

TOWN OF DUNSTABLE, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2010

**TOWN OF DUNSTABLE, MASSACHUSETTS
REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 8
Basic Financial Statements	
Statement of Net Assets	9
Statement of Activities	10 – 11
Governmental Funds – Balance Sheet	12
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	16
Proprietary Fund – Statement of Net Assets	17
Proprietary Fund – Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Proprietary Fund – Statement of Cash Flows	19
Fiduciary Funds – Statement of Fiduciary Net Assets	20
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	21
Notes to Basic Financial Statements	22 – 47

R. E. BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 CEMETERY STREET – P.O. BOX 230
Mendon, Massachusetts 01756

Phone: (508) 478-3941

Fax: (508) 478-1779

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Dunstable, 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 Town of Dunstable, 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 Town of Dunstable, 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. 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 the 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 Dunstable, Massachusetts, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinions on the basic financial

statements are not affected, the following material departures from the prescribed guidelines exist: management's discussion and analysis is not presented on a comparative basis. We do not express an opinion or provide any assurance on the information.

R. E. Brown & Company

November 15, 2011

Management's Discussion and Analysis

As management of the Town of Dunstable (the "Town"), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. The financial statements have been prepared under the Governmental Accounting Standards Board Statement Number 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis is 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
3. Notes to the Basic 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 periods, (e.g., uncollected taxes and earned but unused vacation/sick 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 or charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, employee benefits, interest, and state and county charges. The business type activities include costs relating to 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 funds 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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Dunstable adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has one enterprise fund:

- *Water Enterprise Fund* accounts for the water activity of the Town.

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 proprietary funds.

All fiduciary funds are combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions “Private Purpose Trust Funds” and “Agency Funds” respectively.

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.

Government-wide Financial Analysis:

The chart on the following page summarizes key financial components of the Town’s financial statements.

Town of Dunstable - Financial Highlights

	Governmental Activities	Business-type Activities	Total Primary Government
	<u>FY 2010</u>	<u>FY 2010</u>	<u>FY 2010</u>
Assets:			
Current assets	\$ 2,365,660	\$ 96,958	\$ 2,462,618
Capital Assets (net of accumulated depreciation)	<u>16,676,790</u>	<u>976,241</u>	<u>17,653,031</u>
Total assets	19,042,450	1,073,199	20,115,649
Liabilities:			
Current liabilities (excluding debt)	135,846	4,813	140,659
Noncurrent liabilities (excluding debt)	23,232	-	23,232
Current debt	657,790	-	657,790
Noncurrent debt	<u>3,031,740</u>	<u>-</u>	<u>3,031,740</u>
Total liabilities	3,848,608	4,813	3,853,421
Net Assets:			
Capital assets net of related debt	12,987,260	976,241	13,963,501
Restricted	1,364,792	-	1,364,792
Unrestricted	<u>841,790</u>	<u>92,145</u>	<u>933,935</u>
Total net assets	<u>\$ 15,193,842</u>	<u>\$ 1,068,386</u>	<u>\$ 16,262,228</u>
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 178,927	\$ 48,156	\$ 227,083
Operating grants and contributions	186,696	62	186,758
Capital grants and contributions	139,205	-	139,205
<i>General Revenues:</i>			
Real Estate and personal property taxes	6,794,351	-	6,794,351
Motor vehicle excise taxes	399,253	-	399,253
Nonrestricted grants and contributions	573,852	-	573,852
Unrestricted investment income	5,983	-	5,983
Other revenues	50,166	-	50,166
Total Revenues	<u>8,328,433</u>	<u>48,218</u>	<u>8,376,651</u>
Expenses:			
General Government	518,954	-	518,954
Public Safety	988,703	-	988,703
Education	4,725,335	-	4,725,335
Public Works	523,397	-	523,397
Human Services	104,418	-	104,418
Culture and Recreation	225,931	-	225,931
Employee Benefits	287,287	-	287,287
State and County Assessments	2,626	-	2,626
Interest	148,973	-	148,973
Water	-	67,372	67,372
Total Expenses	<u>7,525,624</u>	<u>67,372</u>	<u>7,592,996</u>
Excess/(deficiency) before contributions to permanent endowments and transfers	802,809	(19,154)	783,655
Contributions to permanent endowments	5,535	-	5,535
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>808,344</u>	<u>(19,154)</u>	<u>789,190</u>
Net Assets - beginning	<u>14,385,498</u>	<u>1,087,540</u>	<u>15,473,038</u>
Net Assets - ending	<u>\$ 15,193,842</u>	<u>\$ 1,068,386</u>	<u>\$ 16,262,228</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceed liabilities by \$16,262,228 at the close of fiscal year 2010.

The largest component of the Town's net assets are its *investment in capital assets* (e.g., land, buildings, machinery, and equipment, less any related outstanding debt used to acquire those assets), is \$13,963,501 or 85.9% of total net assets. 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.

An additional portion of the restricted net assets totaling \$1,364,792 (8.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* totaling \$933,935 (5.75%) may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was a decrease of \$19,154 in net assets reported in connection with the water business-type activities. This \$19,154 change in net assets is attributable to depreciation of capital assets.

The governmental activities net assets increased by \$808,344 during the current fiscal year which reflects the general fund's results of operations and a commitment to maintain the Town's financial position and drawing on prior year reserves to balance current operations.

The Management Discussion & Analysis has not been presented on a comparative basis because the prior year's financial statements were not presented in conformity with generally accepted accounting principles.

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 \$1,448,722.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$325,356, while total fund balance was \$368,930. 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 4.25% of total general fund expenditures, while total fund balance represents 4.82% of that same amount.

General Fund Budget Highlights

The \$344,541 increase between the original budget and the final amended budget was mainly due to an increase in general government expenses for the acquisition of the Carter Farm Land and highway department expenses for snow & ice removal. The Town's actual expenditures were less than budgeted by \$98,599. Actual revenues were more than budgetary amounts by \$67,285. Property taxes and investment income revenues were less than anticipated by \$17,211 and \$2,757 respectively, factors driven primarily by the economy, lower interest rate yields, and fewer issued building related permits.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares capital budgets for the upcoming fiscal year.

The Town's investment in capital assets for governmental and business-type activities, as summarized below, as of June 30, 2010, amounts to \$17,653,031, net of accumulated depreciation. The investment in capital assets includes land, buildings, capital improvements (other than buildings), machinery and equipment, vehicles, infrastructure, and construction in progress.

The governmental activities capital assets (net of accumulated depreciation) increased by \$338,764 during the current fiscal year, while the business-type activities capital assets (net of accumulated depreciation) decreased by \$27,627. Total accumulated depreciation was \$355,242.

Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Land	\$ 10,468,799	\$ 10,208,799	\$ 195,459	\$ 195,459	\$ 10,664,258	\$ 10,404,258
Buildings	3,839,128	3,961,407	451,066	466,511	4,290,194	4,427,918
Capital Improvements (other than buildings)	-	-	140,516	145,016	140,516	145,016
Machinery and Equipment	227,164	255,018	-	-	227,164	255,018
Vehicles	573,107	341,169	-	-	573,107	341,169
Infrastructure	1,519,924	1,571,633	189,200	196,882	1,709,124	1,768,515
Construction in Progress	48,668	-	-	-	48,668	-
Total Capital Assets	\$ 16,676,790	\$ 16,338,026	\$ 976,241	\$ 1,003,868	\$ 17,653,031	\$ 17,341,894

The Town's debt burden is reasonable in relation to other communities its size. Outstanding governmental activities long-term debt, as of June 30, 2010, totaled \$3,404,530. The governmental activities' debt consists of the following:

Culture and Recreation	33,600
Public Safety	60,000
General Government	3,310,930

The water enterprise fund has no debt as of June 30, 2010.

Please refer to **Notes 5 and 9** for further discussion of the major capital and debt activity.

Economic Factors and Next Year's Budget and Rates

- The Commonwealth of Massachusetts is experiencing tough fiscal times, as are most communities within the Commonwealth. While, most communities experienced a cut in local aid, the Town of Dunstable's state aid increased by \$15,273 in Fiscal 2011.
- New property growth valuation was \$2,020,636 in Fiscal 2011 resulting in additional tax revenue of \$27,864.
- Health Insurance costs state-wide, have experienced dramatic increases in premiums. Premiums increased in Fiscal 2011 by \$16,997 (16.4%).
- The Town of Dunstable continues to support open space land acquisitions with annual appropriations in order to maintain its rural setting.
- With education a top priority within the Town, the budget for the Groton/Dunstable Regional School District continues to increase annually. In fiscal 2010, the school operating budget increased by 54,553 or 1.2% over Fiscal 2009.
- The Town of Dunstable has implemented a capital project plan to upgrade services for public safety. The Fire department has purchased a new truck to better serve the Town's needs.
- The Town continues to explore new options to maintain the quality of life the taxpayers of Dunstable have come to know.

Request for Information

This financial report is designed to provide a general overview of the Town of Dunstable's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town Accountant, Town of Dunstable, 511 Main Street, Dunstable, MA. 01827.

**TOWN OF DUNSTABLE, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 1,811,526	\$ 88,321	\$ 1,899,847
INVESTMENTS	556	-	556
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	164,440	-	164,440
TAX LIENS	7,857	-	7,857
MOTOR VEHICLE EXCISE TAXES	18,991	-	18,991
USER FEES	-	8,637	8,637
DEPARTMENTAL AND OTHER	4,715	-	4,715
INTERGOVERNMENTAL	357,575	-	357,575
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	16,676,790	976,241	17,653,031
TOTAL ASSETS	19,042,450	1,073,199	20,115,649
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	94,843	4,813	99,656
ACCRUED INTEREST	30,551	-	30,551
CAPITAL LEASE PAYABLE	10,452	-	10,452
BONDS AND NOTES PAYABLE	657,790	-	657,790
NONCURRENT:			
CAPITAL LEASE PAYABLE	23,232	-	23,232
BONDS AND NOTES PAYABLE	3,031,740	-	3,031,740
TOTAL LIABILITIES	3,848,608	4,813	3,853,421
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	12,987,260	976,241	13,963,501
RESTRICTED FOR:			
STREETS	357,575	-	357,575
PERMANENT FUNDS:			
EXPENDABLE	93,607	-	93,607
NONEXPENDABLE	100,396	-	100,396
OTHER PURPOSES	813,214	-	813,214
UNRESTRICTED	841,790	92,145	933,935
TOTAL NET ASSETS	\$ 15,193,842	\$ 1,068,386	\$ 16,262,228

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 518,954	\$ 19,654	\$ 83,644	\$ -	\$ (415,656)
PUBLIC SAFETY	988,703	53,391	20,287	-	(915,025)
EDUCATION	4,725,335	-	429	-	(4,724,906)
PUBLIC WORKS	523,397	21,526	47,892	139,205	(314,774)
HUMAN SERVICES	104,418	82,644	15,722	-	(6,052)
CULTURE & RECREATION	225,931	1,712	18,722	-	(205,497)
EMPLOYEE BENEFITS	287,287	-	-	-	(287,287)
STATE & COUNTY ASSESSMENTS	2,626	-	-	-	(2,626)
INTEREST	148,973	-	-	-	(148,973)
TOTAL GOVERNMENTAL ACTIVITIES	7,525,624	178,927	186,696	139,205	(7,020,796)
BUSINESS-TYPE ACTIVITIES:					
WATER	67,372	48,156	62	-	(19,154)
TOTAL BUSINESS-TYPE ACTIVITIES	67,372	48,156	62	-	(19,154)
TOTAL PRIMARY GOVERNMENT	\$ 7,592,996	\$ 227,083	\$ 186,758	\$ 139,205	\$ (7,039,950)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF DUNSTABLE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (7,020,796)	\$ (19,154)	\$ (7,039,950)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	6,794,351	-	6,794,351
MOTOR VEHICLE EXCISE TAXES	399,253	-	399,253
PENALTIES AND INTEREST ON TAXES	22,746	-	22,746
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	573,852	-	573,852
UNRESTRICTED INVESTMENT INCOME	5,983	-	5,983
MISCELLANEOUS	27,420	-	27,420
CONTRIBUTIONS TO PERMANENT FUNDS	5,535	-	5,535
TRANSFERS, NET	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	7,829,140	-	7,829,140
CHANGE IN NET ASSETS	808,344	(19,154)	789,190
NET ASSETS:			
BEGINNING OF YEAR	14,385,498	1,087,540	15,473,038
END OF YEAR	\$ 15,193,842	\$ 1,068,386	\$ 16,262,228

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF DUNSTABLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

ASSETS	GENERAL	STABILIZATION	COMMUNITY PRESERVATION	FIRE TANKER TRUCK	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 433,865	\$ 334,279	\$ 634,264	\$ -	\$ 409,118	\$ 1,811,526
INVESTMENTS	-	-	-	-	556	556
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:						
REAL ESTATE AND PERSONAL PROPERTY TAXES	164,440	-	-	-	-	164,440
TAX LIENS	7,857	-	-	-	-	7,857
MOTOR VEHICLE EXCISE TAXES	18,991	-	-	-	-	18,991
DEPARTMENTAL AND OTHER	-	-	4,715	-	-	4,715
INTERGOVERNMENTAL	-	-	-	-	357,575	357,575
TOTAL ASSETS	\$ 625,153	\$ 334,279	\$ 638,979	\$ -	\$ 767,249	\$ 2,365,660
 LIABILITIES AND FUND BALANCES						
LIABILITIES:						
ACCOUNTS PAYABLE	\$ 81,418	\$ -	\$ 2,808	\$ -	\$ 10,617	\$ 94,843
DEFERRED REVENUES	174,805	-	4,715	-	357,575	537,095
NOTES PAYABLE	-	-	-	285,000	-	285,000
TOTAL LIABILITIES	256,223	-	7,523	285,000	368,192	916,938
FUND BALANCES:						
RESERVED FOR:						
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	43,574	-	-	-	-	43,574
PERPETUAL PERMANENT FUNDS	-	-	-	-	100,396	100,396
UNRESERVED						
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	67,976	-	-	-	-	67,976
UNDESIGNATED, REPORTED IN:						
GENERAL FUND	257,380	-	-	-	-	257,380
SPECIAL REVENUE FUNDS	-	334,279	631,456	-	205,054	1,170,789
CAPITAL PROJECTS FUNDS	-	-	-	(285,000)	-	(285,000)
PERMANENT FUNDS	-	-	-	-	93,607	93,607
TOTAL FUND BALANCES	368,930	334,279	631,456	(285,000)	399,057	1,448,722
TOTAL LIABILITIES AND FUND BALANCES	\$ 625,153	\$ 334,279	\$ 638,979	\$ -	\$ 767,249	\$ 2,365,660

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2010**

	<u>GENERAL</u>	<u>STABILIZATION</u>	<u>COMMUNITY PRESERVATION</u>	<u>FIRE TANKER TRUCK</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:						
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 6,739,601	\$ -	\$ -	\$ -	\$ -	\$ 6,739,601
MOTOR VEHICLE EXCISE TAXES	394,801	-	-	-	-	394,801
PENALTIES AND INTEREST ON TAXES	22,746	-	-	-	-	22,746
INTERGOVERNMENTAL CHARGES FOR SERVICES	248,815	-	154,462	-	106,429	509,706
INVESTMENT INCOME	2,243	2,237	3,755	-	104,833	104,833
CONTRIBUTIONS & DONATIONS	-	-	-	-	56,699	56,699
DEPARTMENTAL AND OTHER	102,439	-	194,991	-	8,555	305,985
TOTAL REVENUES	7,510,645	2,237	353,208	-	278,897	8,144,987
EXPENDITURES:						
CURRENT:						
GENERAL GOVERNMENT	688,055	-	30,305	-	723	719,083
PUBLIC SAFETY	897,708	-	-	293,503	16,324	1,207,535
EDUCATION	4,725,335	-	-	-	-	4,725,335
PUBLIC WORKS	494,399	-	-	-	36,966	531,365
HUMAN SERVICES	23,698	-	-	-	80,720	104,418
CULTURE & RECREATION	155,828	-	-	-	16,595	172,423
EMPLOYEE BENEFITS	287,287	-	-	-	-	287,287
STATE & COUNTY ASSESSMENTS	2,626	-	-	-	-	2,626
DEBT SERVICE						
PRINCIPAL	292,790	-	80,000	-	-	372,790
INTEREST	94,276	-	59,300	-	-	153,576
TOTAL EXPENDITURES	7,662,002	-	169,605	293,503	151,328	8,276,438
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(151,357)	2,237	183,603	(293,503)	127,569	(131,451)
OTHER FINANCING SOURCES (USES)						
OPERATING TRANSFERS IN	346,781	20,000	-	8,503	1,184	376,468
OPERATING TRANSFERS OUT	(11,184)	(55,500)	(219,000)	-	(90,784)	(376,468)
TOTAL OTHER FINANCING SOURCES (USES)	335,597	(35,500)	(219,000)	8,503	(89,600)	-
NET CHANGE IN FUND BALANCES	184,240	(33,263)	(35,397)	(285,000)	37,969	(131,451)
FUND BALANCES AT BEGINNING OF YEAR	184,690	367,542	666,853	-	361,088	1,580,173
FUND BALANCES AT END OF YEAR	\$ 368,930	\$ 334,279	\$ 631,456	\$ (285,000)	\$ 399,057	\$ 1,448,722

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2010**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 1,448,722
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		16,676,790
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		537,095
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(30,551)
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	(3,404,530)	
CAPITAL LEASES PAYABLE	(33,684)	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(3,438,214)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 15,193,842</u>

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
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, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND		\$ (131,451)
<p>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.</p>		
CAPITAL OUTLAY	620,820	
DEPRECIATION EXPENSE	<u>(282,056)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		338,764
<p>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</p>		
		188,981
<p>THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) 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 ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.</p>		
DEBT SERVICE PRINCIPAL PAYMENTS	<u>372,790</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		372,790
<p>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.</p>		
NET CHANGE IN CAPITAL LEASES	34,657	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>4,603</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>39,260</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 808,344</u>

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 6,756,812	\$ 6,756,812	\$ 6,739,601	\$ (17,211)
MOTOR VEHICLE EXCISE TAXES	355,000	355,000	394,801	39,801
PENALTIES & INTEREST ON TAXES	12,000	12,000	22,746	10,746
INTERGOVERNMENTAL	232,182	232,182	248,815	16,633
INVESTMENT INCOME	5,000	5,000	2,243	(2,757)
DEPARTMENTAL AND OTHER	82,366	82,366	102,439	20,073
TOTAL REVENUES	<u>7,443,360</u>	<u>7,443,360</u>	<u>7,510,645</u>	<u>67,285</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	476,305	723,647	690,236	33,411
PUBLIC SAFETY	923,181	933,818	896,875	36,943
EDUCATION	4,693,684	4,710,184	4,704,670	5,514
PUBLIC WORKS	460,022	516,028	513,710	2,318
HUMAN SERVICES	27,462	27,462	23,736	3,726
CULTURE & RECREATION	162,186	162,186	156,692	5,494
EMPLOYEE BENEFITS	283,619	292,675	290,461	2,214
STATE & COUNTY ASSESSMENTS	2,026	2,026	2,626	(600)
DEBT SERVICE:				
PRINCIPAL	292,790	292,790	292,790	-
INTEREST	98,855	103,855	94,276	9,579
TOTAL EXPENDITURES	<u>7,420,130</u>	<u>7,764,671</u>	<u>7,666,072</u>	<u>98,599</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>23,230</u>	<u>(321,311)</u>	<u>(155,427)</u>	<u>165,884</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	55,500	315,500	346,781	31,281
OPERATING TRANSFERS OUT	(11,184)	(11,184)	(11,184)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,316</u>	<u>304,316</u>	<u>335,597</u>	<u>31,281</u>
NET CHANGE IN FUND BALANCE	67,546	(16,995)	180,170	197,165
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	<u>145,107</u>	<u>145,107</u>	<u>145,107</u>	<u>-</u>
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 212,653</u>	<u>\$ 128,112</u>	<u>\$ 325,277</u>	<u>\$ 197,165</u>

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 JUNE 30, 2010**

	BUSINESS-TYPE ACTIVITIES
<u>ASSETS</u>	WATER ENTERPRISE FUND
CURRENT:	
CASH AND SHORT-TERM INVESTMENTS	\$ 88,321
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	8,637
TOTAL CURRENT ASSETS	96,958
NONCURRENT:	
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	976,241
TOTAL ASSETS	1,073,199
 <u>LIABILITIES</u>	
CURRENT:	
ACCOUNTS PAYABLE	4,813
TOTAL LIABILITIES	4,813
 <u>NET ASSETS</u>	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	976,241
UNRESTRICTED	92,145
TOTAL NET ASSETS	\$ 1,068,386

See accompanying notes to the basic financial statements

TOWN OF DUNSTABLE, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2010

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<u>OPERATING REVENUES:</u>	
CHARGES FOR SERVICES	\$ 48,156
 <u>OPERATING EXPENSES:</u>	
GENERAL SERVICES	39,745
DEPRECIATION	27,627
TOTAL OPERATING EXPENSES	67,372
OPERATING INCOME (LOSS)	(19,216)
 <u>NON-OPERATING REVENUES (EXPENSES):</u>	
INVESTMENT INCOME	62
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(19,154)
 <u>OPERATING TRANSFERS:</u>	
	-
CHANGE IN NET ASSETS	(19,154)
NET ASSETS AT BEGINNING OF YEAR	1,087,540
NET ASSETS AT END OF YEAR	\$ 1,068,386

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2010**

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
RECEIPTS FROM CUSTOMERS AND USERS	\$ 43,507
PAYMENTS TO SUPPLIERS	(45,772)
PAYMENTS TO EMPLOYEES	(6,211)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(8,476)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
INTEREST RECEIVED	62
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	62
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(8,414)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	96,735
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 88,321
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
OPERATING INCOME (LOSS)	\$ (19,216)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	27,627
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(4,650)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(12,237)
TOTAL ADJUSTMENTS	10,740
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (8,476)

See accompanying notes to the basic financial statements

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

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 27,923	\$ 121,273
<u>LIABILITIES</u>		
WARRANTS PAYABLE	-	168
OTHER LIABILITIES	-	121,105
TOTAL LIABILITIES	-	121,273
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	\$ 27,923	\$ -

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2010**

	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>	
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	\$ 749
<u>DEDUCTIONS:</u>	
HUMAN SERVICES - CHARITY	6,525
CHANGE IN NET ASSETS	(5,776)
NET ASSETS AT BEGINNING OF YEAR	33,699
NET ASSETS AT END OF YEAR	\$ 27,923

See accompanying notes to the basic financial statements

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Dunstable, 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 following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by a three member Board of Selectmen (the “Board”). For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, 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. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government’s financial reporting entity.

Joint Ventures

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint ventures:

Name	Purpose	Address	Annual Assessment
Groton Dunstable Regional School District	To provide K-12 Education Services	P. O. Box 729 Groton, MA 01450-0279	\$ 4,533,697
Greater Lowell Technical High School	To provide Vocational Education	250 Pawtucket Blvd. Tyngsborough, MA 01879-2199	\$ 154,473

The Groton Dunstable Regional School District (the District) is governed by a seven (7) member school committee which includes two (2) elected representatives from the Town of Dunstable. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The Greater Lowell Technical High School (the District) is governed by an eight (8) member school committee which includes one (1) elected representative from the Town of Dunstable. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address.

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 activities) report information on all of the non-fiduciary activities of the primary government. *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

Separate financial statements are 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

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. 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
- b. 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.

Fiduciary funds are reported by fund type.

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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:

- a. *Charges to customers* or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- b. *Grants and contributions* that are restricted to meeting the operational requirements of a particular function or segment.
- c. *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. Exceptions are charges between the general fund and the enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the 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., when they become both 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 interest on general long-term debt which is recognized when due and the non-current portion of the capital lease which is recognized when the obligation is expected to be liquidated with the current expendable available resources.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves.
- The *Community Preservation fund* is a special revenue fund used to account for the accumulation of resources to purchase open space, provide for affordable housing, or preservation of historical property under the guidelines of the Community Preservation Act of the Massachusetts General Laws.
- The *Fire Tanker Truck fund* is a capital project fund used to account for the purchase of a tanker truck.
- 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.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Proprietary Fund Financial Statements

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 following major proprietary fund is reported:

- The *Water Enterprise fund* is used to account for water activities

Fiduciary Fund Financial Statements

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 by the Town in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

- The *Private-Purpose Trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and proprietary and fiduciary funds 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 based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

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 in the Town 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.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Water

Users are billed semi-annually (October 1 and May 1) based on actual water meter readings. User fees are subject to penalties if they are not paid by the respective due date. Water liens are processed in December of every year and included as a lien on the property owner's tax bill. Water charges and related liens are recorded as receivables in the fiscal year of the levy.

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 recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized 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 of the governmental funds and the water enterprise fund are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, vehicles, buildings and improvements, machinery and equipment, infrastructure (e.g., streets, and water mains), and construction in progress, are reported in the applicable governmental or business-type activities column of the government-wide financial statements, and the proprietary fund 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. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

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 three years or greater.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings and Improvements	40
Improvements (other than buildings)	40
Machinery and Equipment	10-20
Vehicles	3-20
Infrastructure	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 fiscal year of purchase for the various funds.

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.

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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

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.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

I. Interfund Transfers

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

Government-Wide Financial Statements

Operating 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".

Fund Financial Statements

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

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed 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 classified into three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
- *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.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

- *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements (Fund Balances)

- a. *Fund balances* consist of funds that are reserved for amounts, that are not available for appropriation, that are legally restricted by outside parties for a specific future use, and designations of fund balances that 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* represent 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 2011 operating budget.
- b. *Undesignated fund balances* – all other fund balances that do not meet the definition of “reserved” or “designated”.

L. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as a liability in the government-wide 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.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick leave (subject to certain limitations) at their then current rates of pay. The Town estimates that this liability is immaterial and no additional liability has been recorded in the government-wide and the water proprietary fund statement of net assets.

O. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could vary from estimates that were used.

P. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund. The budgets for all departments and operations of the Town, except that of the public school district, are prepared under the direction of the Board of Selectmen. The School District's budget is prepared under the direction of the District's School Committee. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The majority of 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 not included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2010 approved budget authorized \$7,420,130 in current year appropriations and other amounts to be raised. Supplemental appropriations of \$344,541 were approved at two Special Town Meetings for fiscal year 2010.

The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the 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, 2010, is presented below:

Net change in fund balance - budgetary basis	\$ 180,170
Basis of accounting differences:	
Adjustment for current year Articles carried forward and Encumbrances	38,608
Adjustment for expenditures from prior year Articles and Encumbrances	<u>(34,538)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 184,240</u></u>

C. Deficit Fund Balances

A fund deficit exists within the special revenue and capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds from long-term debt during fiscal year 2011.

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

Deposits

- *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits “in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) 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.”

The Town carries deposits that are fully insured by FDIC insurance, DIF insurance or collateralized with securities held by the Town or the Town’s agent in the Town’s name. The Town also carries deposits that are not collateralized and are uninsured.

The Town does not have a deposit policy for custodial credit risk.

The following table illustrates how much of the Town’s bank deposits are insured or collateralized, and how much of the Town’s bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank’s trust department not in the Town’s name as of June 30, 2010:

TOTAL BANK BALANCES		<u>\$ 2,130,821</u>
BANK BALANCES COVERED BY INSURANCE		
FDIC	<u>1,131,713</u>	
TOTAL INSURED BALANCES		1,131,713
BALANCES SUBJECT TO CUSTODIAL CREDIT RISK		
BANK BALANCE UNINSURED & UNCOLLATERALIZED	<u>999,108</u>	
TOTAL BALANCE SUBJECT TO CUSTODIAL CREDIT RISK		<u>999,108</u>
TOTAL BANK BALANCES		<u>\$ 2,130,821</u>

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009. This temporary increase in coverage has recently been extended through December 31, 2013.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Investments

Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

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 Law Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

The Town did not hold or own any fixed income securities as of June 30, 2010.

The Town has not adopted a formal policy related to Credit Risk.

b) Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town does not have an investment policy for custodial credit risk.

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – RECEIVABLES

The receivables at June 30, 2010 for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
Real Estate and Personal Property taxes	\$ 164,440	\$ -	\$ 164,440
Tax liens	7,857	-	7,857
Motor vehicle excise taxes	25,191	(6,200)	18,991
Intergovernmental	357,575	-	357,575
Departmental and other	4,715	-	4,715
Total	\$ 559,778	\$ (6,200)	\$ 553,578

The receivables at June 30, 2010, for the water enterprise fund consist of the following:

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 8,637	\$ -	\$ 8,637

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred Revenue Analysis				
Receivable Type:	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 147,957	\$ -	\$ -	\$ 147,957
Tax Liens	7,857	-	-	7,857
Motor vehicle excise taxes	18,991	-	-	18,991
Intergovernmental	-	-	357,575	357,575
Departmental and other	-	4,715	-	4,715
Total	\$ 174,805	\$ 4,715	\$ 357,575	\$ 537,095

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 10,208,799	\$ 260,000	\$ -	\$ 10,468,799
Construction in progress	-	48,668	-	48,668
Total capital assets not being depreciated	<u>10,208,799</u>	<u>308,668</u>	<u>-</u>	<u>10,517,467</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	4,912,725	-	-	4,912,725
Machinery and equipment	394,236	8,494	-	402,730
Vehicles	765,446	303,658	-	1,069,104
Infrastructure	2,072,218	-	-	2,072,218
Total capital assets being depreciated	<u>8,144,625</u>	<u>312,152</u>	<u>-</u>	<u>8,456,777</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(951,318)	(122,279)	-	(1,073,597)
Machinery and equipment	(139,218)	(36,348)	-	(175,566)
Vehicles	(424,277)	(71,720)	-	(495,997)
Infrastructure	(500,585)	(51,709)	-	(552,294)
Total accumulated depreciation	<u>(2,015,398)</u>	<u>(282,056)</u>	<u>-</u>	<u>(2,297,454)</u>
Total capital assets being depreciated, net	<u>6,129,227</u>	<u>30,096</u>	<u>-</u>	<u>6,159,323</u>
Total governmental activities capital assets, net	<u>\$ 16,338,026</u>	<u>\$ 338,764</u>	<u>\$ -</u>	<u>\$ 16,676,790</u>

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 195,459	\$ -	\$ -	\$ 195,459
Total capital assets not being depreciated	195,459	-	-	195,459
<i>Capital assets being depreciated:</i>				
Buildings and building improvements	617,818	-	-	617,818
Improvements (other than buildings)	180,000	-	-	180,000
Infrastructure	338,206	-	-	338,206
Total capital assets being depreciated	1,136,024	-	-	1,136,024
<i>Less accumulated depreciation for:</i>				
Buildings and building improvements	(151,307)	(15,445)	-	(166,752)
Improvements (other than buildings)	(34,984)	(4,500)	-	(39,484)
Infrastructure	(141,324)	(7,682)	-	(149,006)
Total accumulated depreciation	(327,615)	(27,627)	-	(355,242)
Total capital assets being depreciated, net	808,409	(27,627)	-	780,782
Total business-type activities capital assets, net	<u>\$ 1,003,868</u>	<u>\$ (27,627)</u>	<u>\$ -</u>	<u>\$ 976,241</u>

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

Governmental Activities:	
General government	\$ 59,871
Public safety	76,053
Public works	92,624
Culture and Recreation	53,508
Total depreciation expense - governmental activities	<u>\$ 282,056</u>
Business-Type Activities:	
Water	<u>\$ 27,627</u>

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – CAPITAL LEASE

The Town has entered into a lease agreement as lessee for financing the acquisition of a public works pickup truck. The lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	Governmental Activities
Asset:	
Vehicle	\$ 55,974
Less: Accumulated depreciation	(8,396)
	\$ 47,578

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2010, are as follows:

Year Ending June 30		Governmental Activities
2011	\$	12,894
2012		12,894
2013		12,894
Total minimum lease payments		38,682
Less: amount representing interest		(4,998)
Present value of minimum lease payments	\$	33,684

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:				Total
	General Fund	Stabilization Fund	Fire Truck	Nonmajor Governmental Funds	
Nonmajor Governmental Funds	\$ 41,000	\$ 10,000	\$ 8,503	\$ -	\$ 59,503 (1)
Nonmajor Governmental Funds	31,281	-	-	-	31,281 (2)
Community Preservation Major Fund	219,000	-	-	-	219,000 (1)
Stabilization Major Fund	55,500	-	-	-	55,500 (1)
General Fund	-	10,000	-	1,184	11,184 (3)
Total	\$ 346,781	\$ 20,000	\$ 8,503	\$ 1,184	\$ 376,468

(1) Represents budgeted transfers to supplement operating budgets and other authorizations.

(2) Represents other transfers to the General Fund.

(3) Represents budgeted transfers from the General Fund.

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth, through the issuance of State Aid anticipation notes (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

The following is a summary of changes in short-term debt for the year ended June 30, 2010:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
GAN	Highway grants	1.70	8/17/2009	\$ 200,000	\$ -	\$ (200,000)	\$ -
BAN	Fire Truck	1.60	9/9/2010	-	285,000	-	285,000
Total Governmental Funds				<u>\$ 200,000</u>	<u>\$ 285,000</u>	<u>\$ (200,000)</u>	<u>\$ 285,000</u>

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 – LONG-TERM DEBT

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2010:

Bonds and Notes Payable Schedule - Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Land Acquisition	3.90	\$ 900,000	\$ -	\$ 75,000	\$ 825,000
Police Station	3.28	58,425	-	29,225	29,200
160 Pleasant Street	3.27	8,500	-	4,250	4,250
Town Hall Architect	3.90	83,000	-	7,000	76,000
Town Hall Renovation	3.90	954,675	-	77,725	876,950
Recreation Fields	3.89	50,400	-	16,800	33,600
Fire Truck	4.25	120,000	-	60,000	60,000
Land Acquisition	4.97	182,320	-	22,790	159,530
Land Acquisition	4.23	1,420,000	-	80,000	1,340,000
Total		\$ 3,777,320	\$ -	\$ 372,790	\$ 3,404,530

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 372,790	\$ 138,247	\$ 511,037
2012	277,790	123,625	401,415
2013	267,790	112,867	380,657
2014	267,790	102,453	370,243
2015	267,790	91,933	359,723
2016-2020	1,250,580	296,988	1,547,568
2021-2025	550,000	78,660	628,660
2026-2027	150,000	6,300	156,300
Total	\$ 3,404,530	\$ 951,073	\$ 4,355,603

**TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

Loans Authorized and Unissued

As of June 30, 2010, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Fire Truck	5/18/2009	<u>\$ 285,000</u>

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2010:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Groton-Dunstable Regional School District Bonds	<u>\$ 32,340,000</u>	24%	<u>\$ 7,761,600</u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

The governmental activities long-term liabilities are generally liquidated by the general fund.

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 3,777,320	\$ -	\$ (372,790)	\$ 3,404,530	\$ 372,790
Capital lease payable	68,341	-	(34,657)	33,684	10,452
Total governmental activities long-term liabilities	<u>\$ 3,845,661</u>	<u>\$ -</u>	<u>\$ (407,447)</u>	<u>\$ 3,438,214</u>	<u>\$ 383,242</u>

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 – STABILIZATION FUND

At June 30, 2010, \$334,279 has been set aside in the stabilization fund, which is classified as a major fund in the governmental funds financial statements. The stabilization fund balance can be used for general and/or capital purposes as approved by Town Meeting vote.

NOTE 11 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$1,000 per incident. The fully insurable value of Town buildings is \$5,866,042.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2010.

The Town is a member of the Massachusetts Interlocal Insurance Association's ("MIIA") Health Benefits Trust which was established on July 1, 1992 pursuant to Chapter 32B Section 12 of the Massachusetts General Laws ("MGL"). The Trust includes more than 115 members and approximately 29,000 subscribers. The Trust offers a wide selection of plans from Blue Cross & Blue Shield. The Town's employees participate in either the HMO Blue program or Blue Choice, a Preferred Provider Organization (PPO).

The group provides health care coverage for employees that qualify for and select health care coverage as an employee benefit as well as retired employees. Employees and retirees in the group pay a percentage of an estimated health insurance premium. The percentage contribution from employees is 25% with the remaining contribution of 75% paid by the Town. All retired employees pay 100% of the established premium.

As of June 30, 2010, MIIA had assets of \$114,188,159, liabilities of \$31,355,164 and a fund balance of \$82,832,995. Separate financial statements may be obtained by writing to the Treasurer of the MIIA Health Benefits Trust.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 – PENSION PLAN

A. Plan Description

The Town contributes to the Middlesex Retirement System (the “System”), a cost sharing, multiple-employer, defined benefit pension plan administered by the Middlesex Retirement Board. Substantially all employees are members of the “System”.

The “System” is a contributory defined benefit plan and membership in the “System” is mandatory upon commencement of employment for all permanent, full-time employees. The “System” provides retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws assigns 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 Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), One Ashburton Place, Boston, Massachusetts 02108.

B. Funding Policy

Middlesex Retirement System

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 Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2010, 2009, and 2008 were \$162,119, \$145,478, and \$127,637 respectively, which were equal to its required contributions for each of these years.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did not expend more than \$500,000 of federal awards during the period ended June 30, 2010. These programs may still be subject to financial and compliance audits. Accordingly, the amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

Various legal actions and claims are pending. 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

TOWN OF DUNSTABLE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2010, the following GASB pronouncements were implemented:

The GASB issued **Statement #45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* was implemented in Fiscal 2010. The town does not provide postemployment benefits. This pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #51** *Accounting and Financial Reporting for Intangible Assets* was implemented in FY2010. This pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #53** *Accounting and Financial Reporting for Derivative Instruments* was implemented in FY2010. The Town does not invest in derivative instruments. Therefore, this pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #58** *Accounting and Financial Reporting for Chapter 9 Bankruptcies* was implemented in FY2010. This pronouncement did not require additional disclosure or impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #54** *Fund Balance Reporting and Governmental Fund Type Definitions* which is required to be implemented in FY2011. Management believes this pronouncement will require additional disclosure and reclassify/redefine some fund balances in the basic financial statements.

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.