less accumulated depreciation for:</u>				
Buildings.....	(893,180)	(240,829)	11,720	(1,122,289)
Machinery and equipment.....	(2,680,930)	(305,103)	191,224	(2,794,809)
Infrastructure.....	(116,345)	(69,528)	-	(185,873)
Total accumulated depreciation.....	(3,690,455)	(615,460)	202,944	(4,102,971)
Total capital assets being depreciated, net.....	12,427,261	(102,017)	-	12,325,244
Total governmental activities capital assets, net.....	\$ 12,913,941	\$ (102,017)	\$ -	\$ 12,811,924
<b>Business-Type Activities:</b>				
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,361	\$ -	\$ -	\$ 17,361
Construction in progress.....	220,590	-	(220,590)	-
Total capital assets not being depreciated.....	237,951	-	(220,590)	17,361
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	727,271	114,309	(37,992)	803,588
Infrastructure.....	916,147	208,623	-	1,124,770
Total capital assets being depreciated.....	1,643,418	322,932	(37,992)	1,928,358
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(145,646)	(26,329)	37,992	(133,983)
Infrastructure.....	(137,360)	(26,026)	-	(163,386)
Total accumulated depreciation.....	(283,006)	(52,354)	37,992	(297,368)
Total capital assets being depreciated, net.....	1,360,412	270,578	-	1,630,990
Total business-type activities capital assets, net.....	\$ 1,598,363	\$ 270,578	\$ (220,590)	\$ 1,648,351

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government.....	\$ 204,981
Public safety.....	170,453
Public works.....	111,666
Culture and recreation.....	<u>128,360</u>
Total depreciation expense - governmental activities.....	<u>\$ 615,460</u>
 <b>Business-Type Activities:</b>	
Water.....	<u>\$ 52,354</u>

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Transfers Out:	Transfers In:		
	Nonmajor Governmental Funds	Water Enterprise Fund	Total
General Fund.....	\$ -	\$ 15,400	\$ 15,400 (a)
Nonmajor Governmental Funds.....	30,000	-	30,000 (b)
Water Enterprise Fund.....	<u>15,400</u>	<u>-</u>	<u>15,400 (c)</u>
	<u>\$ 45,400</u>	<u>\$ 15,400</u>	<u>\$ 60,800</u>

- (a) Represents a voted transfer from the Reserve Fund to the Water Enterprise Fund.
- (b) Represents transfers from the Cemetery Perpetual Care Fund to the General Fund to fund the Town's operating budget.
- (c) Represents a voted transfer from the Water Enterprise Fund to the General Fund to reimburse for the initial use of the Reserve Fund.

**NOTE 6 – SHORT-TERM FINANCING**

The Town is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the General Fund.

At June 30, 2009, the Town had the following short-term debt outstanding:

<u>Fund/Purpose</u>	<u>Type</u>	<u>Rate %</u>	<u>Issue Date</u>	<u>Due Date</u>	<u>Balance at 6/30/2008</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance 6/30/2009</u>
<b>Governmental Funds</b>								
Drainage.....	BAN	2.10%	2/8/2008	2/6/2009	\$ 656,811	\$ -	\$ 656,811	\$ -
Drainage.....	BAN	2.20%	2/6/2009	2/5/2010	-	656,811	-	656,811
<b>Total Governmental Funds.....</b>					<u>\$ 656,811</u>	<u>\$ 656,811</u>	<u>\$ 656,811</u>	<u>\$ 656,811</u>
<b>Enterprise Funds</b>								
Water Tower.....	BAN	2.10%	2/8/2008	2/6/2009	\$ 295,189	\$ -	\$ 295,189	\$ -
Water Tower.....	BAN	2.20%	2/6/2009	2/5/2010	-	270,189	-	270,189
<b>Total Enterprise Fund.....</b>					<u>\$ 295,189</u>	<u>\$ 270,189</u>	<u>\$ 295,189</u>	<u>\$ 270,189</u>

**NOTE 7 – LONG-TERM DEBT**

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the Town's outstanding indebtedness at June 30, 2009, and the debt service requirements follow.

**Bonds and Notes Payable Schedule**

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Fire Truck.....	4.00 - 6.50	\$ 105,000	\$ -	\$ 20,000	\$ 85,000
Library.....	4.00 - 5.00	805,000	-	70,000	735,000
Lease Buyback.....	4.00 - 5.00	210,000	-	20,000	190,000
Town Hall/Police Station.....	4.00 - 5.00	155,000	-	15,000	140,000
Town Hall/Police Station.....	3.875 - 4.5	6,015,000	-	335,000	5,680,000
Iron Rail Boiler.....	4.25 - 4.50	30,000	-	10,000	20,000
Fire Truck.....	4.25 - 4.50	415,000	-	55,000	360,000
<b>Total Governmental Debt....</b>		<b>7,735,000</b>	<b>-</b>	<b>525,000</b>	<b>7,210,000</b>
Water Tower.....	4.00 - 5.00	925,000	-	75,000	850,000
<b>Total Debt .....</b>		<b>\$ 8,660,000</b>	<b>\$ -</b>	<b>\$ 600,000</b>	<b>\$ 8,060,000</b>

Debt service requirements for principal and interest for Governmental Bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2010.....	\$ 525,000	\$ 295,738	\$ 820,738
2011.....	525,000	272,988	797,988
2012.....	510,000	250,931	760,931
2013.....	500,000	229,157	729,157
2014.....	500,000	207,470	707,470
2015.....	475,000	185,721	660,721
2016.....	470,000	165,032	635,032
2017.....	460,000	144,535	604,535
2018.....	385,000	126,025	511,025
2019.....	380,000	109,588	489,588
2020.....	380,000	93,963	473,963
2021.....	300,000	78,226	378,226
2022.....	300,000	66,377	366,377
2023.....	300,000	54,452	354,452
2024.....	300,000	42,452	342,452
2025.....	300,000	30,377	330,377
2026.....	300,000	18,226	318,226
2027.....	300,000	6,075	306,075
<b>Total.....</b>	<b>\$ 7,210,000</b>	<b>\$ 2,377,333</b>	<b>\$ 9,587,333</b>

**Bonds and Notes Payable Schedule – Enterprise Fund**

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 75,000	\$ 40,010	\$ 115,010
2011.....	75,000	36,860	111,860
2012.....	75,000	33,635	108,635
2013.....	75,000	30,260	105,260
2014.....	75,000	26,810	101,810
2015.....	75,000	23,323	98,323
2016.....	80,000	19,760	99,760
2017.....	80,000	15,920	95,920
2018.....	80,000	12,000	92,000
2019.....	80,000	8,000	88,000
2020.....	80,000	4,000	84,000
<b>Total.....</b>	<b>\$ 850,000</b>	<b>\$ 250,578</b>	<b>\$ 1,100,578</b>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009, the Town had \$425,000 of Water Tower projects and \$656,811 of Drainage/Road Repair in authorized and unissued debt.

General Long-Term Liabilities

The Town records its liability for long-term bonds and notes in the Government-wide financial statements. Other general long-term obligations recognized by the Town are its obligations for compensated absence benefits (sick and vacation pay) and other post employment benefits.

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	<u>Balance June 30, 2008</u>	<u>Bonds and Notes Issued</u>	<u>Bonds and Notes Redeemed</u>	<u>Other Net Increase (Decrease)</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>						
Long-Term Bonds and Notes.....	\$ 7,735,000	\$ -	\$ (525,000)	\$ -	\$ 7,210,000	\$ 525,000
Compensated Absences.....	150,000	-	-	(22,000)	128,000	21,000
<b>Total.....</b>	<b>\$ 7,885,000</b>	<b>\$ -</b>	<b>\$ (525,000)</b>	<b>\$ (22,000)</b>	<b>\$ 7,338,000</b>	<b>\$ 546,000</b>
<b>Business-Type Activities:</b>						
Long-Term Bonds and Notes.....	\$ 925,000	\$ -	\$ (75,000)	\$ -	\$ 850,000	\$ 75,000
Compensated Absences.....	23,000	-	-	(23,000)	-	-
<b>Total.....</b>	<b>\$ 948,000</b>	<b>\$ -</b>	<b>\$ (75,000)</b>	<b>\$ (23,000)</b>	<b>\$ 850,000</b>	<b>\$ 75,000</b>

**NOTE 8 – PENSION PLAN**

*Plan Description* - The Town contributes to the Essex Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Substantially all employees are members of the System.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth during those years are borne by the Commonwealth. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth of Massachusetts Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, Massachusetts, 01923.

*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 system-wide actuarial determined contribution which is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the fiscal years ended June 30, 2009, 2008 and 2007 totaled \$338,730, \$327,060, and \$308,782 respectively, which equaled its required contribution for each fiscal year.

**NOTE 9 – RISK FINANCING**

The Town 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 Town carries commercial insurance. The Town participates in premium-based health care plans for its employees and retirees. The Town participates in a premium-based workers' compensation insurance plan for its employees.

The amount of settlements has not exceeded the coverage in any of the last three fiscal years.

**NOTE 10 – CONTINGENCIES**

The Town participates in a number of federal award programs. These programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2009.

**NOTE 11 – COMMITMENTS**

During fiscal year 2008, the Town received a gift of \$703,000 from a real estate developer. The Town is obligated to use this gift for the purchase of land to use for the development of affordable housing. As of June 30, 2009, the Town has not entered into any contracts relating to this project.

**NOTE 12 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2009, the following GASB pronouncements were implemented.

The GASB issued Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not significantly impact the basic financial statements.

The GASB issued Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This pronouncement did not significantly impact the basic financial statements.

Other Future GASB Pronouncements:

The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2010. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

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## ***Required Supplementary Information***

GENERAL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		
	Amounts Carried Forward From Prior Year	Original Budget	Final Budget
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 11,555,151	\$ 11,555,151
Motor vehicle and other excise taxes.....	-	530,000	530,000
Intergovernmental.....	-	1,199,396	1,199,396
Departmental and other.....	-	313,003	323,003
Investment income.....	-	47,000	47,000
Miscellaneous.....	-	10,000	10,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>13,654,550</b>	<b>13,664,550</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	32,282	1,043,129	974,676
Public safety.....	8,337	1,893,072	1,928,239
Education.....	-	7,435,807	7,435,807
Public works.....	63,000	1,202,136	1,282,012
Human services.....	81	114,722	113,036
Culture and recreation.....	2,393	761,150	752,060
Pension benefits.....	-	341,586	341,186
Property and liability insurance.....	-	128,169	123,344
Employee benefits.....	-	649,579	648,990
State and county charges.....	-	120,165	120,165
Debt service:			
Principal.....	-	415,000	415,000
Interest.....	-	256,662	256,662
<b>TOTAL EXPENDITURES.....</b>	<b>106,093</b>	<b>14,361,177</b>	<b>14,391,177</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES....</b>	<b>(106,093)</b>	<b>(706,627)</b>	<b>(726,627)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in.....	-	10,000	45,400
Transfers out.....	-	-	(15,400)
Prior year carryforward appropriations.....	106,093	106,106	106,106
Free cash.....	-	590,664	590,664
Overlay surplus.....	-	23,963	23,963
Other amounts raised.....	-	(24,106)	(24,106)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>106,093</b>	<b>706,627</b>	<b>726,627</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>1,304,559</b>	<b>1,304,559</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ -</b>	<b>\$ 1,304,559</b>	<b>\$ 1,304,559</b>

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	11,532,160	\$ -	\$ (22,991)
	552,821	-	22,821
	1,125,497	-	(73,899)
	397,236	-	74,233
	33,692	-	(13,308)
	<u>10,258</u>	<u>-</u>	<u>258</u>
	<u>13,651,664</u>	<u>-</u>	<u>(12,886)</u>
	906,081	14,299	54,296
	1,810,875	21,938	95,426
	7,435,481	-	326
	1,222,009	12,009	47,994
	103,271	1,065	8,700
	725,914	-	26,146
	341,018	-	168
	105,305	-	18,039
	617,857	-	31,133
	120,165	-	-
	415,000	-	-
	<u>250,344</u>	<u>-</u>	<u>6,318</u>
	<u>14,053,320</u>	<u>49,311</u>	<u>288,546</u>
	<u>(401,656)</u>	<u>(49,311)</u>	<u>275,660</u>
	45,400	-	-
	(15,400)	-	-
	-	-	(106,106)
	-	-	(590,664)
	-	-	(23,963)
	<u>-</u>	<u>-</u>	<u>24,106</u>
	<u>30,000</u>	<u>-</u>	<u>(696,627)</u>
	(371,656)	(49,311)	(420,967)
	<u>1,304,559</u>	<u>-</u>	<u>-</u>
\$	<u><u>932,903</u></u>	<u><u>(49,311)</u></u>	<u><u>(420,967)</u></u>

COMMUNITY PRESERVATION FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS - BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual Budgetary Amounts	Variance To Final Budget
<u>REVENUES:</u>			
Community preservation surcharge.....	\$ 251,755	\$ 281,175	\$ 29,420
Community preservation state match.....	243,755	264,571	20,816
Investment income.....	<u>12,500</u>	<u>14,389</u>	<u>1,889</u>
 TOTAL REVENUES.....	 <u>508,010</u>	 <u>560,135</u>	 <u>52,125</u>
<u>EXPENDITURES:</u>			
Current:			
Community preservation expenditures.....	63,997	48,451	15,546
Debt service:			
Principal.....	110,000	110,000	-
Interest.....	<u>82,203</u>	<u>82,203</u>	<u>-</u>
 TOTAL EXPENDITURES.....	 <u>256,200</u>	 <u>240,654</u>	 <u>15,546</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	 <u>251,810</u>	 <u>319,481</u>	 <u>67,671</u>
 NET CHANGE IN FUND BALANCE	 251,810	 319,481	 67,671
 BUDGETARY FUND BALANCE, Beginning of year.....	 <u>938,992</u>	 <u>938,992</u>	 <u>-</u>
 BUDGETARY FUND BALANCE, End of year.....	 <u>\$ 1,190,802</u>	 <u>\$ 1,258,473</u>	 <u>\$ 67,671</u>

See notes to required supplementary information.

Essex Regional Retirement System  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/92	\$ 61,357,800	\$ 143,785,900	\$ 82,428,100	42.7%	\$ 52,995,500	155.5%
01/01/94	80,878,500	178,256,800	97,378,300	45.4%	62,076,500	156.9%
01/01/96	106,176,700	200,397,500	94,220,800	53.0%	72,953,200	129.2%
01/01/98	151,293,900	245,965,100	94,671,200	61.5%	85,785,000	110.4%
01/01/99	180,034,700	268,386,000	88,351,300	67.1%	89,645,300	98.6%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/06	261,327,047	375,593,562	114,266,515	69.6%	98,641,094	115.8%
01/01/08	301,420,965	445,171,554	143,750,589	67.7%	111,726,856	128.7%

The Town's share of the UAAL, as of January 1, 2008, is approximately 2%.

See notes to required supplementary information.

Essex Regional Retirement System  
Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Wenham	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2005	\$ 13,080,011	\$ 13,080,011	100%	\$ 276,119	2.11%
2006	16,622,274	16,622,274	100%	295,843	1.78%
2007	15,788,864	15,788,864	100%	308,782	1.96%
2008	15,601,671	15,601,671	100%	327,060	2.10%
2009	16,652,520	16,652,520	100%	338,730	2.03%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

Municipal Law requires the Town to adopt a balanced budget that is approved by the Finance Committee (Committee). The Committee presents an annual budget to the Open Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any individual line item, adopts the expenditure budget by majority vote. Increases or decreases subsequent to the approval of the annual budget require a vote at a Special Town Meeting.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year’s original budget.

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote at Town Meeting.

The Town adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2009 budget for the General Fund includes current year appropriations and other amounts to be raised of approximately \$14,361,000 and encumbrances and continuing appropriations from prior fiscal years of approximately \$106,000.

The Town adopts an annual budget for the Community Preservation Fund in conformity with the guidelines described above. The original and final fiscal year 2009 budget appropriated \$256,200 and budgeted revenues of \$508,010.

The Town Accountant has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth of Massachusetts (Commonwealth)) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary basis to GAAP basis results for the General Fund for the fiscal year ended June 30, 2009, is presented below:

	<u>General Fund</u>	<u>Community Preservation Fund</u>
Net change in fund balance - budgetary basis.....	\$ (371,656)	\$ 319,481
<u>Basis of accounting differences:</u>		
Net change in recording 60-day receipts accrual.....	<u>(37,063)</u>	<u>-</u>
Net change in fund balances - GAAP basis.....	<u>\$ (408,719)</u>	<u>\$ 319,481</u>

**NOTE B – PENSION PLAN**

The Town contributes to the Essex Regional Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Essex Regional Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Valuation Date.....	January 1, 2006
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	22 years remaining as of July 1, 2006
Asset Valuation Method.....	20% of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value and must be within 20% of market value of the assets.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	5.00%
Cost of living adjustments.....	3.0% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	1,508
Terminated participants entitled to a return of their employee contributions.....	844
Terminated participants with a vested right to a deferred or immediate benefit.....	43
Active participants.....	<u>2,949</u>
 Total.....	 <u><u>5,344</u></u>