

Devens Enterprise Commission
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INDEPENDENT AUDITORS' REPORT ON GENERAL PURPOSE FINANCIAL
STATEMENTS - DEVENS ENTERPRISE COMMISSION

Board of Commissioners
Devens Enterprise Commission
33 Andrews Parkway
Devens, Massachusetts 01434

We have audited the accompanying basic financial statements for the Devens Enterprise Commission, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Devens Enterprise Commission. 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 misstatements. 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 financial position of the Devens Enterprise Commission as of June 30, 2009 and the respective changes in financial positions and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated October 16, 2009 on our consideration of the Devens Enterprise Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is 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 methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Giusti, Hingston and Company
Giusti, Hingston and Company
Certified Public Accountants
October 16, 2009

***Devens Enterprise Commission
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2009***

As management of the Devens Enterprise Commission, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Devens Enterprise Commission for the fiscal year ended June 30, 2009.

Financial Highlights

- The assets of the Devens Enterprise Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,858,982 (*net assets*).
- The Commission's total net assets increased by \$258,620. The increase related primarily to the issuance of permits.
- At the end of the current fiscal year, the balance in the unrestricted retained earnings account was \$1,858,982, or 321 percent of total expenses.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction of the Devens Enterprise Commission's basic financial statements.

Proprietary funds. The Devens Enterprise Commission maintains one proprietary (enterprise) fund type. The Devens Enterprise Commission was established to expedite and regulate the orderly conversion and redevelopment of Fort Devens to non military uses in compliance with the Devens Reuse Plan.

Financial Analysis

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed net assets.

Net Assets	
June 30, 2009	
	Business-type Activities
	<u>2009</u> <u>2008</u>
Current and Other Assets	\$ 2,726,298 \$ 2,674,800
Capital Assets	- 285
Total Assets	<u>2,726,298</u> <u>2,675,085</u>

	Business-type Activities	
	<u>2009</u>	<u>2008</u>
Current Liabilities	856,670	1,065,108
Noncurrent Liabilities	10,646	9,615
Total Liabilities	<u>867,316</u>	<u>1,074,723</u>
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	-	285
Unrestricted	1,858,982	1,600,077
Total Net Assets	<u>\$ 1,858,982</u>	<u>\$ 1,600,362</u>

The net assets of Devens Enterprise Commission increased by \$258,620 or 16%.

Changes in Net Assets

The following condensed financial information was derived from the Statement of Revenues, Expenses, and Changes in Fund Net Assets. It reflects how the entity's net assets have changed during the fiscal year.

	Business-Type Activities	
	<u>2009</u>	<u>2008</u>
Revenues		
Program Revenues:		
Permits and Other Fees	\$ 678,826	\$ 1,549,701
Taxes	70,291	66,216
Miscellaneous	11,854	15,824
Grants	20,648	40,294
Earnings on Investments	56,592	58,101
Total Revenues	<u>838,211</u>	<u>1,730,136</u>
Expenses		
Personnel	234,778	221,317
Non Personnel	344,528	282,042
Depreciation	285	1,771
Total Expenses	<u>579,591</u>	<u>505,130</u>
Increase (Decrease) in Net Assets	<u>\$ 258,620</u>	<u>\$ 1,225,006</u>

Business-type Activities

When the Devens Enterprise Commission began, the Commonwealth of Massachusetts provided grant revenues to help fund operations. In fiscal year 2005, the Commission began receiving 2% of all Devens related tax revenue received by the Massachusetts Development Finance Agency (MassDevelopment). In addition to the tax revenues, MassDevelopment has “guaranteed” to pay the Commission any sum required to keep cash reserves at \$250,000. In current year, revenues exceeded expenses.

Financial Analysis of the Commission’s Funds

Proprietary Fund

Enterprise Fund – The June 30, 2009 year-end net assets of the Commission were \$258,620 more than the prior year’s net assets. In fiscal year 2008, the net assets increased by \$1,225,006.

The following table reflects the trend in all the components of net assets for the past seven years.

<u>Fiscal Year</u>	<u>Total Net Assets</u>	<u>Invested in Capital Assets Net of Related Debt</u>	<u>Unrestricted</u>
2009	\$ 1,858,982	\$ -	\$ 1,858,982
2008	1,600,362	285	1,600,077
2007	375,356	2,056	373,300
2006	319,136	5,197	313,939
2005	322,672	8,929	313,743
2004	369,454	4,774	364,680
2003	609,746	9,843	599,903

Capital Asset and Debt Administration

Capital assets. The Devens Enterprise Commission’s investment in capital assets as of June 30, 2009, amounts to \$0 (net of accumulated depreciation). The investment in capital assets includes office equipment, a web page and an Eco Star manual.

Capital assets (net of accumulated depreciation/amortization) are detailed as follows:

Capital Assets at June 30, 2009 (Net of Depreciation)

	<u>Business - Type Activities</u>	
	<u>2009</u>	<u>2008</u>
Office Equipment	\$ -	\$ 285
Total	<u>\$ -</u>	<u>\$ 285</u>

Debt

Currently, the Commission does not have any long term or short term debt.

Fiscal Year 2010 Budget

The Commission's fiscal year 2010 budget will be \$619,505, a decrease of approximately 15%.

Devens Enterprise Commission
Statement of Net Assets
Proprietary Funds
June 30, 2009

	<u>Enterprise</u>
Assets	
Current:	
Cash	\$ 2,679,350
Accounts Receivable	10,169
Due from Devens Eco-Efficiency Center	6,273
Pass Through Receivable	26,667
Prepaid Expenses	<u>3,839</u>
Total Assets	<u>2,726,298</u>
 Liabilities	
Current:	
Accounts Payable	69,978
Payroll Payable	10,486
Due to Devens Eco-Efficiency Center	2,177
Pass Through Payable	11,132
Guarantee Deposit	716,177
Deferred Revenues	46,720
Noncurrent:	
Compensated Absences	<u>10,646</u>
Total Liabilities	<u>867,316</u>
 Net Assets	
Unrestricted	<u>1,858,982</u>
Total Net Assets	<u><u>\$ 1,858,982</u></u>

Devens Enterprise Commission
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	<u>Enterprise</u>
Operating Revenues:	
Permits and Other Fees	\$ 678,826
Taxes	70,291
Grants	20,648
Miscellaneous Income	<u>11,854</u>
 Total Operating Revenues	 <u>781,619</u>
Operating Expenses:	
Personnel Services	234,778
Consulting Services	30,761
Contracted Services	108,997
Payment to Subrecipient	20,648
Insurance	9,749
Employee Benefits	32,065
Other Operations	67,408
Depreciation	<u>285</u>
 Total Operating Expenses	 <u>504,691</u>
 Operating Income	 <u>276,928</u>
Nonoperating Revenues (Expenses):	
Funding Devens Eco-Efficiency Center	(74,900)
Earnings on Investments	<u>56,592</u>
 Total Nonoperating Revenues (Expenses)	 <u>(18,308)</u>
 Changes in Net Assets	 258,620
 Total Net Assets, July 1, 2008	 <u>1,600,362</u>
 Total Net Assets, June 30, 2009	 <u><u>\$ 1,858,982</u></u>

Devens Enterprise Commission
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2009

Cash Flows from Operating Activities:

Receipts from Customers and MassDevelopment	\$ 561,746
Payments to Employees	(232,307)
Payments to Vendors	(311,658)
Net Cash Flows Provided (Used) by Operating Activities	17,781

Cash Flows from Non Capital Related Financing Activities:

Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	61,033
	61,033

Cash Flows from Capital and Related Financing Activities

Net Cash Flows Provided (Used) by Capital and Related Financing Activities	-
	-

Cash Flows from Investing Activities:

Earnings on Investments	56,592
Net Cash Flows Provided (Used) by Investing Activities	56,592

Net Increase (Decrease) in Cash and Cash Equivalents	135,406
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Cash and Cash Equivalents, July 1, 2008	2,618,844
Cash and Cash Equivalents, June 30, 2009	\$ 2,754,250

Reconciliation of Operating Income to Net Cash Provided (Used) by

Cash Flows from Operating Activities:

Operating Income (Loss)	\$ 276,928
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	285
Decrease (Increase) in Accounts Receivable	(219,873)
Decrease (Increase) in Prepaid Expenses	(1,053)
Increase (Decrease) in Deferred Revenue	(12,183)
Increase (Decrease) in Compensated Absences Payable	1,031
Increase (Decrease) in Accounts and Wages Payable	(27,354)
Net Cash Flows from Operating Activities	\$ 17,781

Devens Enterprise Commission
Notes to Financial Statements
June 30, 2009

1. Reporting Entity

The Devens Enterprise Commission's general purpose financial statements include the operations of all organizations for which the Board of Commissioners exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Devens Enterprise Commission was the only entity included in the accompanying general purpose financial statements.

2. Summary of Significant Accounting Policies

The accounting policies for financial reporting purposes of the Devens Enterprise Commission conform to generally accepted accounting principles for local governmental units. The following is a summary of the significant accounting policies:

A. Fund Accounting

The Commission reports its financial activities in one proprietary fund type in order to comply with the limitations and restrictions placed on both the resources available and the services provided.

This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

B. Basis of Accounting

The accompanying financial statements have been prepared and presented on the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when the related liability is incurred. The Commission applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case GASB prevails.

Revenue Recognition

In accordance with Governmental Accounting Standards Board Statement #33, fees charged for permits are considered revenue when they are earned. For the most part, revenue is earned when a permit is issued.

Expenses

Expenses are reported when the related liability has been incurred.

3. Pension Plan

A. Plan Description

Certain employees of the Commission are members of the Commonwealth of Massachusetts Pension System, a cost sharing multiple-employer defined benefit pension plan administered by the Commonwealth. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits. The system is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Commonwealth of Massachusetts Pension System issues a publicly available financial report that includes financial statements and the required supplementary information. That report may be obtained by writing to the State Retirement Board, 1 Ashburton Place, 12th Floor, Room 219, Boston, MA 02108.

B. Funding Plan

Active members of the Commonwealth of Massachusetts Pension System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The contribution requirements of plan members is determined by M.G.L. Chapter 32.

The Commission does not contribute to the System.

4. Cash and Investments

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a formal deposit policy for custodial credit risk. As of June 30, 2009, none of the Commissions' bank balance of \$2,478,703 was exposed to credit risk.

Investments

As of June 30, 2009, the Commission had \$225,172 invested in the State Treasurer's Investment Pool (Massachusetts Municipal Depository Trust).

Interest Rate Risk

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

Credit Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission does not have a formal policy relating to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have a formal policy that limits the amount it may invest in a single issuer (state law limits the amount that may be deposited in a financial institution without collateralization).

B. Capital Assets

Capital assets (office equipment) are reported in the accompanying financial statements. The Commission, also, reported assets for its web page and EcoStar manual. Such assets are recorded at historical cost.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives is not capitalized.

Depreciation and amortization are charged using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>			
Office Equipment	5-7			
Web Page	3			
Eco Star Manual	3			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Assets Being Depreciated or Amortized:				
Office Equipment	\$ 15,771	\$ -	\$ -	\$ 15,771
Web Page	15,507	-	-	15,507
EcoStar Manual	7,200	-	-	7,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets Being Depreciated	38,478	-	-	38,478
	<hr/>	<hr/>	<hr/>	<hr/>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less Accumulated Depreciation and Amortization for:				
Office Equipment	15,486	285	-	15,771
Web Page	15,507	-	-	15,507
EcoStar Manual	7,200	-	-	7,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total Accumulated Depreciation	38,193	285	-	38,478
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fixed Assets, Net	\$ 285	\$ (285)	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

5. Tax Revenues and Cash Reserve Guarantee

In addition to the revenues from permits, the Devens Enterprise Commission (DEC) shall be entitled to an amount of money that is equal to two percent (2%) of the total of all taxes and all General Management Service fees received by the Massachusetts Development Finance Agency (the Agency) for a fiscal year in accordance with the “**Tax Plan for the Devens Enterprise Zone**”. Taxes include property taxes, motor vehicle excise taxes, local option room occupancy taxes, and other taxes that may be included in the plan. Such monies will be paid to the DEC not later than December 31 of the following fiscal year.

As of March 31 of any given year, if the DEC’s cash reserve is forecast by the DEC to fall below \$250,000 by June 30 of that year, the Agency shall pay to the DEC an amount of money sufficient to restore the cash reserve to a balance of \$250,000. Said amount is to be paid on or before July 31 of that year.

6. Compensated Absences

A. Vacation Leave

Full time employees earn paid vacation time in accordance with the following schedule:

Less than 5 years employment	10 days
After 5 years employment	15 days
After 10 years employment	20 days
After 15 years employment	25 days

Employees earn 1/12 of their annual vacation allowance for each full month worked. All employees must use at least 50% of their annual vacation time. A maximum of ten (10) days unused vacation time may be carried over to the next fiscal year. When an employee terminates, he/she will be compensated for their earned but unused vacation allowance. The liability for accumulated compensated absences is reported in the accompanying financial statements.

B. Sick Leave

Employees are granted fifteen (15) days of sick leave every July 1st. Sick leave can accumulate up to sixty (60) days. Upon termination, unused sick leave is not "bought back" by the Commission. As a result an accumulated sick leave liability is not reported.

7. Related Party Transactions

The Devens Enterprise Commission (Commission) entered into related party transactions with the Devens Eco-Efficiency Center, Inc. (a nonprofit organization). The Executive Director of the Commission is the President of the Devens Eco-Efficiency Center, Inc. (D.E.E.C.). The Commission provided the D.E.E.C. with funding in the amount of \$74,900. In addition, the Commission acted as a pass-through agency for grants (\$20,648) to the D.E.E.C.

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

Board of Commissioners
Devens Enterprise Commission
33 Andrews Parkway
Devens, Massachusetts 01434

We have audited the basic financial statements of the Devens Enterprise Commission as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Devens Enterprise Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Devens Enterprise Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Devens Enterprise Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Devens Enterprise Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Devens Enterprise Commission's financial statements that is more than inconsequential will not be prevented or detected by the Devens Enterprise Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Devens Enterprise Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Devens Enterprise Commission in a separate letter dated November 20, 2009.

The report is intended solely for the information and use of management, the Board of Commissioners and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
October 16, 2009