

TOWN OF ORANGE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2009

TOWN OF ORANGE, 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 Orange, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orange, 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 Orange, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Orange, Massachusetts, as of June 30, 2009, and the respective changes in financial position and cash flows, 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 February 24, 2010, on our consideration of the Town of Orange, 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 schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, retirement system schedule of funding progress, retirement system schedule of employer contributions, other post employment benefits schedule of funding progress, and other post employment benefits actuarial methods and assumptions, 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
February 24, 2010

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Orange, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Orange's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of 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.

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, airport, human services, culture and recreation, and interest. The business-type activities include the activities of the Water and Sewer Departments.

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. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Town's general fund is shown separately and the remaining governmental funds are aggregated and shown as nonmajor governmental funds.

Proprietary funds. The Town maintains two types of propriety funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer Departments.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses its internal service fund to account for health insurance 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.

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Orange's governmental assets exceeded liabilities for governmental activities by \$25.1 million and the business-type activities by \$8.1 million at the close of the most recent fiscal year. Key components of the Town's activities are presented below.

Governmental Activities

	<u>2009</u>	<u>2008</u>
Assets:		
Current assets.....	\$ 5,011,754	\$ 4,942,592
Noncurrent assets (excluding capital).....	240,951	320,108
Capital assets.....	<u>23,580,404</u>	<u>23,449,873</u>
Total assets.....	<u>28,833,109</u>	<u>28,712,573</u>
Liabilities:		
Current liabilities (excluding debt).....	1,831,506	1,236,163
Noncurrent liabilities (excluding debt).....	217,648	8,861
Current debt.....	1,043,234	481,274
Noncurrent debt.....	<u>621,422</u>	<u>829,656</u>
Total liabilities.....	<u>3,713,810</u>	<u>2,555,954</u>
Net Assets:		
Capital assets net of related debt.....	22,103,811	22,091,694
Restricted.....	1,740,817	1,346,662
Unrestricted.....	<u>1,274,671</u>	<u>2,718,263</u>
Total net assets.....	<u>\$ 25,119,299</u>	<u>\$ 26,156,619</u>

Governmental net assets of \$22.1 million (88%) 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.

An additional portion of the net assets of \$1.7 million (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$1.3 million (5%) may be used to meet the government's ongoing obligations to citizens and creditors.

	<u>2009</u>	<u>2008</u>
Program revenues:		
Charges for services.....	\$ 3,426,571	\$ 2,733,446
Operating grants and contributions.....	10,008,571	8,985,005
Capital grants and contributions.....	13,591	472,359
General Revenues:		
Real estate and personal property taxes.....	7,157,246	7,002,995
Motor vehicle and other excise taxes.....	562,573	676,544
Penalties and interest on taxes.....	102,213	104,566
Payments in lieu of taxes.....	3,343	3,286
Grants and contributions not restricted to specific programs.....	1,906,217	2,132,960
Unrestricted investment income.....	47,570	33,053
Miscellaneous.....	79,599	179,737
Total revenues.....	<u>23,307,494</u>	<u>22,323,951</u>
Expenses:		
General Government.....	2,270,263	2,073,801
Public Safety.....	3,401,312	3,111,244
Education.....	15,098,392	13,955,862
Public Works.....	2,112,355	2,358,822
Airport.....	213,140	179,697
Human Services.....	225,750	221,646
Culture and Recreation.....	514,730	462,181
Interest.....	283,872	305,897
Total expenses.....	<u>24,119,814</u>	<u>22,669,150</u>
Excess (Deficiency) before transfers.....	(812,320)	(345,199)
Transfers.....	<u>(225,000)</u>	<u>-</u>
Change in net assets.....	\$ <u>(1,037,320)</u>	\$ <u>(345,199)</u>

Governmental net assets decreased during fiscal year 2009 by (\$1,037,000) which was mainly due to the recording of the "other post-employment benefit obligation" (OPEB) in the amount of approximately \$832,000 for the first time in 2009. Revenues and expenses both increased proportionately and the Town voted to transfer \$225,000 to the Water enterprise fund.

Business-type Activities

Water Fund

	<u>2009</u>	<u>2008</u>
Assets:		
Current assets.....	\$ 764,797	\$ 586,376
Capital assets.....	5,709,593	5,737,002
Total assets.....	<u>6,474,390</u>	<u>6,323,378</u>
Liabilities:		
Current liabilities (excluding debt).....	25,109	32,601
Non-current liabilities (excluding debt).....	26,334	-
Total liabilities.....	<u>51,443</u>	<u>32,601</u>
Net Assets:		
Capital assets net of related debt.....	5,709,593	5,737,002
Unrestricted.....	713,354	553,775
Total net assets.....	<u>\$ 6,422,947</u>	<u>\$ 6,290,777</u>

Water Fund net assets of \$5.7 million (89%) represent investments in capital assets net of related debt. The remaining \$713,000 (11%) is available to be used for the ongoing operation of the Town's Water department.

As shown in the following table, there was an increase of approximately \$132,000 in net assets compared to an increase of approximately \$5,400 in the prior year. The key component of the change relates to the \$225,000 transfer in from the receipts reserved special revenue fund during the year. Otherwise, revenues declined slightly and expenses increased by approximately 11%.

	<u>2009</u>	<u>2008</u>
Program revenues:		
Charges for services.....	\$ 573,904	\$ 604,718
General Revenues:		
Investment income.....	5,937	8,736
Total revenues.....	<u>579,841</u>	<u>613,454</u>
Expenses:		
Water.....	<u>672,671</u>	<u>608,101</u>
Excess (Deficiency) before transfers.....	(92,830)	5,353
Transfers.....	<u>225,000</u>	<u>-</u>
Change in net assets.....	<u>\$ 132,170</u>	<u>\$ 5,353</u>

Sewer Fund

	<u>2009</u>		<u>2008</u>
Assets:			
Current assets.....	\$ 231,481	\$	523,301
Noncurrent assets (excluding capital).....	24,461		24,036
Capital assets.....	<u>2,032,935</u>		<u>1,791,620</u>
Total assets.....	<u>2,288,877</u>		<u>2,338,957</u>
Liabilities:			
Current liabilities (excluding debt).....	19,305		23,779
Non-current liabilities (excluding debt).....	17,826		-
Current debt.....	29,644		399,700
Noncurrent debt.....	<u>547,356</u>		<u>197,000</u>
Total liabilities.....	<u>614,131</u>		<u>620,479</u>
Net Assets:			
Capital assets net of related debt.....	1,483,363		1,196,933
Unrestricted.....	<u>191,383</u>		<u>521,545</u>
Total net assets.....	<u><u>\$ 1,674,746</u></u>	\$	<u><u>1,718,478</u></u>

Sewer Fund net assets of \$1.5 million (89%) represent investments in capital assets net of related debt. The remaining \$191,000 (11%) is available to be used for the ongoing operation of the Town's Sewer department.

As shown in the following table, there was a decrease of approximately (\$44,000) in net assets in 2009 and 2008.

	<u>2009</u>		<u>2008</u>
Program revenues:			
Charges for services.....	\$ 468,000	\$	428,853
Operating grants and contributions.....	3,385		4,531
General Revenues:			
Investment income.....	<u>66</u>		<u>578</u>
Total revenues.....	<u>471,451</u>		<u>433,962</u>
Expenses:			
Sewer.....	<u>515,183</u>		<u>477,874</u>
Change in net assets.....	<u><u>\$ (43,732)</u></u>	\$	<u><u>(43,912)</u></u>

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 approximately \$2.2 million, a decrease of approximately (\$44,000) from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$117,000, while total fund balance was \$144,000.

The state fiscal stabilization fund is used to account for federal funds that were received through the American Recovery and Reinvestment Act. During the last two months of the fiscal year, the Town's state aid was reduced by approximately \$580,000. However, the state aid payment was replaced with a like amount of federal funds. The Town's general fund budget was not adjusted for the late reduction in state funding; rather, eligible expenditures were transferred from the general fund to the state fiscal stabilization fund where an equal amount of federal revenues were also recorded.

The Tully Fire Station fund is a capital project fund being utilized for the construction of a new fire station. The construction project has been funded with \$785,000 of bond anticipation notes and current year expenses amounted to approximately \$256,000.

General Fund Budgetary Highlights

The Town of Orange 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. Actual revenues were less than budgeted amounts by approximately (\$868,000) mainly from intergovernmental revenue as discussed above relating to the fiscal stabilization fund activities. Actual expenditures were also less than budgeted amounts mainly relating to educational expenses replace by the state fiscal stabilization fund activities.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually prepares capital budgets for the upcoming fiscal year. Major additions for the governmental activities and the water activities relate mainly to infrastructure upgrades. Total additions for the Governmental and Business-type Activities amounted to \$1.6 million and \$412,000, respectively.

Outstanding long-term debt of the general government, as of June 30, 2009, totaled \$781,000, of which approximately \$45,000 is related to school projects, \$592,000 is for the landfill, and the balance of \$144,000 is for various other governmental projects. In addition the Sewer Enterprise fund has approximately \$577,000 of long-term that funding various sewer projects.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Orange'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 Office of the Town Accountant at 6 Prospect Street, Orange, MA 01364.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 3,124,564	\$ 690,328	\$ 3,814,892
Investments.....	120,592	-	120,592
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	68,968	-	68,968
Tax liens.....	328,208	-	328,208
Motor vehicle and other excise taxes.....	54,148	-	54,148
User fees.....	-	302,983	302,983
Departmental and other.....	308,421	-	308,421
Special assessments.....	149,749	-	149,749
Intergovernmental.....	382,534	2,967	385,501
Working capital deposit.....	377,000	-	377,000
Tax foreclosures.....	97,570	-	97,570
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	24,461	24,461
Loans.....	240,951	-	240,951
Capital assets, net of accumulated depreciation.....	23,580,404	7,742,528	31,322,932
TOTAL ASSETS.....	28,833,109	8,763,267	37,596,376
LIABILITIES			
CURRENT:			
Warrants payable.....	357,868	8,486	366,354
Accrued payroll.....	240,455	16,824	257,279
Health claims payable.....	178,640	-	178,640
Capital lease obligations.....	47,254	-	47,254
Compensated absences.....	175,450	19,104	194,554
Bonds and notes payable.....	1,043,234	29,644	1,072,878
NONCURRENT:			
Capital lease obligations.....	217,648	-	217,648
Other post-employment benefits.....	831,839	44,160	875,999
Bonds and notes payable.....	621,422	547,356	1,168,778
TOTAL LIABILITIES.....	3,713,810	665,574	4,379,384
NET ASSETS			
Invested in capital assets, net of related debt.....	22,103,811	7,192,956	29,296,767
Restricted for:			
Loans.....	240,951	-	240,951
Permanent funds:			
Expendable.....	212,535	-	212,535
Nonexpendable.....	711,463	-	711,463
Gifts and grants.....	575,868	-	575,868
Unrestricted.....	1,274,671	904,737	2,179,408
TOTAL NET ASSETS.....	\$ 25,119,299	\$ 8,097,693	\$ 33,216,992

See notes to basic financial statements.

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	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 2,270,263	\$ 1,677,664	\$ 12,293	\$ -	\$ (580,306)
Public safety.....	3,401,312	723,886	373,889	8,961	(2,294,576)
Education.....	15,098,392	616,606	8,576,207	1,128	(5,904,451)
Public works.....	2,112,355	245,005	159,380	3,502	(1,704,468)
Airport.....	213,140	68,592	790,758	-	646,210
Human services.....	225,750	58,873	41,098	-	(125,779)
Culture and recreation.....	514,730	35,945	46,294	-	(432,491)
Interest.....	283,872	-	8,652	-	(275,220)
Total Governmental Activities.....	<u>24,119,814</u>	<u>3,426,571</u>	<u>10,008,571</u>	<u>13,591</u>	<u>(10,671,081)</u>
<i>Business-Type Activities:</i>					
Water.....	672,671	573,904	-	-	(98,767)
Sewer.....	<u>515,183</u>	<u>468,000</u>	<u>3,385</u>	<u>-</u>	<u>(43,798)</u>
Total Business-Type Activities.....	<u>1,187,854</u>	<u>1,041,904</u>	<u>3,385</u>	<u>-</u>	<u>(142,565)</u>
Total Primary Government.....	<u>\$ 25,307,668</u>	<u>\$ 4,468,475</u>	<u>\$ 10,011,956</u>	<u>\$ 13,591</u>	<u>\$ (10,813,646)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (10,671,081)	\$ (142,565)	\$ (10,813,646)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	7,009,372	-	7,009,372
Tax liens.....	147,874	-	147,874
Motor vehicle and other excise taxes.....	562,573	-	562,573
Penalties and interest on taxes.....	102,213	-	102,213
Payments in lieu of taxes.....	3,343	-	3,343
Grants and contributions not restricted to specific programs.....	1,906,217	-	1,906,217
Unrestricted investment income.....	47,570	6,003	53,573
Miscellaneous.....	79,599	-	79,599
<i>Transfers, net</i>	<u>(225,000)</u>	<u>225,000</u>	<u>-</u>
Total general revenues.....	<u>9,633,761</u>	<u>231,003</u>	<u>9,864,764</u>
Change in net assets.....	(1,037,320)	88,438	(948,882)
<i>Net Assets:</i>			
Beginning of year.....	<u>26,156,619</u>	<u>8,009,255</u>	<u>34,165,874</u>
End of year.....	\$ <u><u>25,119,299</u></u>	\$ <u><u>8,097,693</u></u>	\$ <u><u>33,216,992</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

ASSETS	General	Tully Fire Station	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 145,750	\$ 573,215	\$ 2,405,599	\$ 3,124,564
Investments.....	-	-	120,592	120,592
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	68,968	-	-	68,968
Tax liens	328,208	-	-	328,208
Motor vehicle and other excise taxes.....	54,148	-	-	54,148
Departmental and other.....	283,076	-	-	283,076
Special assessments.....	58,551	-	91,198	149,749
Intergovernmental.....	363,467	-	19,067	382,534
Loans.....	-	-	240,951	240,951
Tax foreclosures.....	97,570	-	-	97,570
Due from other funds.....	216,336	-	-	216,336
TOTAL ASSETS.....	\$ 1,616,074	\$ 573,215	\$ 2,877,407	\$ 5,066,696
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 124,884	\$ 120,250	\$ 112,734	\$ 357,868
Accrued payroll.....	199,512	-	40,943	240,455
Deferred revenues.....	1,147,289	-	311,924	1,459,213
Notes payable.....	-	785,000	50,000	835,000
TOTAL LIABILITIES.....	1,471,685	905,250	515,601	2,892,536
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	27,325	-	-	27,325
Perpetual permanent funds.....	-	-	711,463	711,463
Unreserved:				
Undesignated, reported in:				
General fund.....	117,064	-	-	117,064
Special revenue funds.....	-	-	1,487,808	1,487,808
Capital projects funds.....	-	(332,035)	(50,000)	(382,035)
Permanent funds.....	-	-	212,535	212,535
TOTAL FUND BALANCES.....	144,389	(332,035)	2,361,806	2,174,160
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 1,616,074	\$ 573,215	\$ 2,877,407	\$ 5,066,696

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

Total governmental fund balances.....		\$ 2,174,160
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		23,580,404
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,459,213
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		7,369
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.....	(829,656)	
Capital lease obligations.....	(264,902)	
Compensated absences.....	(175,450)	
Other post-employment benefits obligation.....	<u>(831,839)</u>	
Net effect of reporting long-term liabilities.....		<u>(2,101,847)</u>
Net assets of governmental activities.....		<u>\$ 25,119,299</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	State Fiscal Stabilization Fund	Tully Fire Station	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 7,130,308	\$ -	\$ -	\$ -	\$ 7,130,308
Tax liens.....	4,596	-	-	-	4,596
Motor vehicle and other excise taxes.....	587,723	-	-	-	587,723
Charges for services.....	102,349	-	-	114,055	216,404
Penalties and interest on taxes.....	102,213	-	-	-	102,213
Payments in lieu of taxes.....	3,343	-	-	-	3,343
Intergovernmental.....	8,372,908	580,165	-	4,661,549	13,614,622
Departmental and other.....	704,778	-	-	514,859	1,219,637
Contributions.....	-	-	-	291,853	291,853
Investment income.....	27,989	-	-	19,479	47,468
Miscellaneous.....	180,094	-	-	-	180,094
TOTAL REVENUES.....	17,216,301	580,165	-	5,601,795	23,398,261
EXPENDITURES:					
Current:					
General government.....	739,735	-	43,225	1,105,900	1,888,860
Public safety.....	2,281,507	-	213,230	232,566	2,727,303
Education.....	8,854,957	580,165	-	2,400,554	11,835,676
Public works.....	785,902	-	-	180,393	966,295
Airport.....	138,997	-	-	809,643	948,640
Human services.....	133,128	-	-	67,602	200,730
Culture and recreation.....	265,822	-	-	101,956	367,778
Pension benefits.....	1,659,791	-	-	-	1,659,791
Employee benefits.....	1,761,790	-	-	-	1,761,790
State and county charges.....	555,170	-	-	-	555,170
Debt service:					
Principal.....	321,274	-	-	-	321,274
Interest.....	283,872	-	-	-	283,872
TOTAL EXPENDITURES.....	17,781,945	580,165	256,455	4,898,614	23,517,179
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(565,644)	-	(256,455)	703,181	(118,918)
OTHER FINANCING SOURCES (USES):					
Capital lease financing.....	300,000	-	-	-	300,000
Transfers in.....	150,793	-	-	25,073	175,866
Transfers out.....	(4,654)	-	-	(396,212)	(400,866)
TOTAL OTHER FINANCING SOURCES (USES).....	446,139	-	-	(371,139)	75,000
NET CHANGE IN FUND BALANCES.....	(119,505)	-	(256,455)	332,042	(43,918)
FUND BALANCES AT BEGINNING OF YEAR.....	263,894	-	(75,580)	2,029,764	2,218,078
FUND BALANCES AT END OF YEAR.....	\$ 144,389	\$ -	\$ (332,035)	\$ 2,361,806	\$ 2,174,160

See notes to basic financial statements.

**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.....	\$	(43,918)
<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.....	1,588,715	
Depreciation expense.....	<u>(1,458,184)</u>	
Net effect of reporting capital assets.....		130,531
<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>		
		(374,543)
<p>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.</p>		
Capital lease financing.....	(300,000)	
Principal payments on capital leases.....	82,347	
Debt service principal payments.....	<u>321,274</u>	
Net effect of reporting long-term debt.....		103,621
<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 compensated absences accrual.....	(5,336)	
Net change in other post-employment benefits obligation.....	<u>(831,839)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(837,175)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>(15,836)</u>
Change in net assets of governmental activities.....	\$	<u><u>(1,037,320)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 615,807	\$ 74,521	\$ 690,328	\$ -
Receivables, net of allowance for uncollectibles:				
User fees.....	148,990	153,993	302,983	-
Departmental and other.....	-	-	-	25,345
Intergovernmental.....	-	2,967	2,967	-
Working capital deposit.....	-	-	-	377,000
Total current assets.....	764,797	231,481	996,278	402,345
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	-	24,461	24,461	-
Capital assets, net of accumulated depreciation.....	5,709,593	2,032,935	7,742,528	-
Total noncurrent assets.....	5,709,593	2,057,396	7,766,989	-
TOTAL ASSETS.....	6,474,390	2,288,877	8,763,267	402,345
LIABILITIES				
CURRENT:				
Warrants payable.....	3,594	4,892	8,486	-
Accrued payroll.....	13,084	3,740	16,824	-
Health claims payable.....	-	-	-	178,640
Due to other funds.....	-	-	-	216,336
Compensated absences.....	8,431	10,673	19,104	-
Bonds and notes payable.....	-	29,644	29,644	-
Total current liabilities.....	25,109	48,949	74,058	394,976
NONCURRENT:				
Other post-employment benefits.....	26,334	17,826	44,160	-
Bonds and notes payable.....	-	547,356	547,356	-
Total noncurrent liabilities.....	26,334	565,182	591,516	-
TOTAL LIABILITIES.....	51,443	614,131	665,574	394,976
NET ASSETS				
Invested in capital assets, net of related debt.....	5,709,593	1,483,363	7,192,956	-
Unrestricted.....	713,354	191,383	904,737	7,369
TOTAL NET ASSETS.....	\$ 6,422,947	\$ 1,674,746	\$ 8,097,693	\$ 7,369

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Total	
OPERATING REVENUES:				
Employee contributions	\$ -	\$ -	\$ -	\$ 657,003
Employer contributions	-	-	-	1,865,724
Charges for services	573,904	468,000	1,041,904	-
Stop loss recoveries.....	-	-	-	206,835
TOTAL OPERATING REVENUES	573,904	468,000	1,041,904	2,729,562
OPERATING EXPENSES:				
Cost of services and administration	475,383	422,354	897,737	-
Utilities.....	64,058	-	64,058	-
Repairs and maintenance.....	14,852	-	14,852	-
Depreciation.....	118,378	79,845	198,223	-
Employee benefits	-	-	-	2,745,500
TOTAL OPERATING EXPENSES	672,671	502,199	1,174,870	2,745,500
OPERATING INCOME.....	(98,767)	(34,199)	(132,966)	(15,938)
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	5,937	66	6,003	102
Interest expense.....	-	(12,984)	(12,984)	-
MWPAT interest subsidy.....	-	3,385	3,385	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	5,937	(9,533)	(3,596)	102
INCOME BEFORE TRANSFERS.....	(92,830)	(43,732)	(136,562)	(15,836)
TRANSFERS:				
Transfers in.....	225,000	-	225,000	-
CHANGE IN NET ASSETS.....	132,170	(43,732)	88,438	(15,836)
NET ASSETS AT BEGINNING OF YEAR.....	6,290,777	1,718,478	8,009,255	23,205
NET ASSETS AT END OF YEAR.....	\$ 6,422,947	\$ 1,674,746	\$ 8,097,693	\$ 7,369

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 593,332	\$ 481,999	\$ 1,075,331	\$ 657,003
Receipts from interfund services provided.....	-	-	-	1,897,774
Receipts from insurance recoveries.....	-	-	-	206,835
Payments to vendors.....	(312,084)	(256,761)	(568,845)	-
Payments to employees.....	(223,367)	(152,241)	(375,608)	-
Payments for interfund services used.....	-	-	-	(3,039,041)
NET CASH FROM OPERATING ACTIVITIES.....	57,881	72,997	130,878	(277,429)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in.....	225,000	-	225,000	-
Advances from other funds.....	-	-	-	216,336
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	225,000	-	225,000	216,336
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets.....	(90,969)	(321,160)	(412,129)	-
Principal payments on bonds and notes.....	-	(19,700)	(19,700)	-
Interest expense.....	-	(9,599)	(9,599)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(90,969)	(350,459)	(441,428)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income.....	5,937	66	6,003	102
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	197,849	(277,396)	(79,547)	(60,991)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	417,958	351,917	769,875	60,991
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 615,807	\$ 74,521	\$ 690,328	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income.....	\$ (98,767)	\$ (34,199)	\$ (132,966)	\$ (15,938)
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	118,378	79,845	198,223	-
Changes in assets and liabilities:				
User fees.....	19,428	15,378	34,806	-
Departmental and other.....	-	-	-	32,050
Intergovernmental receivables.....	-	(1,379)	(1,379)	-
Working capital deposit.....	-	-	-	(29,300)
Warrants payable.....	(10,094)	(4,108)	(14,202)	(282,881)
Accrued payroll.....	7,270	722	7,992	-
Health claims payable.....	-	-	-	18,640
Accrued compensated absences.....	(4,668)	(1,088)	(5,756)	-
Other post-employment benefits.....	26,334	17,826	44,160	-
Total adjustments.....	156,648	107,196	263,844	(261,491)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 57,881	\$ 72,997	\$ 130,878	\$ (277,429)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 50,970	\$ 10,153
LIABILITIES		
Liabilities due depositors.....	-	10,153
NET ASSETS		
Held in trust for private purposes.....	\$ 50,970	-

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Net investment income:	
Interest.....	\$ <u>801</u>
NET ASSETS AT BEGINNING OF YEAR.....	<u>50,169</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>50,970</u></u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Orange, 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 Town accounting policies are described herein.

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected 3 member Board of Selectmen.

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 determined that there are no component units.

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

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

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. Exceptions are charges between the general fund and the water 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 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 *state fiscal stabilization fund* is used to account for federal funds that were received through the American Recovery and Reinvestment Act.

The *Tully Fire Station fund* is a capital project fund being utilized for the construction of a new fire station. The construction project has been funded with \$785,000 of bond anticipation notes and current year expenses amounted to approximately \$256,000.

The non-major governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major 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 principle 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 the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health program.

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 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 pension trust fund or permanent fund, 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.

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 government 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 and the proprietary funds 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 levied and based on values assessed on January 1st 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 1st, November 1st, February 1st and May 1st 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 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 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.

Water and Sewer Fees

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer fees and liens are recorded as receivables in the fiscal year of the levy.

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

Departmental and Other

Departmental and other receivables are recorded as receivables in the fiscal year earned. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

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 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 government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity 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.

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 are depreciated on a straight-line basis. The estimated useful lives of capital assets being depreciated are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	20-40
Machinery and equipment.....	5-15
Infrastructure.....	20-50
Vehicles.....	5-10

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.

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.

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.

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 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.

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:

“Loans” represents the Town’s Community Development loans receivable balances.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustee to authorize spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts and grants” represents amounts held for school and other Town grants, and for gift funds that have 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.

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 non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

N. Compensated Absences

Employees are granted vacation 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 leave is reported as a liability and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation leave, which will be liquidated with expendable available financial resources, is reported as an expenditure and fund liability.

O. 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.

P. Fund Deficits

Several individual fund deficits exist at June 30, 2009 within the capital project funds. These deficits will be funded through debt proceeds in future fiscal years.

Q. 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 the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all 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 funds.

Statutes authorize the investment 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). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Orange's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$2,291,232 and the bank balance totaled \$2,909,512. Of the bank balance, \$966,186 was covered by Federal Depository Insurance and \$1,943,326 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2009, the Town of Orange had the following investments:

<u>Other Investments:</u>	
Equity Securities.....	\$ 120,592
MMDT.....	<u>1,584,783</u>
Total Investments.....	\$ <u><u>1,705,375</u></u>

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Custodial Credit Risk – Investments

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 the possession of an outside party. At June 30, 2009 the Town's investments as listed above are not subject to custodial credit risk.

The Town does not have an investment policy for custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

NOTE 3 – RECEIVABLES

At June 30, 2009, receivables for the governmental funds and the internal service fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 93,860	\$ (24,892)	\$ 68,968
Tax liens	328,208	-	328,208
Motor vehicle and other excise taxes.....	80,508	(26,360)	54,148
Departmental and other.....	364,085	(55,664)	308,421
Special assessments.....	149,749	-	149,749
Intergovernmental.....	382,534	-	382,534
Loans.....	240,951	-	240,951
Total.....	<u>\$ 1,639,895</u>	<u>\$ (106,916)</u>	<u>\$ 1,532,979</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 302,983	\$ -	\$ 302,983
Intergovernmental.....	27,428	-	27,428
Total.....	<u>\$ 330,411</u>	<u>\$ -</u>	<u>\$ 330,411</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 and other asset type:</u>	<u> </u>	<u> </u>	<u> </u>
Real estate and personal property taxes.....	\$ 7,876	\$ -	\$ 7,876
Tax liens.....	328,208	-	328,208
Tax foreclosures.....	97,570	-	97,570
Motor vehicle and other excise taxes.....	54,148	-	54,148
Departmental and other.....	237,469	-	237,469
Special assessments.....	58,551	70,973	129,524
Intergovernmental.....	363,467	-	363,467
Loans.....	-	240,951	240,951
	<u> </u>	<u> </u>	<u> </u>
Total.....	<u>\$ 1,147,289</u>	<u>\$ 311,924</u>	<u>\$ 1,459,213</u>

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,579,635	\$ 673,421	\$ -	\$ 2,253,056
Construction in progress.....	826,771	373,226	-	1,199,997
Total capital assets not being depreciated.....	<u>2,406,406</u>	<u>1,046,647</u>	<u>-</u>	<u>3,453,053</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	12,804,224	19,349	-	12,823,573
Machinery and equipment.....	4,409,177	347,936	-	4,757,113
Infrastructure.....	26,534,286	102,989	-	26,637,275
Vehicles.....	127,295	71,794	-	199,089
Total capital assets being depreciated.....	<u>43,874,982</u>	<u>542,068</u>	<u>-</u>	<u>44,417,050</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(5,843,092)	(300,093)	-	(6,143,185)
Machinery and equipment.....	(2,760,884)	(285,807)	-	(3,046,691)
Infrastructure.....	(14,100,244)	(862,443)	-	(14,962,687)
Vehicles.....	(127,295)	(9,841)	-	(137,136)
Total accumulated depreciation.....	<u>(22,831,515)</u>	<u>(1,458,184)</u>	<u>-</u>	<u>(24,289,699)</u>
Total capital assets being depreciated, net.....	<u>21,043,467</u>	<u>(916,116)</u>	<u>-</u>	<u>20,127,351</u>
Total governmental activities capital assets, net.....	<u>\$ 23,449,873</u>	<u>\$ 130,531</u>	<u>\$ -</u>	<u>\$ 23,580,404</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 46,722	\$ 6,800	\$ -	\$ 53,522
Construction in progress.....	147,056	84,169	-	231,225
Total capital assets not being depreciated.....	193,778	90,969	-	284,747
<u>Capital assets being depreciated:</u>				
Buildings.....	287,371	-	-	287,371
Machinery and equipment.....	665,781	-	-	665,781
Infrastructure.....	7,196,940	-	-	7,196,940
Vehicles.....	88,078	-	-	88,078
Total capital assets being depreciated.....	8,238,170	-	-	8,238,170
<u>Less accumulated depreciation for:</u>				
Buildings.....	(94,005)	(3,466)	-	(97,471)
Machinery and equipment.....	(309,237)	(23,943)	-	(333,180)
Infrastructure.....	(2,249,971)	(79,269)	-	(2,329,240)
Vehicles.....	(41,733)	(11,700)	-	(53,433)
Total accumulated depreciation.....	(2,694,946)	(118,378)	-	(2,813,324)
Total capital assets being depreciated, net.....	5,543,224	(118,378)	-	5,424,846
Total water activities capital assets, net.....	\$ 5,737,002	\$ (27,409)	\$ -	\$ 5,709,593

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 24,741	\$ -	\$ -	\$ 24,741
Construction in progress.....	20,751	321,160	-	341,911
Total capital assets not being depreciated.....	45,492	321,160	-	366,652
<u>Capital assets being depreciated:</u>				
Buildings.....	1,289,311	-	-	1,289,311
Machinery and equipment.....	369,993	-	-	369,993
Infrastructure.....	2,045,514	-	-	2,045,514
Vehicles.....	26,617	-	-	26,617
Total capital assets being depreciated.....	3,731,435	-	-	3,731,435
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,179,906)	(9,902)	-	(1,189,808)
Machinery and equipment.....	(186,747)	(25,713)	-	(212,460)
Infrastructure.....	(592,037)	(44,230)	-	(636,267)
Vehicles.....	(26,617)	-	-	(26,617)
Total accumulated depreciation.....	(1,985,307)	(79,845)	-	(2,065,152)
Total capital assets being depreciated, net.....	1,746,128	(79,845)	-	1,666,283
Total sewer activities capital assets, net.....	\$ 1,791,620	\$ 241,315	\$ -	\$ 2,032,935

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

Governmental Activities:

General government.....	\$ 29,434
Public safety.....	191,403
Education.....	253,034
Public works.....	959,581
Airport.....	9,512
Human services.....	9,846
Culture and recreation.....	5,374
Total depreciation expense - governmental activities.....	\$ 1,458,184

Business-Type Activities:

Water.....	\$ 118,378
Sewer.....	79,845
Total depreciation expense - business-type activities.....	\$ 198,223

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds

As of June 30, 2009, the Town has an interfund receivable/payable of \$216,336 which exists between the general fund and the internal service fund. The purpose of this balance is to cover short-term cash needs that will be funded in fiscal year 2010.

Interfund transfers

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

<u>Transfers Out:</u>	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Enterprise Fund</u>	<u>Total</u>
General Fund.....	\$ -	\$ 4,654	\$ -	\$ 4,654 (1)
Nonmajor Governmental Funds.....	<u>150,793</u>	<u>20,419</u>	<u>225,000</u>	<u>396,212 (2)</u>
Total.....	<u>\$ 150,793</u>	<u>\$ 25,073</u>	<u>\$ 225,000</u>	<u>\$ 400,866</u>

- (1) Represents budgeted transfers out of the general fund to a nonmajor special revenue.
- (2) Represents budgeted transfers out of various special revenue funds to the general fund. Also represents transfers from nonmajor special revenue revolving funds to nonmajor other special revenue funds for airport funding; and transfers from nonmajor special revenue funds to the water enterprise fund.

NOTE 6 – CAPITAL LEASES

The Town has entered into a lease agreement to finance the acquisition of fire department turnout gear and three police vehicles. These lease agreement qualifies as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payment as of the inception date. The following identifies the asset acquired through a capital lease agreement:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 541,265
Less: accumulated depreciation.....	<u>(139,734)</u>
	<u>\$ 401,531</u>

The future minimum lease obligation and the net present value of the minimum payments at June 30, 2009, are as follows:

Fiscal Years Ending June 30,	Governmental Activities
2010.....	\$ 58,631
2011.....	49,185
2012.....	49,185
2013.....	49,185
2014.....	49,185
2015.....	<u>49,185</u>
Total minimum lease payments.....	<u>304,556</u>
Less: amounts representing interest.....	<u>(39,654)</u>
Present value of minimum lease payments.....	<u>\$ 264,902</u>

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued 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 and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and the water enterprise fund, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
Governmental Funds:							
BAN	Highway Garage.....	2.46	9/25/09	\$ 101,000	\$ -	\$ 52,000	\$ 49,000 (1)
BAN	Tully Fire Station.....	2.30	2/12/09	110,000	-	110,000	-
BAN	Lake Avenue Construction.....	2.30	2/12/09	50,000	-	50,000	-
RAN	Short-Term Cash Flow Financing.....	2.38	10/2/08	-	900,000	900,000	-
RAN	Short-Term Cash Flow Financing.....	3.09	1/6/09	-	525,000	525,000	-
RAN	Short-Term Cash Flow Financing.....	2.98	5/5/09	-	525,000	525,000	-
BAN	Municipal Purpose Loan.....	2.65	8/12/09	-	835,000	-	835,000 (2)
Total Governmental Funds.....				<u>\$ 261,000</u>	<u>\$ 2,785,000</u>	<u>\$ 2,162,000</u>	<u>\$ 884,000</u>
Enterprise Funds:							
BAN	Sewer.....	2.30	2/12/09	<u>\$ 380,000</u>	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$ -</u>

(1) On September 25, 2009, the Town paid down the remaining balance of \$49,000 on this BAN.

(2) On August 12, 2009, the Town rolled the balance of \$835,000 into a new BAN totaling \$1,485,000 with an interest rate of 2.65% maturing on December 22, 2009. On December 22, 2009, the Town rolled the \$1,485,000 into two separate BANS for \$50,000 and \$1,435,000 with interest rates of 3.5% and 1.28%, respectively, maturing on February 22, 2010.

NOTE 8 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Airpark Industrial Park.....	5.0	\$ 35,100	\$ -	\$ 11,700	\$ 23,400
F.H. Elem School Refunding Bond.....	4 - 4.25	110,000	-	110,000	-
F.H. Elem School FHA USDA Loan.....	6.0	66,280	-	33,160	33,120
Capping & Closing Landfill.....	4.5 - 4.6	600,000	-	60,000	540,000
Comm. Septic Management Program.....	4.0 - 5.0	70,550	-	6,414	64,136
State House Note - School Equipment.....	3.5	24,000	-	12,000	12,000
Highway Sander.....	4.4	74,400	-	18,600	55,800
Landfill Compactor Truck.....	4.4	69,600	-	17,400	52,200
Total.....		<u>\$ 1,049,930</u>	<u>\$ -</u>	<u>\$ 269,274</u>	<u>\$ 780,656</u>

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

Fiscal Year	Principal	Interest	Total
2010.....	\$ 159,234	\$ 35,446	\$ 194,680
2011.....	114,114	27,990	142,104
2012.....	102,414	23,025	125,439
2013.....	66,414	24,192	90,606
2014.....	66,414	15,591	82,005
2015.....	66,414	12,503	78,917
2016.....	66,413	9,414	75,827
2017.....	66,413	6,326	72,739
2018.....	66,413	3,241	69,654
2019.....	6,413	160	6,573
Total Governmental.....	<u>\$ 780,656</u>	<u>\$ 157,888</u>	<u>\$ 938,544</u>

Bonds and Notes Payable Schedule – Sewer Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2009</u>
Brookside Sewer Project.....	4.5 - 4.6	\$ 100,000	\$ -	\$ 10,000	\$ 90,000
WPAT Sewer Facility Plan.....	4.0 - 5.0	116,700	-	9,700	107,000
General Obligation Sewer Bond.....	4.3	-	380,000	-	380,000
Total.....		<u>\$ 216,700</u>	<u>\$ 380,000</u>	<u>\$ 19,700</u>	<u>\$ 577,000</u>

Debt service requirements for principal and interest for Sewer Enterprise Fund bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 29,644	\$ 25,202	\$ 54,846
2011.....	29,944	23,813	53,757
2012.....	30,244	22,408	52,652
2013.....	25,344	26,221	51,565
2014.....	30,644	20,112	50,756
2015.....	31,044	18,669	49,713
2016.....	31,344	17,207	48,551
2017.....	31,744	15,729	47,473
2018.....	32,044	14,240	46,284
2019.....	22,444	12,741	35,185
2020.....	9,744	12,009	21,753
2021.....	9,744	11,595	21,339
2022.....	9,744	11,181	20,925
2023.....	9,744	10,766	20,510
2024.....	9,744	10,352	20,096
2025.....	9,744	9,938	19,682
2026.....	9,744	9,524	19,268
2027.....	9,744	9,110	18,854
2028.....	9,744	8,696	18,440
2029.....	9,744	8,282	18,026
2030.....	9,744	7,868	17,612
2031.....	9,744	7,453	17,197
2032.....	9,744	7,039	16,783
2033.....	9,744	6,625	16,369
2034.....	9,744	6,211	15,955
2035.....	9,744	5,797	15,541
2036.....	9,744	5,383	15,127
2037.....	9,744	4,969	14,713
2038.....	9,744	4,555	14,299
2039.....	9,744	4,141	13,885
2040.....	9,744	3,726	13,470
2041.....	9,744	3,312	13,056
2042.....	9,744	2,898	12,642
2043.....	9,744	2,484	12,228
2044.....	9,744	2,070	11,814
2045.....	9,744	1,656	11,400
2046.....	9,744	1,242	10,986
2047.....	9,744	828	10,572
2048.....	9,728	413	10,141
Total Sewer.....	\$ <u>577,000</u>	\$ <u>376,465</u>	\$ <u>953,465</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for \$27,428 of principal and \$41,472 for interest costs. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$102,236. Since the Town is legally obligated for the total amount of the

debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2009 principal and interest subsidy totaled \$2,739 and \$6,463, respectively.

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 the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Tully Fire Station Construction.....	\$ <u>650,000</u>

Changes in Long-term Liabilities

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

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Governmental Funds					
Long-Term Bonds and Notes.....	\$ 1,101,930	\$ -	\$ 321,274	\$ 780,656	\$ 159,234
Other Post-Employment Benefits....	-	1,290,813	458,974	831,839	-
Compensated Absences.....	170,114	175,450	170,114	175,450	175,450
Capital Lease Obligations.....	47,249	255,313	37,660	264,902	47,254
Total governmental activity long-term liabilities.....	\$ <u>1,319,293</u>	\$ <u>1,721,576</u>	\$ <u>988,022</u>	\$ <u>2,052,847</u>	\$ <u>381,938</u>
Enterprise Funds					
Long-Term Bonds and Notes.....	\$ 216,700	\$ 380,000	\$ 19,700	\$ 577,000	\$ 29,644
Other Post-Employment Benefits....	-	68,526	24,366	44,160	-
Compensated Absences.....	24,860	13,348	19,104	19,104	19,104
Total business-type activity long-term liabilities.....	\$ <u>241,560</u>	\$ <u>461,874</u>	\$ <u>63,170</u>	\$ <u>640,264</u>	\$ <u>48,748</u>

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 amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town is self-insured for its health insurance activities. Health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Health Insurance

The estimate of Incurred But Not Reported (IBNR) claims based on an estimate of claims incurred but unpaid at year end. At June 30, 2009, the amount of the liability for health insurance claims totaled \$178,640. This liability is the best estimate based on available information. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$60,000 per claim. Changes in the reported liability since July 1, 2007, are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-End
Fiscal Year 2008.....	\$ 150,727	\$	1,817,673	\$	(1,808,400)	\$	160,000
Fiscal Year 2009.....	160,000		2,179,771		(2,161,131)		178,640

NOTE 10 – PENSION PLAN

Plan Description - The Town contributes to the Franklin Regional Retirement System "System", a cost-sharing multiple-employer defined benefit pension plan administered by the Franklin County Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$973,000 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Franklin County Retirement Board and are borne by the System. The System issues a publicly available un-audited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 278 Main Street, Suite 311, Greenfield, MA 01301.

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 that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute \$687,182, \$658,662, and \$633,077 for fiscal years ended June 30, 2009, 2008, and 2007, respectively. Chapter 32 of the MGL governs the contributions of plan members and the Town.

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2009 is the initial year that the Town has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net Other Post-Employment Benefits (OPEB) obligation at zero at the beginning of

the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description – The Town of Orange administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare, dental, and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For fiscal year 2009, the Town contributed approximately \$483,000 towards these benefits.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Normal cost.....	\$	427,870
Amortization of unfunded actuarial accrued liability.....		863,664
Adjustments to annual required contribution.....		67,805
Annual OPEB cost (expense).....		<u>1,359,339</u>
Contributions made.....		<u>(483,340)</u>
Increase in net OPEB obligation.....		875,999
Net OPEB obligation--beginning of year.....		<u>-</u>
Net OPEB obligation--end of year.....	\$	<u><u>875,999</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 1,359,339	36%	\$ 875,999

Funded Status and Funding Progress – As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$13,584,108, all of which was unfunded. The covered payroll (annual payroll of

active employees covered by the plan) was \$6,360,662, and the ratio of the UAAL to the covered payroll was 213.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the 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 liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5.25% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 11% initially, graded to 5% over 8 years and included a 3.5% inflation assumption. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.75% per year. The remaining amortization period at June 30, 2009 is 28 years.

NOTE 12 – COMMITMENTS

The Town is currently committed to fund approximately \$650,000 for the design and construction of the new Tully Fire Station.

NOTE 13 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, these programs are still 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 it is expected such amounts, if any, to be immaterial.

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, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2009.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

- The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement did significantly impact the basic financial statements.
- The GASB issued Statement #55, *The Hierarchy of GAAP for State and Local Governments*. The standards in this statement did not impact the basic financial statements.
- The GASB issued Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement of Auditing Standards*.

Future Implementation of GASB Pronouncements:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 7,101,353	\$ 7,101,353	\$ 7,124,699	\$ -	\$ 23,346
Tax liens.....	-	-	4,596	-	4,596
Motor vehicle and other excise taxes.....	661,077	661,077	587,723	-	(73,354)
Charges for services.....	559,886	559,886	102,349	-	(457,537)
Penalties and interest on taxes.....	104,500	104,500	102,213	-	(2,287)
Payments in lieu of taxes.....	3,285	3,285	3,343	-	58
Intergovernmental.....	8,192,502	8,192,502	7,397,221	-	(795,281)
Departmental and other.....	427,210	427,210	704,778	-	277,568
Investment income.....	53,500	53,500	27,989	-	(25,511)
Miscellaneous.....	-	-	180,094	-	180,094
TOTAL REVENUES.....	17,103,313	17,103,313	16,235,005	-	(868,308)
EXPENDITURES:					
Current:					
General government.....	788,157	829,772	739,735	10,924	79,113
Public safety.....	1,912,862	2,048,094	1,993,031	4,459	50,604
Education.....	9,235,297	9,435,122	8,854,957	-	580,165
Public works.....	1,015,886	1,025,104	959,152	10,462	55,490
Airport.....	152,632	145,963	138,997	970	5,996
Human services.....	100,997	145,040	133,128	-	11,912
Culture and recreation.....	288,877	284,724	265,822	35	18,867
Pension benefits.....	687,182	687,182	687,182	-	-
Employee benefits.....	2,011,794	1,771,005	1,761,790	475	8,740
State and county charges.....	527,986	527,986	555,170	-	(27,184)
Debt service:					
Principal.....	302,860	321,274	321,274	-	-
Interest.....	296,736	280,794	280,794	-	-
TOTAL EXPENDITURES.....	17,321,266	17,502,060	16,691,032	27,325	783,703
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(217,953)	(398,747)	(456,027)	(27,325)	(84,605)
OTHER FINANCING SOURCES (USES):					
Transfers in.....	184,774	335,567	335,567	-	-
Transfers out.....	(4,654)	(4,654)	(4,654)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	180,120	330,913	330,913	-	-
NET CHANGE IN FUND BALANCE.....	(37,833)	(67,834)	(125,114)	(27,325)	(84,605)
BUDGETARY FUND BALANCE, Beginning of year.....	208,407	208,407	208,407	208,407	(208,407)
BUDGETARY FUND BALANCE, End of year.....	\$ 170,574	\$ 140,573	\$ 83,293	\$ 181,082	\$ (293,012)

See notes to required supplementary information

Retirement System Schedules of Funding Progress and Employer Contributions

The schedule of funding progress, presented as required supplementary information, 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.

The schedule of employer contributions, presented as required supplementary information, 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.

**Franklin Regional Retirement System
Schedule of Funding Progress**

(Dollars in Thousands)

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)
01/01/08	\$ 77,859	\$ 105,972	\$ 28,113	73.5%	\$ 30,302	92.8%
01/01/06	61,539	91,823	30,284	67.0%	26,229	115.5%
01/01/03	41,299	72,770	31,471	56.8%	23,638	133.1%
01/01/01	42,002	57,235	15,233	73.4%	17,923	85.0%
01/01/98	41,568	64,535	22,967	64.4%	15,254	150.6%

The Town's share of the UAAL, as of January 1, 2006, is approximately 14.74%

See notes to required supplementary information.

**Franklin Regional Retirement System
Schedule of Employer Contributions**

Plan Year Ended December 31	System Wide			Town of Orange	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2005	\$ 3,923,420	\$ 3,923,420	100%	\$ 557,994	14.22%
2006	4,127,192	4,127,192	100%	637,337	15.44%
2007	4,295,275	4,295,275	100%	633,077	14.74%
2008	4,487,246	4,487,246	100%	658,662	14.68%

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

See notes to required supplementary information.

Other Post-Employment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2007	\$ -	\$ 13,584,108	\$ 13,584,108	0%	\$ 6,360,662	213.6%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009.
Information for prior years is not available.

See notes to required supplementary information.

OTHER POST-EMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2009

Actuarial Methods:

Valuation date.....	July 1, 2007
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortized as level dollar amount over 30 years at transition
Remaining amortization period.....	29 years at July 1, 2009
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	5.25% per annum
Medical/drug cost trend rate.....	11% graded to 5% in year 2015
Dental.....	8.5% graded to 5% in year 2015

Plan Membership:

Current retirees, beneficiaries, and dependents.....	150
Current active members.....	<u>75</u>
Total.....	<u><u>225</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Special Town Meeting approval via a special article.

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 included as part of the subsequent fiscal year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, 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 two-thirds majority vote of the Board of Selectmen and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget authorized approximately \$17.3 million in appropriations and other amounts to be raised. During fiscal year 2009, Town Meeting also approved supplemental appropriations totaling approximately \$185,000.

The Town Accountant’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised 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, 2009, is presented below:

Excess of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ (125,114)
<u>Basis of accounting differences:</u>	
Increase in revenues due to on-behalf payments.....	972,609
Increase in expenditures due to on-behalf payments.....	(972,609)
Increase in revenues due to MWPAT subsidies.....	3,078
Increase in expenditures due to MWPAT subsidies.....	(3,078)
Net change in revenues in recording 60 day receipts.....	<u>5,609</u>
Excess of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ (119,505)</u>

C. Appropriation Deficits

During fiscal year 2009, actual expenditures exceeded appropriations for state and county charges. State and county charges is a legal deficit created solely by the Commonwealth and not under the control of the Town.

NOTE B – PENSION PLAN

The Town contributes to the Franklin Regional Retirement System ("System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Franklin County Retirement Board. The 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 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 actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, 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, 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, 2008
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Approximate level percent of payroll, closed
Remaining Amortization Period.....	17 years for the fresh start retirement benefits schedule, 11 years for the 2006 ERI, and 10 years for the 2005 ERI.
Asset Valuation Method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	8.00%
Projected salary increases.....	4.75%
Cost of living adjustments.....	3% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	404
Inactive Participants.....	631
Active participants.....	<u>1,227</u>
Total.....	<u><u>2,262</u></u>