

TOWN OF GRANVILLE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2008

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Thomas J. Scanlon & Associates
Certified Public Accountants



Independent Auditors' Report

To the Honorable Selectboard
Town of Granville, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Granville, Massachusetts, as of and for the fiscal year ended June 30, 2008, 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 Granville, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Granville, Massachusetts, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund 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 January 9, 2009, on our consideration of the Town of Granville, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Granville, Massachusetts, basic financial statements. The supplementary supporting statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic

financial statements of the Town of Granville, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.



THOMAS J. SCANLON,
Certified Public Accountant

South Deerfield, Massachusetts
January 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Granville, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

- The Town's assets exceeded its liabilities by \$6,445,500 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$6,266,432 or an increase of \$179,068.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$4,322,303 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$416,806 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$1,706,391 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$1,673,906 this year. This compares to the prior year ending fund balance of \$1,801,712 showing a decrease of \$127,806 during the current year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$668,045 or 13.46% of total General Fund expenditures including transfers and 13.87% of total General Fund revenues including transfers.
- Total liabilities of the Town were \$952,587.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Granville's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The Town does not have any operations that are classified as business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Notes to 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.

Financial Highlights

Statement of Net Assets Highlights

Assets:	
Current assets	\$ 2,713,042
Capital assets	4,685,045
Total assets	<u>7,398,087</u>
Liabilities:	
Current liabilities (excluding debt)	250,750
Noncurrent liabilities (excluding debt)	108,304
Current debt	239,208
Noncurrent debt	354,325
Total liabilities	<u>952,587</u>
Net Assets:	
Capital assets net of related debt	4,322,303
Restricted	416,806
Unrestricted	1,706,391
Total net assets	<u>6,445,500</u>

Statement of Activities Highlights

Program Revenues:	
Charges for services	\$ 219,760
Operating grants and contributions	1,891,698
Capital grants and contributions	424,084
General Revenues:	
Property taxes	2,140,045
Motor vehicle excise and other taxes	410,627
Penalties and interest on taxes	19,731
Nonrestricted grants	242,896
Unrestricted investment income	40,903
Net increase (decrease) in fair value of investments	3,939
Total revenues	<u>5,393,683</u>
Expenses:	
General government	276,168
Public safety	288,567
Public works	596,901
Education	3,190,760
Health and human services	67,332
Culture and recreation	55,944
Employee benefits and insurance	642,601
State assessments	60,224
Interest	36,118
Total expenses	<u>5,214,615</u>
Change in net assets	179,068
Net assets - beginning of year	<u>6,266,432</u>
Net assets - end of year	<u>\$ 6,445,500</u>

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$6,445,500 at the close of FY 2008.

Net assets of \$4,322,303 (67%) 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 \$416,806 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$1,706,391 (27%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental activities net assets increased by \$179,068 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$1,673,906. Of this year-end total, \$668,045 is the undesignated/unreserved fund balance, indicating availability for continuing Town service requirements and \$309,942 are funds designated for fiscal year 2009. Reserved and designated fund balances include \$88,898 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$13,700 in perpetual permanent funds; \$561,335 in special revenue funds; and \$31,986 in permanent funds.

The total ending fund balances of the governmental funds shows a decrease of \$127,806 in comparison with the prior year. The decrease was due to expenditures exceeding revenues.

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$668,045, while total fund balance reached \$1,023,554. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents 13.46% of total general fund expenditures and transfers and total fund balance represents 20.62% of that same amount. Unreserved/undesignated fund balance represents 13.87% of total general fund revenues and transfers and total fund balance represents 21.25% of that same amount.

The fund balance of the general fund decreased by \$147,956. Of this amount \$188,497 was attributed to expenditures over revenues and \$40,541 of net transfers from the nonmajor governmental funds.

The *Stabilization Fund* has accumulated a fund balance of \$105,846 that represents 2.13% of total general fund expenditures and transfers and 2.20% of total general fund revenues and transfers.

The fund balance of the stabilization fund increased by \$4,327. This increase was attributed to interest income of \$4,327. Please refer to Note 3F for additional information.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2008 was \$4,906,859.

There was an increase of \$5,500 between the original budget and the revised budget. This increase was the result of an appropriations for library capital improvements.

There was a negative variance in property taxes of \$477 that was attributed to a drop in collections.

A negative variance of \$152 exists in public works primarily the result of winter expenses. A negative variance of \$1,689 exists in health and human services as a result of veterans benefit expenses. A negative variance of \$9,416 exists in state assessments. This was attributed to the expenditures exceeding the assessments in the charter school sending tuition for \$329, the school choice sending tuition for \$8,227 and in the RMV non-renewal surcharge for \$860.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2008 amounts to \$4,685,045.

The investment in capital assets includes land, any construction in progress, buildings and renovations, machinery, equipment and other.

The capital events during the current fiscal year in the governmental type funds included the following:

- Library building improvements for \$33,000.
- Road infrastructure improvements for \$395,925.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2008, totaled \$593,533 of which \$5,100 is for the fire truck, \$120,000 is for a highway truck, \$51,895 is for a school bus, \$216,000 is for renovations to the Town Hall, \$140,000 for the elementary school and \$60,538 is for the ambulance.

Please refer to notes 3C and 3E 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 Granville'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 Town Accountant, Town Hall, Granville, Massachusetts.

BASIC FINANCIAL STATEMENTS

**TOWN OF GRANVILLE, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 1,557,239
Investments	179,846
Receivables, net of allowance for uncollectibles:	
Property Taxes	293,780
Tax Liens	127,203
Excise and Other Taxes	32,600
Departmental	6,660
Due from Other Governments	515,714
Total current assets	<u>2,713,042</u>
NONCURRENT:	
Capital Assets, net of accumulated Depreciation:	
Nondepreciable	374,542
Depreciable	4,310,503
Total noncurrent assets	<u>4,685,045</u>
Total Assets	<u><u>7,398,087</u></u>
LIABILITIES	
CURRENT:	
Warrants Payable	170,342
Accrued Payroll	40,556
Payroll Withholdings	1,588
Accrued Interest	11,188
Compensated Absences	27,076
Bonds Payable	239,208
Total current liabilities	<u>489,958</u>
NONCURRENT:	
Compensated Absences	108,304
Bonds Payable	354,325
Total noncurrent liabilities	<u>462,629</u>
Total Liabilities	<u><u>952,587</u></u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	4,322,303
Restricted for:	
Federal & State Grants	230,833
Permanent Funds:	
Expendable	31,986
Nonexpendable	13,700
Other Purposes	140,287
Unrestricted	1,706,391
Total Net Assets	<u><u>\$ 6,445,500</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANVILLE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expenses) Revenues and and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	
				Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$	276,168	\$ 25,309	\$ 19,444	\$ (231,415)
Public Safety		288,567	78,389	16,349	(180,329)
Public Works		596,901	-	62,962	(123,355)
Education		3,190,760	71,023	1,525,173	(1,594,564)
Health and Human Services		67,332	42,823	9,156	(15,353)
Culture and Recreation		55,944	2,216	34,245	(19,483)
Employee Benefits and Insurance		642,601	-	208,955	(433,646)
State Assessments		60,224	-	-	(60,224)
Interest		36,118	-	15,414	(20,704)
Total Governmental Activities		5,214,615	219,760	1,891,698	(2,679,073)
Total Primary Government	\$	5,214,615	\$ 219,760	\$ 1,891,698	(2,679,073)
General Revenues:					
Property Taxes					2,140,045
Motor vehicle excise and other taxes					410,627
Penalties & Interest on Taxes					19,731
Grants & Contributions not restricted to specific programs					242,896
Unrestricted Investment Income					40,903
Miscellaneous					3,939
Total General Revenues					2,858,141
Change in Net Assets					179,068
Not Assets:					
Beginning of year					6,266,432
End of year					\$ 6,445,500

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRANVILLE, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 1,179,884	\$ 9,064	\$ 368,291	\$ 1,557,239
Investments	-	96,782	83,064	179,846
Receivables, net of allowance for uncollectibles:				
Property Taxes	293,780	-	-	293,780
Tax Liens	127,203	-	-	127,203
Excise and Other Taxes	32,600	-	-	32,600
Departmental	-	-	6,660	6,660
Due from Other Governments	231,636	-	284,078	515,714
Total Assets	\$ 1,865,103	\$ 105,846	\$ 742,093	\$ 2,713,042
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Warrants Payable	\$ 166,799	\$ -	\$ 3,543	\$ 170,342
Accrued Payroll	36,038	-	4,518	40,556
Payroll Withholdings	1,588	-	-	1,588
Deferred Revenue:				
Property Taxes	246,530	-	-	246,530
Other	390,594	-	189,526	580,120
Total Liabilities	841,549	-	197,587	1,039,136
Fund Balance:				
Reserved For:				
Encumbrances and continuing appropriations	88,898	-	-	88,898
Perpetual Permanent Funds	-	-	13,700	13,700
Unreserved:				
Designated for Subsequent Years' Expenditures	266,611	-	43,331	309,942
Undesignated, reported in:				
General Fund	668,045	-	-	668,045
Special Revenue	-	105,846	455,489	561,335
Permanent Funds	-	-	31,986	31,986
Total Fund Balance	1,023,554	105,846	544,506	1,673,906
Total Liabilities and Fund Balance	\$ 1,865,103	\$ 105,846	\$ 742,093	\$ 2,713,042

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANVILLE, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 2,100,190	\$ -	\$ -	\$ 2,100,190
State Receipts	1,819,110	-	-	1,819,110
Excise and Other Taxes	410,925	-	-	410,925
Licenses, Permits, Fees	194,779	-	-	194,779
Interest on Taxes	19,731	-	-	19,731
Interest on Investments	36,576	4,327	10,483	51,386
Intergovernmental - "On-behalf" Payments	193,755	-	-	193,755
Grants and Fees	-	-	766,505	766,505
Total Revenues	4,775,066	4,327	776,988	5,556,381
Expenditures:				
Current:				
General Government	214,375	-	26,702	241,077
Public Safety	204,480	-	35,788	240,268
Public Works	443,929	-	456,731	900,660
Education	2,862,268	-	179,249	3,041,517
Health and Human Services	62,558	-	3,630	66,188
Culture and Recreation	69,320	-	18,524	87,844
Employee Benefits and Insurance	642,601	-	-	642,601
State Assessments	60,224	-	-	60,224
Debt Service:				
Principal	360,108	-	-	360,108
Interest	43,700	-	-	43,700
Total Expenditures	4,963,563	-	720,624	5,684,187
Excess of Revenues Over (Under) Expenditures	(188,497)	4,327	56,364	(127,806)
Other Financing Sources (Uses):				
Operating Transfers In	40,997	-	456	41,453
Operating Transfers Out	(456)	-	(40,997)	(41,453)
Total Other Financing Sources (Uses)	40,541	-	(40,541)	-
Net Change in Fund Balances	(147,956)	4,327	15,823	(127,806)
Fund Balances, Beginning of Year	1,171,510	101,519	528,683	1,801,712
Fund Balances, End of Year	\$ 1,023,554	\$ 105,846	\$ 544,506	\$ 1,673,906

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANVILLE, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2008

Total Governmental Fund Balances		\$ 1,673,906
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		4,685,045
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		826,650
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds Payable	\$ (593,533)	
Compensated Absences	<u>(135,380)</u>	(728,913)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		<u>(11,188)</u>
Net Assets of Governmental Activities		<u><u>\$ 6,445,500</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANVILLE, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	(127,806)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Outlay Purchases	\$ 428,925	
Depreciation	(325,509)	103,416

Revenue 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

(162,698)

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:

360,108

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 governmental funds:

Net Change in Compensated Absences	(1,534)	
Net Change in Accrued Interest on Long-Term Debt	7,582	6,048

Change in Net Assets of Governmental Activities	\$	<u>179,068</u>
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The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRANVILLE, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 2,131,017	\$ 2,131,017	\$ 2,130,540	\$ -	\$ (477)
State Receipts	1,810,425	1,810,425	1,819,110	-	8,685
Excise and Other Taxes	357,016	357,016	410,925	-	53,909
Licenses, Permits, Fees	103,000	103,000	194,779	-	91,779
Interest on Taxes	10,000	10,000	19,731	-	9,731
Interest on Investments	18,000	18,000	36,576	-	18,576
Total Revenues	4,429,458	4,429,458	4,611,661	-	182,203
Expenditures:					
Current:					
General Government	298,207	283,789	214,375	68,748	666
Public Safety	203,602	206,644	204,480	2,030	134
Public Works	402,144	448,001	443,929	4,224	(152)
Education	2,884,595	2,884,595	2,862,268	8,665	13,662
Health and Human Services	60,275	64,440	62,558	3,571	(1,689)
Culture and Recreation	65,241	70,980	69,320	1,660	-
Employee Benefits and Insurance	501,208	472,323	448,846	-	23,477
State Assessments	50,808	50,808	60,224	-	(9,416)
Debt Service:					
Principal	391,579	381,579	360,108	-	21,471
Interest	43,700	43,700	43,700	-	-
Total Expenditures	4,901,359	4,906,859	4,769,808	88,898	48,153
Excess of Revenues Over (Under) Expenditures	(471,901)	(477,401)	(158,147)	(88,898)	230,356
Other Financing Sources (Uses):					
Operating Transfers In (Out)	31,244	31,244	40,541	-	9,297
Total Other Financing Sources (Uses)	31,244	31,244	40,541	-	9,297
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(440,657)	(446,157)	(117,606)	(88,898)	239,653
Budgetary Fund Balance - Beginning of Year	1,093,910	1,093,910	1,093,910	-	-
Budgetary Fund Balance - End of Year	\$ 653,253	\$ 647,753	\$ 976,304	\$ (88,898)	\$ 239,653

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANVILLE, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2008

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 4,611,661	\$ 4,769,808
Recognition of intergovernmental Revenue - "on behalf payments"	193,755	
Recognition of Expenditures - "on behalf payments"		193,755
Net Decrease in Revenue from Recording 60-Day Receipts	<u>(30,350)</u>	
Reported on a GAAP Basis	<u>\$ 4,775,066</u>	<u>\$ 4,963,563</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRANVILLE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008**

		<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$	14,078
Investments		-
Total Assets		<u>14,078</u>
LIABILITIES		
Warrants Payable		1,061
Due to Others		<u>13,017</u>
Total Liabilities		<u>14,078</u>
NET ASSETS:		
Held in Trust for Other Purposes	\$	<u>-</u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Granville, Massachusetts (the Town) was incorporated in 1754 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Selectboard.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units 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. In fiscal year 2008, it was determined that no entities met the required GASB-14 criteria for component units.

The accompanying basic financial statements of the Town of Granville, 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (e.g., statement of net assets and the statement of activities) 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Fiduciary funds are reported by fund type.

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 government reports the following major governmental funds:

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

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

Additionally, the government reports the following fund types:

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 government programs.

The *agency fund* is used to account for assets held in a purely custodial capacity.

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

The non-major governmental fund consists 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 funds 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 *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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

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. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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 Laws (MGL).

E. Investments

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

All investments are carried at fair value.

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2007 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The first tax payment is due November 1st, or thirty days after the date tax bills were mailed, whichever is later and must be at least one-half of the tax and any betterments. The balance of the tax is owed by May 1st of the following year. If payments are not made by the due dates, interest at the rate of 14% will be charged on the amount of the payment that is unpaid and overdue. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed actual tax bills for the fiscal year 2008 on November 10, 2007, that were due on December 12, 2007 and May 1, 2008.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2008 is \$2,166,575 consisting of a base of \$2,130,322 and a debt exclusion of \$36,253. The total amount raised by taxation was \$2,160,989.

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

Excise and Other Taxes

Excise taxes and other taxes consist of motor vehicle excise, farm animal excise and forest products taxes. Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The tax calculation for motor vehicle excise taxes is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Farm animal excise taxes are assessed annually by the Board of Assessors and are based upon values of the asset. Forest product taxes are assessed by the Board of Assessors.

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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

Departmental

Departmental receivables consist ambulance fees.

The allowance for uncollectibles is based upon specific account analysis.

Due from Other Governments

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

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

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (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. 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.

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Years
Buildings and renovations	10-40
Machinery, equipment and other	3-15
Infrastructure	20-50

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.

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

H. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

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

I. Deferred Revenue

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

J. Net Assets and Fund Equity

Net assets are reported as restricted when amounts 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:

"Federal and state grants" represents amounts restricted for by the federal and state government for various programs.

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

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

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

Fund 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 balances represent tentative management plans that are subject to change. Fund balances have been "reserved for" or "designated 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.

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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

"Designated for subsequent years' expenditures" represents the amount of fund balance appropriated to be used for expenditures in the subsequent year's budget. The Town includes the following in the reserve:

General Fund:		
Undesignated:		
Free cash		\$ 266,611
Nonmajor Governmental Funds:		
Gifts and donations	\$ 19,331	
Ambulance fees fund	24,000	43,331
		<u>\$ 309,942</u>

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave which is (subject to certain limitations) at their current rates of pay.

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% to 100% share of insurance premiums for retirees, spouses and surviving spouses in the general fund in the fiscal year paid. For the fiscal year ending June 30, 2008, the expense/expenditure totaled approximately \$50,968. There were approximately 12 participants eligible to received benefits at June 30, 2008.

The cost of providing health insurance is recognized by recording the employer's share of insurance premiums in the general fund in the fiscal year paid.

N. Use of Estimates

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

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

Estimates are submitted by departments.

The budget is legally enacted by vote at the annual Town meeting.

Supplemental appropriations may be made from available funds after setting of the tax rate with Town meeting approval.

Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2008, the Town incurred a final budget deficit of \$446,157 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Unreserved Fund Balance:	
Free cash votes	\$ 355,961
Prior year's encumbrances	113,616
Reserved for Deficits	(23,420)
	<u>\$ 446,157</u>

3. DETAILED NOTES

A. Deposits and Investments

Deposits and Investment Policies

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Deposits, including demand deposits, money market and certificate of deposits in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Generally, the treasurer of the Town is authorized to invest in the following investments: national banks, savings banks or banking companies, obligations issued or unconditionally guaranteed by the United States government or agency thereof and having a maturity from date of purchase of one year or less, with certain other limitations, or units in the Commonwealth Treasurer's Investment Pool. The pool is administered by the Massachusetts Municipal Depository Trust, 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. The Town policy is to follow the state statutes.

The Town's investments consisted of the MMDT in the amount of \$179,846.

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2008 were \$1,737,173. Of these, \$188,220 were exposed custodial credit risk as uninsured and uncollateralized.

B. Receivables

At June 30, 2008, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 304,784	\$ (11,004)	\$ 293,780
Tax liens	143,588	(16,385)	127,203
Excise and other taxes	46,285	(13,685)	32,600
Departmental	15,243	(8,583)	6,660
Due from other governments	515,714	-	515,714
	<u>\$ 1,025,614</u>	<u>\$ (49,657)</u>	<u>\$ 975,957</u>

The composition of amounts due from other governments as of June 30, 2008 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans benefits \$ 845

School Building Authority:

School Building Assistance - capital portion 230,791 \$ 231,636

Nonmajor Governmental Funds:

U. S. Department of Agriculture

School lunch 187

U. S. Department of Education

School title grants 3,364

Commonwealth of Massachusetts:

Massachusetts Department of Elementary and

Secondary Education:

School lunch 3,006

School grants 5,579

Executive Office of Public Safety and Homeland

Security:

Police detail 2,700

Massachusetts Highway Department:

Chapter 90 funded projects 269,242 284,078

\$ 515,714

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

The balance of the general fund deferred revenues account is equal to all of June 30, 2008 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections. At the end of the current fiscal year, the deferred revenue for property taxes is \$246,530.

The various components of the other deferred revenue reported in the governmental funds were as follows:

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

General Fund:

Tax liens	\$	127,203		
Excise taxes		32,600		
Due from other governments		230,791	\$	390,594

Nonmajor Governmental Funds:

Departmental	\$	6,660		
Due from other governments		182,866		189,526
			\$	<u>580,120</u>

C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 374,542	\$ -	\$ -	\$ 374,542
Total capital assets not being depreciated	374,542	-	-	374,542
Capital assets being depreciated:				
Buildings and Renovations	5,321,487	33,000	-	5,354,487
Machinery, equipment and other	1,992,034	-	-	1,992,034
Infrastructure	963,260	395,925	-	1,359,185
Total capital assets being depreciated	8,276,781	428,925	-	8,705,706
Less accumulated depreciation for:				
Buildings and Renovations	2,705,328	170,280	-	2,875,608
Machinery, equipment and other	1,265,068	104,910	-	1,369,978
Infrastructure	99,298	50,319	-	149,617
Total accumulated depreciation	4,069,694	325,509	-	4,395,203
Total capital assets being depreciated, net	4,207,087	103,416	-	4,310,503
Total governmental activities capital assets, net	\$ 4,581,629	\$ 103,416	\$ -	\$ 4,685,045

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

Governmental Activities:

General government	\$	33,557
Public safety		48,299
Public works		92,166
Education		149,243
Health and human services		1,144
Culture and recreation		1,100
Total depreciation expense - governmental activities	\$	<u>325,509</u>

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 456	\$ 456
Nonmajor governmental funds	40,997	-	40,997
Total transfers out	<u>\$ 40,997</u>	<u>\$ 456</u>	<u>\$ 41,453</u>

E. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2008
Inside Debt Limit:					
Fire truck	5.00%	11/27/00	11/27/08	160,000	\$ 5,100
Town hall renovations	3.55%	09/02/03	09/02/13	360,000	216,000
New highway truck	5.00%	02/15/07	02/15/12	150,000	120,000
Ambulance	4.75%	07/05/06	07/05/11	75,673	60,539
School bus	4.75%	07/05/06	07/05/11	64,868	51,894
Total Inside Debt Limit					<u>453,533</u>
Outside Debt Limit:					
School Construction	7.29%	07/15/90	07/15/08	2,600,000	140,000
Total governmental type debt					<u>\$ 593,533</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2008, are as follows:

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Governmental	Principal	Interest	Total
2009	\$ 239,208	\$ 23,067	\$ 262,275
2010	94,108	13,589	107,697
2011	94,108	9,476	103,584
2012	94,109	5,362	99,471
2013	36,000	1,917	37,917
2014	36,000	639	36,639
	<u>\$ 593,533</u>	<u>\$ 54,050</u>	<u>\$ 647,583</u>

A summary of the changes in governmental activities long term debt during the year is as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 953,641	\$ -	\$ 360,108	\$ 593,533	\$ 239,208
Compensated absences	133,846	1,534	-	135,380	27,076
Governmental activity					
Long-term liabilities	<u>\$ 1,087,487</u>	<u>\$ 1,534</u>	<u>\$ 360,108</u>	<u>\$ 728,913</u>	<u>\$ 266,284</u>

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2008 was \$453,533.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2008

Equalized Valuation-Real Estate and Personal Property (2006)		\$ 172,376,400
Debt Limit: 5 % of Equalized value		<u>\$ 8,618,820</u>
Total Debt Outstanding	\$ 593,533	
Less: Debt Outside Debt Limit	<u>(140,000)</u>	<u>453,533</u>
Inside Debt Excess Borrowing Capacity at June 30, 2008		<u>\$ 8,165,287</u>

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2008 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting Authorized	Purpose	Amount
05/08/00	Purchase of a police cruiser	\$ 30,500
05/09/05	New ambulance	1,327
05/09/05	New school bus	132
		<u>\$ 31,959</u>

F. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2008, \$105,846 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

4. OTHER INFORMATION

A. Risk Management

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. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

B. Town Meeting – Fiscal Year 2009

The Town of Granville operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2008 do not reflect the fiscal year 2009 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on May 12, 2008 authorized a fiscal year 2009 operating and capital budget as follows:

From the tax levy		\$	4,352,400
From other available funds:			
General Fund:			
Unreserved fund balance			266,611
(Free cash)			
Nonmajor Governmental Fund:			
Ambulance fees fund	\$	24,000	
Gifts and donations		19,331	43,331
			<u>\$ 4,662,342</u>

C. Contingent Liabilities

Litigation

Various cases are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2008.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

D. Pension Plan

Plan Description

The Town, as a member of the Hampden County Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Hampden County Retirement Board. Each participating employers' share of the total

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$193,755 for the fiscal year ending June 30, 2008, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has approximately 27 employees in the retirement system.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases 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 Hampden County Regional Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 67 Hunt Street, Suite 116, Agawam, Massachusetts.

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. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2008, 2007 and 2006 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2008	\$ 131,052
2007	121,301
2006	91,259

The last actuarial valuation was prepared by Buck Consultants, LLC as of January 1, 2007.

The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of

TOWN OF GRANVILLE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

8.5% compounded annually, (b) projected salary, including longevity, increases of 5.5% per year per member.

The total unfunded actuarial liability applicable to the entire System's employees at January 1, 2007 is as follows:

Actuarial Accrued Liability	\$ 354,535,380
Assets	218,738,644
Unfunded Actuarial Liability	<u>\$ 135,796,736</u>

The Town's portion of such liability is approximately .82% or \$1,113,533.

The system's funding policy is governed by Section 22 (D) of Chapter 32. The members of the system are required to fund each year the actuarially determined normal cost plus an amount to amortize the unfunded liability. The system accepted the provisions of Chapter 32, Section 22D to become a funding unit on January 1, 1991.

Reporting Policies

The funds of the Hampden County Regional Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

SUPPLEMENTARY SCHEDULES

TOWN OF GRANVILLE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Fund Balances July 1, 2007	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2008
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 26,714	\$ 102,223	\$ 103,896	\$ 6	\$ 25,047
Arts Lottery Council	3,439	4,221	4,204	-	3,456
Emergency Management Grants	-	60,806	60,806	-	-
Council on Aging Grants	10	3,300	3,310	-	-
Extended Polling Hours	590	-	-	-	590
Highway Grants	-	395,926	395,926	-	-
Source Water Protection Grant	4,344	-	199	-	4,145
Other Grants and Programs	3,885	3,819	2,801	-	4,903
Public Safety Grants	10,363	15,799	15,680	-	9,482
Tourism Grant	344	-	-	-	344
Schools:					
School Lunch Revolving	32,283	50,255	61,322	-	21,216
State Special Education Reimbursement Fund	12,925	19,926	14,031	-	18,820
Other:					
Cable Funds	10,662	2,400	1,848	-	11,214
Gifts and Donations	27,276	26,668	10,338	-	43,606
Old Meeting House Maintenance Fund	820	9,235	8,753	-	1,302
Conservation Fees	138	-	-	-	138
Town Green Fund	8,430	-	2,595	-	5,835
Harvest Fair Revolving	3,238	2,216	2,918	-	2,536
Tax Collector Fees	15	1,805	1,570	-	250
Town Clerk Fees	41	-	-	-	41
Ambulance Fund	50,512	34,139	-	(31,700)	52,951
Police Off Duty Revolving	17,366	19,442	19,107	(9,297)	8,404
Sale of Real Estate	80,448	-	-	-	80,448
Conservation Fund	37,183	1,482	10,000	450	29,115
Roland G. Overson Counsel on Aging Fund	26,780	465	320	-	26,925
Worker's Compensation Fund	140,977	7,075	-	-	148,052
Total Special Revenue Funds	498,783	761,202	720,624	(40,541)	498,820
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	200	-	-	-	200
Historical Commission Trust	7,500	-	-	-	7,500
Library Funds	6,000	-	-	-	6,000
Total Perpetual Permanent Funds	\$ 13,700	\$ -	\$ -	\$ -	\$ 13,700

TOWN OF GRANVILLE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Fund Balances July 1, 2007	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2008
Permanent Funds:					
Cemetery Perpetual Care Funds	\$ 70	\$ 2	\$ -	\$ -	\$ 72
Historical Commission Trust	1,388	255	-	-	1,643
Library Funds	14,742	15,529	-	-	30,271
Total Permanent Funds	16,200	15,786	-	-	31,986
Total - Non-Major Governmental Funds	\$ 528,683	\$ 776,988	\$ 720,624	\$ (40,541)	\$ 544,506

TOWN OF GRANVILLE, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES
JULY 1, 2007 TO JUNE 30, 2008

	Uncollected Taxes July 1, 2007	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2008	Uncollected Taxes Per Detail June 30, 2008
Real Estate Taxes:						
Levy of 2008	\$ -	\$ 2,024,434	\$ 21,903	\$ 1,862,252	\$ 140,279	\$ 140,290
Levy of 2007	156,160	-	-	89,948	66,212	64,620
Levy of 2006	45,862	-	-	11,232	34,630	34,108
Levy of 2005	26,573	-	-	7,299	19,274	19,274
Levy of 2004	26,100	-	-	10,674	15,426	15,426
Prior Years	13,716	-	421	195	13,100	13,100
	268,411	2,024,434	22,324	1,981,600	288,921	286,818

Personal Property Taxes:

Levy of 2008	-	136,554	112	132,426	4,016	4,016
Levy of 2007	3,261	-	-	1,787	1,474	1,474
Levy of 2006	806	-	-	-	806	806
Levy of 2005	890	-	-	-	890	890
Levy of 2004	1,435	-	-	-	1,435	1,435
Prior Years	7,242	-	-	-	7,242	7,242
	13,634	136,554	112	134,213	15,863	15,863

Rollback Taxes:

	-	2,234	-	2,234	-	-
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**Total Real Estate and Personal
Property and Rollback Taxes**

\$ 282,045	\$ 2,163,222	\$ 22,436	\$ 2,118,047	\$ 304,784	\$ 302,681
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TOWN OF GRANVILLE, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND FARM ANIMAL EXCISE TAXES
AND FOREST PRODUCTS TAXES
JULY 1, 2007 TO JUNE 30, 2008

	Uncollected Taxes July 1, 2007	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2008	Uncollected Taxes Per Detail June 30, 2008
Motor Vehicle Excise Taxes:						
Levy of 2008	\$ -	\$ 147,549	\$ 2,508	\$ 125,935	\$ 19,106	\$ 19,106
Levy of 2007	19,139	45,728	2,537	57,119	5,211	4,897
Levy of 2006	6,702	5,775	15	10,369	2,093	2,093
Levy of 2005	2,562	3,079	-	3,820	1,821	1,821
Levy of 2004	1,822	25	11	62	1,774	1,774
Prior Years	10,790	-	327	37	10,426	10,426
	41,015	202,156	5,398	197,342	40,431	40,117
Farm Animal Excise Taxes						
Levy of 2008	-	5,079	-	4,089	990	990
Levy of 2007	1,184	-	-	589	595	595
Levy of 2006	1,273	-	-	587	686	686
Levy of 2005	416	-	-	-	416	416
Levy of 2004	395	-	-	-	395	395
Prior Years	2,759	-	-	-	2,759	2,759
	6,027	5,079	-	5,265	5,841	5,841
Forest Products Taxes						
	-	6,225	-	6,212	13	13
Total Motor Vehicle and Farm Animal Excise Taxes and Forest Products Taxes	\$ 47,042	\$ 213,460	\$ 5,398	\$ 208,819	\$ 46,285	\$ 45,971

TOWN OF GRANVILLE, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2007 TO JUNE 30, 2008

	Uncollected Accounts July 1, 2007	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2008	Uncollected Accounts Per Detail June 30, 2008
Tax Liens	\$ 156,082	\$ -	\$ -	\$ 12,494	\$ 143,588	\$ 143,588

Thomas J. Scanlon & Associates
Certified Public Accountants



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

To the Honorable Selectboard
Town of Granville, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Granville, Massachusetts, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 9, 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 the *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 Town of Granville, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 entity'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 Town of Granville, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town'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 Town of Granville, Massachusetts' 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 have reported to management of the Town of Granville, Massachusetts in a separate letter dated January 9, 2009.

This report is intended for the information and use of the Town of Granville, Massachusetts' Selectboard, management, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.



THOMAS J. SCANLON,
Certified Public Accountant

South Deerfield, Massachusetts
January 9, 2009