

**TOWN OF GRANVILLE, MASSACHUSETTS**

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

**FISCAL YEAR ENDED JUNE 30, 2012**

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### Independent Auditor's 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 year ended June 30, 2012, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2 to the financial statements, management has not recorded a liability for OPEB (Other Post Employment Benefits) in governmental activities and, accordingly, has not recorded an expense for the current period change in the OPEB liability. Accounting principles generally accepted in the United States of America require that an actuarial determined OPEB liability be accrued, which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of not recording a liability for OPEB obligations in the governmental activities, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Granville, Massachusetts, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the aggregate remaining fund information of the Town of Granville, Massachusetts, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Granville, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Scanlon & Associates, LLC  
South Deerfield, Massachusetts

February 1, 2013

## **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, 2012.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$6,450,093 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$6,071,629 or an increase of \$378,464 (6%).
- The Town's governmental funds reported total ending fund balance of \$1,453,262 this year. This compares to the prior year ending fund balance of \$1,292,411 showing an increase of \$160,851 (12%) during the current year.
- At the end of the current fiscal year the fund balance for the General Fund was \$978,892, or 22% of total General Fund expenditures including transfers and 21% of total General Fund revenues including transfers.
- Total liabilities of the Town are \$565,212.

### 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.

**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 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

	<b>Governmental Activities</b>
<b>Assets:</b>	
Current assets	\$ 2,713,549
Capital assets	4,301,756
<b>Total assets</b>	<b>7,015,305</b>
<b>Liabilities:</b>	
Current liabilities (excluding debt)	243,479
Current debt	80,018
Noncurrent liabilities (excluding debt)	110,878
Noncurrent debt	130,837
<b>Total liabilities</b>	<b>565,212</b>
<b>Net Assets:</b>	
Capital assets net of related debt	4,090,901
Restricted	850,563
Unrestricted	1,508,629
<b>Total net assets</b>	<b>\$ 6,450,093</b>



## Statement of Activities Highlights

	Governmental Activities
<b>Program Revenues:</b>	
Charges for services	\$ 278,479
Operating grants and contributions	1,887,323
Capital grants and contributions	270,779
<b>General Revenues:</b>	
Property taxes	2,586,958
Motor vehicle excise and other taxes	371,976
Penalties and interest on taxes	30,304
Nonrestricted grants	181,379
Unrestricted investment income	5,254
<b>Total revenues</b>	<b>5,612,452</b>
<b>Expenses:</b>	
General government	278,358
Public safety	364,561
Public works	567,907
Education	3,154,735
Health and human services	54,969
Culture and recreation	46,870
Employee benefits and insurance	641,553
State assessments	119,993
Interest	7,042
<b>Total expenses</b>	<b>5,235,988</b>
<b>Change in net assets</b>	<b>376,464</b>
<b>Contributions to Permanent Funds</b>	<b>2,000</b>
<b>Net assets - beginning of year</b>	<b>6,071,629</b>
<b>Net assets - end of year</b>	<b>\$ 6,450,093</b>

### ***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 \$6,450,093 at the close of fiscal year 2012.

Net assets of \$4,090,901 (64%) 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 \$850,563 (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$1,508,629 (23%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The governmental activities net assets increased by \$378,464 (6%) during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures by \$376,464 and contributions to permanent funds of \$2,000.

### ***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, unassigned 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 \$1,453,262 an increase of \$160,851 (12%) in comparison with the prior year. The increase is mainly due to revenues exceeding expenditures.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$20,613 (1%).
- Restricted fund balance - \$388,094 (28%).
- Committed fund balance - \$65,663 (4%).
- Assigned fund balance - \$266,791 (18%).
- Unassigned fund balance - \$712,101 (49%).

### ***Major Governmental Funds***

The *General Fund* has accumulated a fund balance of \$978,892 or 22% of total general fund expenditures including transfers and 21% of total general fund revenues including transfers. Of the \$978,892, the unassigned amount is \$712,101 and the assigned amount is \$266,791. The fund balance of the fund increased by \$183,372 (23%). The increase in the fund was attributed to revenues exceeding expenditures by \$94,262 and net transfers from nonmajor governmental funds of \$89,110.

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

The final general fund budget for fiscal year 2012 was \$4,602,971.

Of the \$337,269 in under budget expenditures, \$101,669 has been carried over to fiscal year 2013.

There are negative variances in property taxes of \$37,365 and investment income revenues of \$1,018 attributed to the current economic conditions.

A negative variance of \$10,647 exists in state assessments. This was attributed to the RMV non-renewal surcharge being under estimated by \$1,920 and school choice sending tuition being under estimated by \$8,727.

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

**Capital Assets.** The Town's investment in capital assets as of June 30, 2012 amounts to \$4,301,756.

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:

- Old meeting house roof repairs for \$14,650.
- Library sidewalks for \$10,275.
- Infrastructure improvements for \$15,054.
- A vehicle for public works for \$34,062.

**Debt Administration.** The Town's outstanding debt long term debt in the amount of \$210,855 consists of the following:

- Town hall renovations for \$72,000.
- School bus for \$57,000.
- Fire truck for \$26,655.
- Highway tractor for \$27,200.
- Highway truck for \$28,000.

#### ***Next Year's Annual Town Meeting***

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, 2012 do not reflect the fiscal year 2013 Town Meeting action. The Annual Town Meeting on May 14, 2012 authorized a fiscal year 2013 operating and capital budget as follows:

From the tax levy	\$ 2,871,185
From community preservation funds	23,276
<b><i>From other available funds:</i></b>	
General fund - Free cash	165,122
Ambulance fund	35,450
Sale of real estate	30,000
	<hr/>
	<b>\$ 3,125,033</b>

#### ***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 Hall, Granville, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF GRANVILLE, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
CURRENT:	
Cash and Cash Equivalents	\$ 1,399,640
Investments	209,705
Receivables, net of allowance for uncollectibles:	
Property Taxes	467,642
Tax Liens	88,110
Excise and Other Taxes	39,463
Departmental	53,212
Due from Other Governments	455,777
Total current assets	<u>2,713,549</u>
NONCURRENT:	
Capital Assets, net of accumulated Depreciation:	
Nondepreciable	398,150
Depreciable	3,903,606
Total noncurrent assets	<u>4,301,756</u>
<b>Total Assets</b>	<u><u>7,015,305</u></u>
<b>LIABILITIES</b>	
CURRENT:	
Warrants Payable	169,690
Accrued Payroll	15,247
Payroll Withholdings	707
Tax Refund Payable	15,400
Accrued Interest	3,639
Other	11,077
Compensated Absences	27,719
Bonds and Notes Payable	80,018
Total current liabilities	<u>323,497</u>
NONCURRENT:	
Compensated Absences	110,878
Bonds and Notes Payable	130,837
Total noncurrent liabilities	<u>241,715</u>
<b>Total Liabilities</b>	<u><u>565,212</u></u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of related debt	4,090,901
Restricted for:	
Federal & State Grants	493,380
Community Preservation	63,846
Permanent Funds:	
Nonexpendable	20,613
Expendable	28,217
Other Purposes	244,507
Unrestricted	1,508,629
<b>Total Net Assets</b>	<u><u>\$ 6,450,093</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, 2012**

Net (Expenses) Revenues and and Changes in Net Assets	Program Revenues				<u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 278,358	\$ 13,521	\$ 36,252	\$ -	\$ (228,585)
Public Safety	364,561	181,722	26,638	-	(156,201)
Public Works	567,907	-	51,794	270,779	(245,334)
Education	3,154,735	23,980	1,508,695	-	(1,622,060)
Health and Human Services	54,969	49,366	3,753	-	(1,850)
Culture and Recreation	46,870	9,890	7,142	-	(29,838)
Employee Benefits and Insurance	641,553	-	253,049	-	(388,504)
State Assessments	119,993	-	-	-	(119,993)
Interest	7,042	-	-	-	(7,042)
Total Governmental Activities	5,235,988	278,479	1,887,323	270,779	(2,799,407)
Total Primary Government	\$ 5,235,988	\$ 278,479	\$ 1,887,323	\$ 270,779	(2,799,407)
General Revenues:					
Property taxes					2,586,958
Motor vehicle excise and other taxes					371,976
Penalties & Interest on taxes					30,304
Grants & Contributions not restricted to specific programs					181,379
Unrestricted Investment Income					5,254
Contributions to Permanent Funds					2,000
Total General Revenues and Contributions					3,177,871
Change in Net Assets					378,464
Net Assets:					
Beginning of year					6,071,629
End of year					\$ 6,450,093

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

**TOWN OF GRANVILLE, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,060,360	\$ 339,280	\$ 1,399,640
Investments	99,175	110,530	209,705
Receivables, net of allowance for uncollectibles:			
Property Taxes	465,415	2,227	467,642
Tax Liens	88,110	-	88,110
Excise and Other Taxes	39,463	-	39,463
Departmental	27,505	25,707	53,212
Due from Other Governments	-	455,777	455,777
<b>Total Assets</b>	<b>\$ 1,780,028</b>	<b>\$ 933,521</b>	<b>\$ 2,713,549</b>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Warrants Payable	\$ 169,412	\$ 278	\$ 169,690
Accrued Payroll	13,047	2,200	15,247
Payroll Withholdings	707	-	707
Tax Refund Payable	15,400	-	15,400
Other	11,077	-	11,077
Deferred Revenue:			
Property Taxes	436,415	2,227	438,642
Other	155,078	454,446	609,524
<b>Total Liabilities</b>	<b>801,136</b>	<b>459,151</b>	<b>1,260,287</b>
<b>Fund Balance:</b>			
Nonspendable	-	20,613	20,613
Restricted	-	388,094	388,094
Committed	-	65,663	65,663
Assigned	266,791	-	266,791
Unassigned	712,101	-	712,101
<b>Total Fund Balance</b>	<b>978,892</b>	<b>474,370</b>	<b>1,453,262</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,780,028</b>	<b>\$ 933,521</b>	<b>\$ 2,713,549</b>

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, 2012**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Property Taxes	\$ 2,410,535	\$ 21,026	\$ 2,431,561
Intergovernmental	1,457,459	319,796	1,777,255
Excise and Other Taxes	351,722	-	351,722
Charges for Services	-	183,157	183,157
Licenses, Permits, Fees	104,690	-	104,690
Interest on Taxes	30,304	-	30,304
Net Investment Income	5,254	523	5,777
Gifts and Donations	-	24,216	24,216
Other	-	9,800	9,800
Intergovernmental - "On-behalf" Payments	253,049	-	253,049
<b>Total Revenues</b>	<b>4,613,013</b>	<b>558,518</b>	<b>5,171,531</b>
<b>Expenditures:</b>			
Current:			
General Government	213,430	35,178	248,608
Public Safety	181,000	113,167	294,167
Public Works	435,422	45,517	480,939
Education	2,704,991	288,185	2,993,176
Health and Human Services	50,095	3,730	53,825
Culture and Recreation	33,692	34,152	67,844
Employee Benefits and Insurance	641,553	-	641,553
State Assessments	119,993	-	119,993
Debt Service:			
Principal	128,793	-	128,793
Interest	9,782	-	9,782
<b>Total Expenditures</b>	<b>4,518,751</b>	<b>519,929</b>	<b>5,038,680</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>94,262</b>	<b>38,589</b>	<b>132,851</b>
<b>Excess of Revenues Over</b>			
Operating Transfers In	116,852	27,742	144,594
Operating Transfers Out	(27,742)	(116,852)	(144,594)
Proceeds from Notes and Bonds	-	28,000	28,000
<b>Total Other Financing Sources (Uses)</b>	<b>89,110</b>	<b>(61,110)</b>	<b>28,000</b>
<b>Net Change in Fund Balances</b>	<b>183,372</b>	<b>(22,521)</b>	<b>160,851</b>
<b>Fund Balances, Beginning of Year</b>	<b>795,520</b>	<b>496,891</b>	<b>1,292,411</b>
<b>Fund Balances, End of Year</b>	<b>\$ 978,892</b>	<b>\$ 474,370</b>	<b>\$ 1,453,262</b>

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, 2012**

<b>Total Governmental Fund Balances</b>		\$ 1,453,262
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		4,301,756
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		1,048,166
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds and Notes Payable	\$ (210,855)	
Compensated Absences	<u>(138,597)</u>	(349,452)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(3,639)</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 6,450,093</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, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>160,851</b>
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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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 74,041	
Depreciation	<u>(398,302)</u>	(324,261)

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.

442,921

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:

Repayment of Debt Principal	128,793	
Proceeds from Notes and Bonds	<u>(28,000)</u>	100,793

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	(4,580)	
Net Change in Accrued Interest on Long-Term Debt	<u>2,740</u>	(1,840)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>378,464</u></b>
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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, 2012**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
<b>Revenues:</b>					
Property Taxes	\$ 2,433,200	\$ 2,433,200	\$ 2,395,835	\$ -	\$ (37,365)
Intergovernmental	1,420,977	1,420,977	1,457,459	-	36,482
Excise and Other Taxes	330,200	330,200	351,722	-	21,522
Licenses, Permits, Fees	83,700	83,700	104,690	-	20,990
Interest on Taxes	22,000	22,000	30,304	-	8,304
Interest on Investments	6,000	6,000	4,982	-	(1,018)
<b>Total Revenues</b>	<b>4,296,077</b>	<b>4,296,077</b>	<b>4,344,992</b>	<b>-</b>	<b>48,915</b>
<b>Expenditures:</b>					
Current:					
General Government	341,550	328,703	213,430	79,180	36,093
Public Safety	178,854	181,701	181,000	-	701
Public Works	450,690	460,690	435,422	5,619	19,649
Education	2,876,372	2,876,372	2,704,991	8,110	163,271
Health and Human Services	58,885	58,885	50,095	7,995	795
Culture and Recreation	34,845	34,845	33,692	765	388
Employee Benefits and Insurance	413,852	413,852	388,504	-	25,348
State Assessments	109,346	109,346	119,993	-	(10,647)
Debt Service:					
Principal	128,795	128,795	128,793	-	2
Interest	9,782	9,782	9,782	-	-
<b>Total Expenditures</b>	<b>4,602,971</b>	<b>4,602,971</b>	<b>4,265,702</b>	<b>101,669</b>	<b>235,600</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(306,894)</b>	<b>(306,894)</b>	<b>79,290</b>	<b>(101,669)</b>	<b>284,515</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	65,758	65,758	89,110	-	23,352
<b>Total Other Financing Sources (Uses)</b>	<b>65,758</b>	<b>65,758</b>	<b>89,110</b>	<b>-</b>	<b>23,352</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(241,136)</b>	<b>(241,136)</b>	<b>168,400</b>	<b>(101,669)</b>	<b>307,867</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>697,717</b>	<b>697,717</b>	<b>697,717</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 456,581</b>	<b>\$ 456,581</b>	<b>\$ 866,117</b>	<b>\$ (101,669)</b>	<b>\$ 307,867</b>

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, 2012**

	<u>Revenues</u>	<u>Expenditures</u>
<b>Reported on a Budgetary Basis</b>	\$ 4,344,992	\$ 4,265,702
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	272	-
Net Increase in Revenue from Recording 60-Day Receipts	9,200	-
Recognition of Intergovernmental Revenue - "on behalf payments"	253,049	-
Recognition of Expenditures - "on behalf payments"	-	253,049
Net Increase in Revenue from Recording Refund Taxes Payable	5,500	-
<b>Reported on a GAAP Basis</b>	<u>\$ 4,613,013</u>	<u>\$ 4,518,751</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, 2012**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,500
<b>Total Assets</b>	<u>2,500</u>
<b>LIABILITIES</b>	
Warrants Payable	116
Due to Others	<u>2,384</u>
<b>Total Liabilities</b>	<u>2,500</u>
<b>NET ASSETS:</b>	
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, 2012**

**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 2012, it was determined that no entities met the required GASB-14 and GASB-39 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**

**Government-wide 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*.

**Fund financial statements**

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.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and change in net assets.

**Major Fund Criteria**

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

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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

*and*

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

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

**Government-wide financial statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, 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.

**Fund financial statements**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, 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 Town reports the following major governmental fund:

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.

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

Additionally, the Town 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.

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 fund types:

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

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

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

**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).



**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**E. Investments**

State and local statutes place certain limitations on the nature of deposits and investments 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.

**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, 2011 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, special assessments and other charges shown. The balance of the tax is owed by May 1st of the following year. If payments are not made by the due date, interest at a rate of 14% is 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 2012 on October 27, 2011 that were due on November 28, 2011 and May 1, 2012.

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

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 2012 is \$2,504,870.

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

***Excise and Other Taxes***

Excise taxes consist of motor vehicle excise and farm animal excise 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 the \$25 per \$1,000 of value.

**TOWN OF GRANVILLE, MASSACHUSETTS**  
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**June 30, 2012**

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

***Departmental***

Departmental receivables consist primarily of ambulance fees and police off-duty details.

The allowance for uncollectibles relates to ambulance fees and is based upon historical trends. The police off-duty receivable is considered 100% collectible and, therefore, does not report an allowance for uncollectibles.

***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, 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 \$15,000 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:

<b>Capital Asset Type</b>	<b>Years</b>
Buildings and renovations	20-40
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.

**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. Any residual balances

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

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 Balances**

In the Government-Wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Net assets have been "restricted for" the following:

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

"Community Preservation" represents amounts restricted for the purposes under the community preservation act adopted by the Town.

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

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

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

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

*Assigned fund balance.* This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

**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.

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 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.

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**2. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

The departure of the financial statements from generally accepted accounting principles is that management has not recorded a liability for OPEB (Other Post Employment Benefits) in governmental activities and, accordingly, has not recorded an expense for the current period change in the OPEB liability. Accounting principles generally accepted in the United States of America require that an actuarial determined OPEB liability be accrued, which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable. Although the retirees pay 100 percent of the premium for health insurance there is an implicit rate subsidy that would need to be reported on the financial statements.

**3. 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 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 2012, the Town incurred a final budget deficit of \$241,136 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, 2012**

Unreserved fund balance:	
Free cash votes	\$ 168,577
Prior year's encumbrances	72,559
	<u>\$ 241,136</u>

**4. DETAILED NOTES**

**A. Deposits and Investments**

**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. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2012 were \$1,501,041. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2012 the Town's only investment was in the MMDT.

**B. Receivables**

At June 30, 2012, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 484,642	\$ (17,000)	\$ 467,642
Tax liens	88,110	-	88,110
Excise and other taxes	86,582	(19,614)	66,968
Departmental	31,429	(5,722)	25,707
Due from other governments	455,777	-	455,777
	<u>\$ 1,146,540</u>	<u>\$ (42,336)</u>	<u>\$ 1,104,204</u>

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The composition of amounts due from other governments as of June 30, 2012 for governmental funds is as follows:

<b>Governmental Funds:</b>	
<b>Nonmajor Governmental Funds:</b>	
Chapter 90 funded projects	<u>\$ 455,777</u>

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

The balance of the general fund deferred revenues account is equal to all of June 30, 2012 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 \$438,642.

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

<b>General Fund:</b>		
Tax liens	\$ 88,110	
Excise and other taxes	<u>66,968</u>	\$ 155,078
<b>Nonmajor Governmental Funds:</b>		
Due from other governments		<u>454,446</u>
		<u>\$ 609,524</u>

**C. Capital Assets**

**Governmental Activities**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 398,150	\$ -	\$ -	\$ 398,150
Total capital assets not being depreciated	398,150	-	-	398,150
Capital assets being depreciated:				
Buildings and Renovations	5,381,797	24,925	-	5,406,722
Machinery, equipment and other	2,328,842	34,062	-	2,362,904
Infrastructure	1,735,924	15,054	-	1,750,978
Total capital assets being depreciated	9,446,563	74,041	-	9,520,604
Less accumulated depreciation for:				
Buildings and Renovations	3,391,895	173,806	-	3,565,701
Machinery, equipment and other	1,482,399	150,888	-	1,633,287
Infrastructure	344,402	73,608	-	418,010
Total accumulated depreciation	5,218,696	398,302	-	5,616,998
Total capital assets being depreciated, net	4,227,867	(324,261)	-	3,903,606
Total governmental activities capital assets, net	<u>\$ 4,626,017</u>	<u>\$ (324,261)</u>	<u>\$ -</u>	<u>\$ 4,301,756</u>

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 29,374
Public safety	69,416
Public works	136,084
Education	158,333
Health and human services	1,144
Culture and recreation	3,951
Total depreciation expense - governmental activities	<u>\$ 398,302</u>

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers In:	Transfers Out:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 116,852	\$ 116,852
Nonmajor governmental funds	27,742	-	27,742
Total transfers out	<u>\$ 27,742</u>	<u>\$ 116,852</u>	<u>\$ 144,594</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 type activities.

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

	Rate	Issued	Date	Issued	June 30, 2012
<b>Inside Debt:</b>					
Town hall renovations	3.55%	09/02/03	09/02/13	\$ 360,000	\$ 72,000
School bus	3.20%	08/24/09	08/24/14	95,000	57,000
Fire truck	3.20%	08/24/09	08/14/14	44,425	26,655
Highway tractor	2.50%	01/18/11	07/15/12	34,000	27,200
Highway truck	1.75%	12/20/11	12/20/14	28,000	28,000
Total governmental type debt					<u>\$ 210,855</u>

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2012, are as follows:



**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

<b>Governmental</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 80,018	\$ 5,764	\$ 85,782
2014	80,018	3,260	83,278
2015	44,019	1,396	45,415
2016	6,800	170	6,970
	<u>\$ 210,855</u>	<u>\$ 10,590</u>	<u>\$ 221,445</u>

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

	<b>Balance</b>			<b>Balance</b>	<b>Amounts Due</b>
	<b>June 30, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2012</b>	<b>within One</b>
					<b>Year</b>
<b>Governmental activities:</b>					
<i>Refunding notes</i>	\$ 311,648	\$ 28,000	\$ 128,793	\$ 210,855	\$ 80,018
<i>Compensated absences</i>	134,017	4,580	-	138,597	27,719
Governmental activity					
Long-term liabilities	<u>\$ 445,665</u>	<u>\$ 32,580</u>	<u>\$ 128,793</u>	<u>\$ 349,452</u>	<u>\$ 107,737</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, 2012 totaled \$2,160,000.

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, 2012:

Equalized Valuation-Real Estate and Personal Property (2012)		<u>\$ 213,818,900</u>
Debt Limit: 5 % of Equalized value		<u>\$ 10,690,945</u>
Total Debt Outstanding	\$ 2,160,000	
Less: Debt Outside Debt Limit	-	<u>2,160,000</u>
Inside Debt Excess Borrowing Capacity at June 30, 2012		<u>\$ 8,530,945</u>

**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.

There are no loan authorizations as of June 30, 2012.

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**F. Fund Balances**

The following is a summary of the Governmental Fund fund balances at the year ended June 30, 2012:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:			
Permanent funds	\$ -	\$ 20,613	\$ 20,613
Restricted:			
Federal, state and local grants	-	53,750	53,750
Sale of real estate	-	80,448	80,448
Community preservation	-	61,619	61,619
Permanent funds	-	48,830	48,830
Other	-	143,447	143,447
	-	388,094	388,094
Committed:			
Ambulance fund	-	65,663	65,663
Assigned:			
General government	79,180	-	79,180
Public works	5,619	-	5,619
Education	8,110	-	8,110
Health and human services	7,995	-	7,995
Culture and recreation	765	-	765
Fiscal year 2013 budget	165,122	-	165,122
	266,791	-	266,791
Unassigned:			
General fund	712,101	-	712,101
	712,101	-	712,101
Total Governmental fund balances	\$ 978,892	\$ 474,370	\$ 1,453,262

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**G Special Trust Fund**

**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, 2012, the balance in the stabilization fund is \$99,175 and is reported in the General Fund as unassigned fund balance.

**5. 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.

**B. Contingent Liabilities**

**Litigation**

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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2012.

**C. Pension Plan**

**Plan Description**

The Town, as a member of the Hampden County Regional Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Hampden County Regional Retirement Board. Each participating employers' share of the total 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 \$253,049 for the fiscal year ending June 30, 2012, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

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

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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 106, 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, 2012, 2011 and 2010 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2012	\$ 138,648
2011	\$ 130,658
2010	\$ 126,166

The last actuarial valuation was prepared by The Segal Group, Inc., as of January 1, 2012. 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 8.00% compounded annually, (b) projected salary, including longevity, increases of 4.5% per year per member.

The total unfunded actuarial liability applicable to the entire System's employees at January 1, 2012 is as follows:

Actuarial Accrued Liability	\$ 499,009,329
Assets	244,053,652
Unfunded Actuarial Liability	<u>\$ 254,955,677</u>

The Town's portion of such liability is approximately .81% or \$2,065,141.

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

**TOWN OF GRANVILLE, MASSACHUSETTS**  
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**June 30, 2012**

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.

**D. Subsequent Event**

The Town voted to become part of the Southwick-Tolland-Granville Regional School District effective July 1, 2012 (fiscal year 2013). Key factors of the regionalization are as follows:

- The regional school district will include all students in grades kindergarten through twelve.
- The powers and duties of the regional school district shall be vested in and exercised by the regional school committee. The regional school committee shall consist of 7 members. Five (5) representing the Town of Southwick, one (1) representing the Town of Tolland and one (1) representing the Town of Granville.
- The Town's assets relating to the school (building and bus) will be transferred to the new regional district.
- The Town's debt relating to the school assets (bus) and school employee compensated absence liability will be assumed the new regional school district.

## **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, 2012**

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 20,464	\$ 173,803	\$ 154,792	\$ -	\$ 39,475
Council on Aging Grants	-	3,500	3,500	-	-
Cultural Council	2,663	4,223	3,973	-	2,913
Emergency Management Grants	-	25,816	2,464	(23,352)	-
Highway Grants	106	14,947	15,053	-	-
Library Grants	6,004	1,784	3,146	-	4,642
Public Safety Grants	3,268	17,078	17,651	-	2,695
Source Water Protection Grant	4,026	-	-	-	4,026
<b>Schools:</b>					
After School Program	804	-	-	-	804
Circuit Breaker Program	24,385	61,236	83,412	-	2,209
School Lunch Revolving	(13,356)	35,595	49,981	27,742	-
<b>Other:</b>					
Ambulance Fund	59,361	34,802	-	(28,500)	65,663
Cable Funds	10,340	9,800	1,988	-	18,152
Conservation Fees	468	-	-	-	468
Conservation Fund	21,244	59	-	-	21,303
COA Roland Overson Trust	18,806	52	230	-	18,628
CPA Funds	51,957	26,725	17,063	-	61,619
Gifts and Donations	45,248	22,215	36,226	-	31,237
Harvest Fair Revolving	2,412	8,190	2,941	(3,752)	3,909
Library Playgroup	1,228	1,500	1,153	-	1,575
Old Meeting House Maintenance Fund	7,552	4,300	812	-	11,040
Police Forfeiture	-	271	271	-	-
Police Off Duty Revolving	3,420	107,227	94,658	3,752	19,741
Sale of Real Estate	80,448	-	-	-	80,448
Summer Reading Program	1,680	200	1,680	-	200
Tax Collector Fees	310	2,100	-	-	2,410
Town Clerk Fees	41	-	-	-	41
Town Green Fund	4,127	858	935	-	4,050
Worker's Comp Liability Fund	93,170	122	-	(65,000)	28,292
<b>Total Special Revenue Funds</b>	<b>\$ 450,176</b>	<b>\$ 556,403</b>	<b>\$ 491,929</b>	<b>\$ (89,110)</b>	<b>\$ 425,540</b>

**TOWN OF GRANVILLE, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
<b>Capital Projects:</b>					
Highway Truck	\$ -	\$ -	28,000	\$ 28,000	\$ -
<b>Total Capital Projects</b>	<b>-</b>	<b>-</b>	<b>28,000</b>	<b>28,000</b>	<b>-</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds	200	-	-	-	200
Historical Commission Trust	7,500	-	-	-	7,500
Library Funds	10,913	2,000	-	-	12,913
<b>Total Perpetual Permanent Funds</b>	<b>18,613</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>20,613</b>
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Funds	72	12	-	-	84
Historical Commission Trust	1,653	-	-	-	1,653
Library Funds	26,377	103	-	-	26,480
<b>Total Permanent Funds</b>	<b>28,102</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>28,217</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 496,891</b>	<b>\$ 558,518</b>	<b>\$ 519,929</b>	<b>\$ (61,110)</b>	<b>\$ 474,370</b>



**TOWN OF GRANVILLE, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY**  
**JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
<b>Real Estate Taxes:</b>						
Levy of 2012	\$ -	\$ 2,278,203	\$ 17,684	\$ 2,068,589	\$ 191,930	\$ 191,967
Levy of 2011	155,652	-	996	99,133	55,523	55,523
Levy of 2010	61,858	-	938	15,733	45,187	45,150
Levy of 2009	48,498	-	738	9,672	38,088	37,452
Levy of 2008	46,225	-	741	9,018	36,466	36,326
Prior Years	98,803	-	2,804	8,586	87,413	86,890
	<u>411,036</u>	<u>2,278,203</u>	<u>23,901</u>	<u>2,210,731</u>	<u>454,607</u>	<u>453,308</u>
<b>Personal Property Taxes:</b>						
Levy of 2012	-	185,572	998	178,447	6,127	6,128
Levy of 2011	4,820	-	-	2,725	2,095	2,095
Levy of 2010	2,718	-	-	(38)	2,756	2,756
Levy of 2009	2,968	-	-	-	2,968	2,968
Levy of 2008	2,015	-	-	-	2,015	2,015
Prior Years	11,847	-	-	-	11,847	11,847
	<u>24,368</u>	<u>185,572</u>	<u>998</u>	<u>181,134</u>	<u>27,808</u>	<u>27,809</u>
<b>Total Real Estate and Personal Property Taxes</b>	<u>\$ 435,404</u>	<u>\$ 2,463,775</u>	<u>\$ 24,899</u>	<u>\$ 2,391,865</u>	<u>\$ 482,415</u>	<u>\$ 481,117</u>

**TOWN OF GRANVILLE, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE, FARM ANIMAL EXCISE  
AND FOREST PRODUCTS TAXES  
JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
<b>Motor Vehicle Excise Taxes:</b>						
Lewy of 2012	\$ -	\$ 138,695	\$ 3,458	\$ 117,638	\$ 17,599	\$ 17,701
Lewy of 2011	25,571	28,391	2,287	45,268	6,407	6,420
Lewy of 2010	5,773	-	104	2,571	3,098	3,059
Lewy of 2009	5,512	-	-	1,770	3,742	3,481
Lewy of 2008	4,287	-	-	737	3,550	3,433
Prior Years	16,571	-	-	504	16,067	15,901
	57,714	167,086	5,849	168,488	50,463	49,995
<b>Farm Animal Excise Taxes</b>						
Lewy of 2008	3,193	-	-	-	3,193	3,193
Lewy of 2007	556	-	-	-	556	556
Lewy of 2006	596	-	-	-	596	596
Lewy of 2005	686	-	-	-	686	686
Lewy of 2004	416	-	-	-	416	416
Prior Years	3,154	-	-	-	3,154	3,154
	8,601	-	-	-	8,601	8,601
<b>Forest Products Taxes</b>						
	13	-	-	-	13	13
<b>Total Motor Vehicle and Farm Animal Excise Taxes and Forest Products Taxes</b>	<b>\$ 66,328</b>	<b>\$ 167,086</b>	<b>\$ 5,849</b>	<b>\$ 168,488</b>	<b>\$ 59,077</b>	<b>\$ 58,609</b>

TOWN OF GRANVILLE, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS  
 JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Accounts July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2012	Uncollected Accounts Per Detail June 30, 2012
Tax Liens	\$ 107,621	\$ -	\$ 16,385	\$ 3,126	\$ 88,110	\$ 88,110