

***TOWN OF GEORGETOWN, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2010***

TOWN OF GEORGETOWN, MASSACHUSETTS

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JUNE 30, 2010

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## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Georgetown, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Georgetown, Massachusetts, as of and for the fiscal year ended June 30, 2010 (except for the Georgetown Municipal Electric Light Department which is as of and for the fiscal year ended December 31, 2009), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Georgetown, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Georgetown Municipal Electric Light Department for the fiscal year ended December 31, 2009. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Georgetown Municipal Electric Light Department, is based solely on the report of the other auditors.

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

The financial statements of the Georgetown Municipal Electric Light Department, as described in Note 1, were prepared in conformity with the accounting practices prescribed by the Massachusetts Department of Telecommunications and Energy, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, except for the effect of the Georgetown Municipal Electric Light Department using a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the Georgetown Municipal Light Department of the Town of Georgetown, Massachusetts, as of December 31, 2009, and the respective changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major governmental funds, the water enterprise major fund, and the aggregate remaining fund information of the Town of Georgetown, Massachusetts, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, on our consideration of the Town of Georgetown, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual, retirement system schedule of funding progress, retirement system schedule of employer contributions, other postemployment benefits schedule of funding progress, other postemployment benefits schedule of employer contributions and other postemployment benefits actuarial methods and assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Powers & Sullivan".

March 24, 2011, except for the Georgetown Municipal Electric Light Department, which was audited by other auditors and whose report is dated August 5, 2010.

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Town of Georgetown, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Georgetown's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**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, education, public works, human services, culture and recreation, and interest. The business-type activities include the activities of the water department and the municipal light department.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance

sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Proprietary funds.** The Town maintains one type of proprietary fund.

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

**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.

### **Government-wide Financial Analysis**

#### **Governmental Activities**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. Georgetown’s assets exceeded liabilities for governmental activities by \$32.2 million at the close of FY2010.

	FY 2010 Governmental Activities	FY 2009 Governmental Activities
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current assets.....	\$ 10,085,256	\$ 9,678,127
Capital assets.....	32,446,599	33,048,357
<b>Total assets.....</b>	<b>42,531,855</b>	<b>42,726,484</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	2,002,596	2,013,408
Noncurrent liabilities (excluding debt).....	3,532,289	2,025,954
Current debt.....	630,850	696,083
Noncurrent debt.....	4,170,629	4,801,480
<b>Total liabilities.....</b>	<b>10,336,364</b>	<b>9,536,925</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	27,698,564	27,936,294
Restricted.....	3,423,535	3,503,209
Unrestricted.....	1,073,392	1,750,056
<b>Total net assets.....</b>	<b>\$ 32,195,491</b>	<b>\$ 33,189,559</b>

The Town’s noncurrent liabilities increased by \$1.5 million as a result of the recognition of the Governmental Accounting Standard’s Board (GASB) Statement 45, which required the Town to record a \$2.7 million liability in governmental activities for other postemployment benefit obligations. This liability increased by \$1.4 million in fiscal year 2010 as the Town continues to amortize the unfunded liability in accordance with the GASB.

Governmental net assets of \$27.7 million (86%) 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, \$3.4 million (11%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1.1 million (3%), may be used to meet the government's ongoing obligations to citizens and creditors.

	FY 2010 Governmental Activities	FY 2009 Governmental Activities
<b>Program revenues:</b>		
Charges for services.....	\$ 881,408	\$ 856,054
Operating grants and contributions.....	9,843,251	9,206,376
Capital grants and contributions.....	366,524	384,018
<b>General revenues:</b>		
Real estate and personal property taxes.....	12,806,265	12,323,504
Tax liens.....	163,741	280,407
Motor vehicle excise taxes.....	1,009,421	1,125,335
Community preservation tax.....	291,688	283,311
Penalties and interest on taxes.....	78,672	97,370
Payments in lieu of taxes.....	50,192	52,188
Grants and contributions not restricted to specific programs.....	892,607	1,058,112
Unrestricted investment income.....	64,988	223,576
Other revenues.....	346,584	291,680
<b>Total revenues.....</b>	<b>26,795,341</b>	<b>26,181,931</b>
<b>Expenses:</b>		
General government.....	1,512,676	1,510,462
Public safety.....	3,159,638	3,071,507
Education.....	20,718,360	20,036,724
Public works.....	1,357,682	1,450,627
Human services.....	302,974	334,368
Culture and recreation.....	785,868	742,950
Interest.....	169,866	528,370
<b>Total expenses.....</b>	<b>28,007,064</b>	<b>27,675,008</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(1,211,723)</b>	<b>(1,493,077)</b>
<b>Transfers.....</b>	<b>217,655</b>	<b>212,387</b>
<b>Change in net assets.....</b>	<b>\$ (994,068)</b>	<b>\$ (1,280,690)</b>

The Town's governmental activities net assets decreased by \$994,000 in fiscal year 2010. This decrease is due to an additional \$1.4 million for the recognition of other postemployment benefits obligation offset by \$367,000 in capital grants. In comparison, governmental activities decreased by \$1.3 million in fiscal year 2009, which was primarily the result of the initial year of the Town's recognition of an other postemployment benefits obligation.

Unrestricted investment income was \$159,000 higher in fiscal year 2009 due to interest earnings on a lump sum prepayment received from the Massachusetts School Building Authority in fiscal year 2008 that was held and used to retire debt in fiscal year 2009.

**Business-type Activities**

For the Town’s business-type activities, assets exceeded liabilities by \$13.8 million at the close of FY2010.

	FY 2010 Business-type Activities	FY 2009 Business-type Activities
<b>Assets:</b>		
Current assets.....	\$ 4,599,866	\$ 3,698,733
Noncurrent assets (excluding capital).....	417,117	452,587
Capital assets.....	12,785,434	12,944,043
<b>Total assets.....</b>	<b>17,802,417</b>	<b>17,095,363</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,149,475	1,138,148
Noncurrent liabilities (excluding debt).....	189,826	110,484
Current debt.....	207,602	290,604
Noncurrent debt.....	2,410,000	2,617,602
<b>Total liabilities.....</b>	<b>3,956,903</b>	<b>4,156,838</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	10,620,419	10,521,688
Unrestricted.....	3,225,095	2,416,837
<b>Total net assets.....</b>	<b>\$ 13,845,514</b>	<b>\$ 12,938,525</b>

Business type net assets of \$10.6 million (77%) represent investments in capital assets net of related debt. The remaining \$3.2 million (23%) is available to be used for the ongoing operation of the Town’s Water and Municipal Light departments.

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 and business-type activities.

As shown in the following table, there was an increase of \$907,000 in net assets reported in connection with the Town’s business-type activities. This consists of an increase of \$77,000 in net assets related to the Water Department’s operations and an increase of \$830,000 in net assets related to the Municipal Light Department’s operations. The increase in the Water Department’s operations is mainly the result of operating revenues coming in higher than operating expenditures. The Municipal Light Department’s financial statements are prepared on a different basis of accounting as prescribed by the Massachusetts Department of Telecommunications and Energy and the activity is reported for the fiscal year ending December 31, 2009.

	FY 2010 Business-type Activities	FY 2009 Business-type Activities
	<u>                    </u>	<u>                    </u>
<b>Program revenues:</b>		
Charges for services.....	\$ 9,307,389	\$ 9,150,113
Operating grants and contributions.....	50,071	57,653
<b>General revenues:</b>		
Unrestricted investment income.....	23,189	43,876
<b>Total revenues.....</b>	<b><u>9,380,649</u></b>	<b><u>9,251,642</u></b>
<b>Expenses:</b>		
Electric Light.....	7,072,335	8,082,903
Water.....	1,183,670	1,149,582
<b>Total expenses.....</b>	<b><u>8,256,005</u></b>	<b><u>9,232,485</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>1,124,644</b>	<b>19,157</b>
<b>Transfers.....</b>	<b><u>(217,655)</u></b>	<b><u>(212,387)</u></b>
<b>Change in net assets.....</b>	<b>\$ <u>906,989</u></b>	<b>\$ <u>(193,230)</u></b>

### ***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 \$6.9 million, a decrease of \$74,000 million from the prior year. This is attributable to a decrease in nonmajor funds of \$427,000 and increases in the general fund and community preservation fund of \$107,000 and \$246,000, respectively.

The general fund is the chief operating fund. At the end of the current fiscal year, the unreserved fund balance of the general fund totaled \$1.3 million, and the total fund balance totaled \$1.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 6% of general fund expenditures, while total fund balance represents approximately 6% of that same amount. The Town's reserved fund balance consists of \$125,000 reserved for encumbrances and continuing appropriations. During fiscal year 2010, the Town voted to use \$123,000 in available funds to fund the fiscal year 2011 budget, this amount is recorded as designated for subsequent year's expenditures in the general fund.

The Town has adopted the Community Preservation Act (CPA) which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing. The CPA requires that the Town spend or set aside for later spending a minimum of ten percent of annual revenues for open space, a minimum of ten percent of annual revenues for historic resources and a minimum of ten percent of annual revenues for community housing. As of June 30, 2010, the Town has a balance of

\$2.5 million in unspent CPA funds which are classified as a major governmental fund in the fund-based financial statements. During fiscal year 2010, the Town received \$292,000 in assessments, \$29,000 in investment earnings, and \$171,000 in state matching funds for the CPA fund. Expenditures in fiscal year 2010 totaled \$246,000.

The Highway Improvements Fund is used to account for the construction, reconstruction and improvements of roadways, streets and sidewalks funded by state grants. The Town spent \$241,000 on projects in fiscal year 2010 which was fully supported by state grants and therefore the fund balance remains at zero at fiscal year end.

The State Fiscal Stabilization Fund is used to account for the Town's use of the federal state fiscal stabilization program which was awarded to Governors to help stabilize State and local budgets in order to minimize and avoid reductions in education and other essential services. The Governor cut state Chapter 70 funding by 10% and replaced the amount with federal amounts. During fiscal year 2010, the Town received and spent \$473,000 of state fiscal stabilization funds.

The Town also maintains a stabilization fund, which is classified within the non-major governmental funds. The stabilization fund has a year end balance of \$1 million which represents 5% of general fund expenditures. These funds can be used for general or capital purposes upon Board approval. Please refer to Note 9 for additional information on the Town's stabilization fund.

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

The Town of Georgetown adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The \$261,000 increase between the original budget and the final amended budget was primarily due to additional appropriations for public safety and public works totaling approximately \$86,000 and \$138,000, respectively.

Actual revenues came in higher than budgeted by \$129,000. All categories of revenue exceeded budget estimates with the exception of motor vehicle excise, payments in lieu of taxes, and investment income.

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

In conjunction with the operating budget, the Town's Capital Improvement Committee (CIP Committee) has requested a 5 year Capital Improvement Plan from each department. The CIP Committee submits annual recommendations to the Finance Committee for capital items that are put on the Town Warrant for the Annual Town Meeting. The Finance Committee cannot add a capital item to the warrant unless the CIP Committee has voted on the item.

During fiscal year 2010 the Town expended \$699,000 on governmental activities capital assets consisting mainly of roadways, building improvements, and equipment. The business type activities expended \$263,000, which consisted of \$135,000 in the Water Department for CIP related costs and \$128,000 in the Municipal Light Department.

Outstanding long-term debt of the general government, as of June 30, 2010, totaled \$4.8 million, of which \$1.7 million is related to school projects, \$1.8 million is related to the library project, leaving a balance of \$1.3 million for other CIP related projects.

The enterprise funds have \$1.8 million in water enterprise debt and \$800,000 in Municipal Light Plant debt that is fully supported by the rates and do not rely on a general fund subsidy.

Please refer to notes 4, 7 and 8 in the financial statements for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Georgetown'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 at Memorial Town Hall, One Library Street, Georgetown, MA 01833-2086.

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# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2010

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 8,436,346	\$ 1,042,045	\$ 9,478,391
Restricted cash and cash equivalents.....	-	1,347,435	1,347,435
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	116,284	-	116,284
Tax liens.....	396,676	-	396,676
Motor vehicle excise taxes.....	76,965	-	76,965
Water fees.....	-	519,067	519,067
Electric light fees.....	-	1,038,463	1,038,463
Special assessments.....	56,649	-	56,649
Intergovernmental.....	946,084	35,470	981,554
Inventory.....	-	29,771	29,771
Purchased power advanced deposits.....	-	587,615	587,615
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	417,117	417,117
Loans.....	56,252	-	56,252
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	4,250,204	636,323	4,886,527
Depreciable.....	28,196,395	12,149,111	40,345,506
<b>TOTAL ASSETS.....</b>	<b>42,531,855</b>	<b>17,802,417</b>	<b>60,334,272</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	672,599	720,733	1,393,332
Accrued payroll.....	841,992	12,367	854,359
Tax refunds payable.....	132,000	-	132,000
Accrued interest.....	20,317	25,455	45,772
Payroll withholdings.....	200,824	-	200,824
Abandoned property.....	5,926	-	5,926
Other liabilities.....	2,990	-	2,990
Customer deposits payable.....	-	112,515	112,515
Capital lease obligations.....	95,948	-	95,948
Compensated absences.....	30,000	278,405	308,405
Bonds and notes payable.....	630,850	207,602	838,452
<b>NONCURRENT:</b>			
Capital lease obligations.....	567,087	-	567,087
Compensated absences.....	229,000	-	229,000
Other postemployment benefits.....	2,736,202	189,826	2,926,028
Bonds and notes payable.....	4,170,629	2,410,000	6,580,629
<b>TOTAL LIABILITIES.....</b>	<b>10,336,364</b>	<b>3,956,903</b>	<b>14,293,267</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	27,698,564	10,620,419	38,318,983
Restricted for:			
Gifts and grants.....	3,423,535	-	3,423,535
Unrestricted.....	1,073,392	3,225,095	4,298,487
<b>TOTAL NET ASSETS.....</b>	<b>\$ 32,195,491</b>	<b>\$ 13,845,514</b>	<b>\$ 46,041,005</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 1,512,676	\$ 295,344	\$ 127,384	\$ 139,086	\$ (950,862)
Public safety.....	3,159,638	220,444	148,846	-	(2,790,348)
Education.....	20,718,360	286,425	9,435,248	-	(10,996,687)
Public works.....	1,357,682	6,621	111,457	227,438	(1,012,166)
Human services.....	302,974	71,797	1,963	-	(229,214)
Culture and recreation.....	785,868	777	18,353	-	(766,738)
Interest.....	169,866	-	-	-	(169,866)
<b>Total Governmental Activities.....</b>	<b>28,007,064</b>	<b>881,408</b>	<b>9,843,251</b>	<b>366,524</b>	<b>(16,915,881)</b>
<i>Business-Type Activities:</i>					
Water.....	1,183,670	1,424,561	50,071	-	290,962
Electric Light.....	7,072,335	7,882,828	-	-	810,493
<b>Total Business-Type Activities.....</b>	<b>8,256,005</b>	<b>9,307,389</b>	<b>50,071</b>	<b>-</b>	<b>1,101,455</b>
<b>Total Primary Government.....</b>	<b>\$ 36,263,069</b>	<b>\$ 10,188,797</b>	<b>\$ 9,893,322</b>	<b>\$ 366,524</b>	<b>\$ (15,814,426)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(16,915,881)</b>	\$ <b>1,101,455</b>	\$ <b>(15,814,426)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	12,806,265	-	12,806,265
Tax liens.....	163,741	-	163,741
Motor vehicle excise taxes.....	1,009,421	-	1,009,421
Community preservation tax.....	291,688	-	291,688
Penalties and interest on taxes.....	78,672	-	78,672
Payments in lieu of taxes.....	50,192	-	50,192
Grants and contributions not restricted to specific programs.....	892,607	-	892,607
Unrestricted investment income.....	64,988	23,189	88,177
Miscellaneous.....	346,584	-	346,584
<i>Transfers, net</i> .....	217,655	(217,655)	-
Total general revenues and transfers.....	<u>15,921,813</u>	<u>(194,466)</u>	<u>15,727,347</u>
Change in net assets.....	(994,068)	906,989	(87,079)
<i>Net Assets:</i>			
Beginning of year (as restated).....	<u>33,189,559</u>	<u>12,938,525</u>	<u>46,128,084</u>
End of year.....	\$ <u><u>32,195,491</u></u>	\$ <u><u>13,845,514</u></u>	\$ <u><u>46,041,005</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2010

<b>ASSETS</b>	General	Community Preservation Fund	Highway Improvements Fund	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 2,761,193	\$ 2,472,044	\$ -	\$ -	\$ 3,203,109	\$ 8,436,346
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	116,284	-	-	-	-	116,284
Tax liens and foreclosures.....	391,468	2,359	-	-	2,849	396,676
Motor vehicle excise taxes.....	76,965	-	-	-	-	76,965
Special assessments.....	-	2,148	-	-	54,501	56,649
Intergovernmental.....	-	141,768	779,771	24,545	-	946,084
Loans.....	-	-	-	-	56,252	56,252
Due from other funds.....	265,222	-	-	-	-	265,222
<b>TOTAL ASSETS.....</b>	<b>3,611,132</b>	<b>2,618,319</b>	<b>779,771</b>	<b>24,545</b>	<b>3,316,711</b>	<b>10,350,478</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Warrants payable.....	454,818	-	-	-	217,781	672,599
Accrued payroll.....	841,992	-	-	-	-	841,992
Tax refunds payable.....	132,000	-	-	-	-	132,000
Payroll withholdings.....	200,824	-	-	-	-	200,824
Abandoned property.....	5,926	-	-	-	-	5,926
Other liabilities.....	2,990	-	-	-	-	2,990
Deferred revenues.....	538,354	146,275	539,094	-	113,602	1,337,325
Due to other funds.....	-	-	240,677	24,545	-	265,222
<b>TOTAL LIABILITIES.....</b>	<b>2,176,904</b>	<b>146,275</b>	<b>779,771</b>	<b>24,545</b>	<b>331,383</b>	<b>3,458,878</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Encumbrances and continuing appropriations.....	124,736	-	-	-	-	124,736
Unreserved:						
Designated for subsequent year's expenditures.....	123,175	-	-	-	-	123,175
Undesignated, reported in:						
General fund.....	1,186,317	-	-	-	-	1,186,317
Special revenue funds.....	-	2,472,044	-	-	2,683,982	5,156,026
Capital projects funds.....	-	-	-	-	301,346	301,346
<b>TOTAL FUND BALANCES.....</b>	<b>1,434,228</b>	<b>2,472,044</b>	<b>-</b>	<b>-</b>	<b>2,985,328</b>	<b>6,891,600</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 3,611,132</b>	<b>\$ 2,618,319</b>	<b>\$ 779,771</b>	<b>\$ 24,545</b>	<b>\$ 3,316,711</b>	<b>\$ 10,350,478</b>

See notes to basic financial statements.

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

JUNE 30, 2010

Total governmental fund balances.....	\$	6,891,600
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		32,446,599
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,337,325
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(20,317)
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.....	(4,801,479)	
Capital lease obligations.....	(663,035)	
Compensated absences.....	(259,000)	
Other postemployment benefits.....	<u>(2,736,202)</u>	
Net effect of reporting long-term liabilities.....		<u>(8,459,716)</u>
Net assets of governmental activities.....	\$	<u>32,195,491</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	Community Preservation Fund	Highway Improvements Fund	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 12,798,493	\$ -	\$ -	\$ -	\$ -	\$ 12,798,493
Tax liens.....	249,185	-	-	-	-	249,185
Motor vehicle excise taxes.....	1,034,042	-	-	-	-	1,034,042
Penalties and interest on taxes.....	74,948	-	-	-	-	74,948
Payments in lieu of taxes.....	50,192	-	-	-	-	50,192
Intergovernmental.....	7,505,560	170,797	240,677	472,876	760,957	9,150,867
Departmental and other.....	740,741	-	-	-	1,797,719	2,538,460
Special assessments.....	-	291,902	-	-	6,621	298,523
Contributions.....	-	-	-	-	2,998	2,998
Investment income.....	28,182	29,222	-	-	21,202	78,606
<b>TOTAL REVENUES.....</b>	<b>22,481,343</b>	<b>491,921</b>	<b>240,677</b>	<b>472,876</b>	<b>2,589,497</b>	<b>26,276,314</b>
<b>EXPENDITURES:</b>						
Current:						
General government.....	919,624	26,267	-	-	156,814	1,102,705
Public safety.....	1,961,462	-	-	-	269,637	2,231,099
Education.....	11,212,140	-	-	472,876	2,690,698	14,375,714
Public works.....	1,064,458	-	240,677	-	131,143	1,436,278
Human services.....	230,252	-	-	-	6,061	236,313
Culture and recreation.....	317,447	220,054	-	-	21,656	559,157
Pension benefits.....	3,180,421	-	-	-	-	3,180,421
Property and liability insurance.....	146,820	-	-	-	-	146,820
Employee benefits.....	2,341,477	-	-	-	-	2,341,477
State and county charges.....	313,367	-	-	-	-	313,367
Debt service:						
Principal.....	696,084	-	-	-	-	696,084
Interest.....	178,310	-	-	-	-	178,310
<b>TOTAL EXPENDITURES.....</b>	<b>22,561,862</b>	<b>246,321</b>	<b>240,677</b>	<b>472,876</b>	<b>3,276,009</b>	<b>26,797,745</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(80,519)</b>	<b>245,600</b>	<b>-</b>	<b>-</b>	<b>(686,512)</b>	<b>(521,431)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Capital lease financing.....	229,530	-	-	-	-	229,530
Transfers in.....	263,206	-	-	-	305,000	568,206
Transfers out.....	(305,000)	-	-	-	(45,551)	(350,551)
<b>TOTAL OTHER FINANCING SOURCES (USES).</b>	<b>187,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259,449</b>	<b>447,185</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>107,217</b>	<b>245,600</b>	<b>-</b>	<b>-</b>	<b>(427,063)</b>	<b>(74,246)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,327,011</b>	<b>2,226,444</b>	<b>-</b>	<b>-</b>	<b>3,412,391</b>	<b>6,965,846</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,434,228</b>	<b>\$ 2,472,044</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,985,328</b>	<b>\$ 6,891,600</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds.....	\$	(74,246)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	698,983	
Depreciation expense.....	<u>(1,300,741)</u>	
Net effect of reporting capital assets.....		(601,758)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		519,027
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital lease financing.....	(229,530)	
Capital lease principal payments.....	95,494	
Debt service principal payments.....	<u>696,084</u>	
Debt service principal payments.....		562,048
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(10,000)	
Net change in accrued interest on long-term debt.....	8,444	
Net change in other postemployment benefits.....	<u>(1,397,583)</u>	
Net effect of recording long-term liabilities.....		<u>(1,399,139)</u>
Change in net assets of governmental activities.....	\$	<u><u>(994,068)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Enterprise	Electric Light December 31, 2009	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 735,411	\$ 306,634	\$ 1,042,045
Restricted cash and cash equivalents.....	-	1,347,435	1,347,435
Receivables, net of allowance for uncollectibles:			
Water fees.....	519,067	-	519,067
Electric light fees.....	-	1,038,463	1,038,463
Intergovernmental.....	35,470	-	35,470
Inventory.....	-	29,771	29,771
Purchased power advanced deposits.....	-	587,615	587,615
<b>Total current assets.....</b>	<b>1,289,948</b>	<b>3,309,918</b>	<b>4,599,866</b>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	417,117	-	417,117
Capital assets, net of accumulated depreciation.....			
Nondepreciable.....	336,152	300,171	636,323
Depreciable.....	5,615,221	6,533,890	12,149,111
<b>Total noncurrent assets.....</b>	<b>6,368,490</b>	<b>6,834,061</b>	<b>13,202,551</b>
<b>TOTAL ASSETS.....</b>	<b>7,658,438</b>	<b>10,143,979</b>	<b>17,802,417</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	40,815	679,918	720,733
Accrued payroll.....	-	12,367	12,367
Accrued interest.....	25,455	-	25,455
Customer deposits payable.....	-	112,515	112,515
Compensated absences.....	23,000	255,405	278,405
Bonds and notes payable.....	127,602	80,000	207,602
<b>Total current liabilities.....</b>	<b>216,872</b>	<b>1,140,205</b>	<b>1,357,077</b>
<b>NONCURRENT:</b>			
Other postemployment benefits.....	93,992	95,834	189,826
Bonds and notes payable.....	1,690,000	720,000	2,410,000
<b>Total noncurrent liabilities.....</b>	<b>1,783,992</b>	<b>815,834</b>	<b>2,599,826</b>
<b>TOTAL LIABILITIES.....</b>	<b>2,000,864</b>	<b>1,956,039</b>	<b>3,956,903</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	4,586,358	6,034,061	10,620,419
Unrestricted.....	1,071,216	2,153,879	3,225,095
<b>TOTAL NET ASSETS.....</b>	<b>\$ 5,657,574</b>	<b>\$ 8,187,940</b>	<b>\$ 13,845,514</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water Enterprise	Electric Light December 31, 2009	Total
<b>OPERATING REVENUES:</b>			
Charges for services .....	\$ 1,424,561	\$ 7,845,321	\$ 9,269,882
Other.....	-	24,434	24,434
<b>TOTAL OPERATING REVENUES .....</b>	<b>1,424,561</b>	<b>7,869,755</b>	<b>9,294,316</b>
<b>OPERATING EXPENSES:</b>			
Cost of services and administration .....	900,021	6,415,514	7,315,535
Repairs and maintenance.....	-	338,037	338,037
Depreciation.....	190,815	231,347	422,162
<b>TOTAL OPERATING EXPENSES .....</b>	<b>1,090,836</b>	<b>6,984,898</b>	<b>8,075,734</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>333,725</b>	<b>884,857</b>	<b>1,218,582</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income.....	3,619	19,570	23,189
Interest expense.....	(92,834)	(37,979)	(130,813)
Intergovernmental.....	50,071	-	50,071
Other revenues.....	-	13,073	13,073
Payment in lieu of taxes.....	-	(49,458)	(49,458)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(39,144)</b>	<b>(54,794)</b>	<b>(93,938)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>294,581</b>	<b>830,063</b>	<b>1,124,644</b>
<b>TRANSFERS:</b>			
Transfers out.....	(217,655)	-	(217,655)
<b>CHANGE IN NET ASSETS.....</b>	<b>76,926</b>	<b>830,063</b>	<b>906,989</b>
<b>NET ASSETS AT BEGINNING OF YEAR (as restated).....</b>	<b>5,580,648</b>	<b>7,357,877</b>	<b>12,938,525</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 5,657,574</b>	<b>\$ 8,187,940</b>	<b>\$ 13,845,514</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Water	Electric Light December 31, 2009	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Receipts from customers and users.....	\$ 1,449,520	\$ 7,935,823	\$ 9,385,343
Payments to vendors.....	(443,015)	(6,725,965)	(7,168,980)
Payments to employees.....	(448,661)	-	(448,661)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>557,844</b>	<b>1,209,858</b>	<b>1,767,702</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Transfers out.....	(217,655)	-	(217,655)
Miscellaneous.....	-	13,073	13,073
Payments in lieu of taxes.....	-	(49,458)	(49,458)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(217,655)</b>	<b>(36,385)</b>	<b>(254,040)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Acquisition and construction of capital assets.....	(135,226)	(128,327)	(263,553)
Principal payments on bonds and notes.....	(91,091)	(166,250)	(257,341)
Interest expense.....	(45,497)	(37,979)	(83,476)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(271,814)</b>	<b>(332,556)</b>	<b>(604,370)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Investment income.....	3,619	19,570	23,189
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>71,994</b>	<b>860,487</b>	<b>932,481</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>663,417</b>	<b>793,582</b>	<b>1,456,999</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 735,411</b>	<b>\$ 1,654,069</b>	<b>\$ 2,389,480</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>			
Operating income (loss).....	\$ 333,725	\$ 884,857	\$ 1,218,582
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	190,815	231,347	422,162
Changes in assets and liabilities:			
Water fees.....	40	-	40
Electric light fees.....	-	11,645	11,645
Purchased power advance deposits.....	-	21,870	21,870
Warrants payable.....	2,345	(38,434)	(36,089)
Accrued payroll.....	-	12,367	12,367
Liabilities due depositors.....	-	13,787	13,787
Other liabilities.....	-	(3,627)	(3,627)
Accrued compensated absences.....	6,000	21,623	27,623
Other postemployment benefits.....	24,919	54,423	79,342
Total adjustments.....	224,119	325,001	549,120
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 557,844</b>	<b>\$ 1,209,858</b>	<b>\$ 1,767,702</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 415	\$ 314,807
<b>LIABILITIES</b>		
Warrants payable.....	-	1,538
Liabilities due depositors.....	-	313,269
TOTAL LIABILITIES.....	-	314,807
<b>NET ASSETS</b>		
Held in trust.....	\$ 415	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>
<b><u>ADDITIONS:</u></b>	
Interest.....	\$ 8
Intergovernmental.....	<u>419</u>
TOTAL ADDITIONS.....	<u>427</u>
<b><u>DEDUCTIONS:</u></b>	
Administration.....	<u>1,050</u>
CHANGE IN NET ASSETS.....	(623)
NET ASSETS AT BEGINNING OF YEAR.....	<u>1,038</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 415</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. The Town did not identify any component units requiring inclusion in the basic financial statements.

The Georgetown Municipal Electric Light Department (the GMELD) was established to generate and distribute electricity for municipal and residential use within the Town. The GMELD is governed by an elected three-member board and is operated by a manager appointed by the GMELD's elected board. It is not a separate legal entity and therefore the condensed financial statements of the GMELD are reported in the Town's Enterprise Fund. A complete audited financial statement for the GMELD can be obtained directly from their office at West Main Street, Georgetown, MA 01833.

**B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water and municipal light enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported for the fiscal year ended June 30, 2010.

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation fund* is a special revenue fund used to account for the accumulation of resources for the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

The *highway improvements fund* is a special revenue fund used to account for construction, reconstruction and improvements of roadways, streets and sidewalks. Funding is primarily by state grants.

The *state fiscal stabilization fund* is used to account for the Town's use of the federally funded state fiscal stabilization program which was awarded to Governors to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services.

The nonmajor governmental funds consist of other special revenue and capital projects funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than 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).

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following proprietary funds are reported:

The *water enterprise fund* is used to account for the Town's water activities.

The *municipal light fund* is used to account for the Town's electric light activities.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

#### *Government-Wide and Fund Financial Statements*

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

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported. Real estate tax liens are processed by the last day in September following the last billing cycle.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

### ***Water Fees***

User fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period.

Since the Town disconnects water service for nonpayment, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

### ***Special Assessments***

The Town assesses Water Betterments in connection with the construction and connection of water mains and services. Betterment liens are processed annually on overdue accounts and are included as a lien on the property owner's tax bill. Water liens are recorded as receivables in the fiscal year of the levy.

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

### ***Intergovernmental***

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

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

### ***Loans***

Loans receivable represent Title V loans provided through the Massachusetts Water Pollution Abatement Trust to qualifying residential septic system projects.

F. Inventories

*Government-Wide and Fund Financial Statements*

With the exception of the Electric Light Department, inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and building improvements.....	40
Computers and computer equipment.....	5
Equipment and furniture.....	5-10
Other improvements.....	20-30
Books.....	10
Infrastructure.....	40-50
Vehicles.....	5-15

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

*Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

I. Interfund Transfers

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

*Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

*Fund Financial Statements*

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

“Gifts and grants” represents restrictions placed on assets from outside parties and primarily consists of federal and state grants.

#### *Fund Financial Statements (Fund Balances)*

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

#### L. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

##### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### M. Investment Income

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

#### N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

##### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

##### *Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

## O. Use of Estimates

### *Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## P. Total Column

### *Government-Wide Financial Statements*

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

### *Fund Financial Statements*

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

## Q. Fund Deficits

Several individual fund deficits exist within the nonmajor governmental funds at June 30, 2010. These deficits are anticipated to be funded through grant proceeds and available funds during fiscal year 2011.

## R. Prior Period Adjustment

A prior period adjustment totaling \$41,411 was made in the Electric Light Enterprise Fund to record the liability for other postemployment benefits.

## **NOTE 2 – CASH AND INVESTMENTS**

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Town maintains a cash and investment pool that is available for use by all funds, except the Trust Funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the Trust Funds are held separately from those of other Town funds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town has not formally adopted a policy for custodial credit risk of deposits. At fiscal year-end, the carrying amount of deposits (excluding GMELD) totaled \$9,477,710 and the bank balance totaled \$9,561,182. Of the bank balance, \$1,158,228 was covered by Federal Depository Insurance, \$929,291 was covered by

Depositor's Insurance Fund, and \$7,473,663 was exposed to custodial credit risk because it was uninsured and uncollateralized.

As of December 31, 2009, GMELD's carrying amount of deposits totaled \$1,654,069.

Investments

As of June 30, 2010, the Town had a total of \$9,269 invested in MMDT. GMELD had no investments as of December 31, 2009.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of the outside party. The Town's policy related to custodial credit risk is to apply the guidelines established by Massachusetts General Law and to invest in institutions which are financially strong. At June 30, 2010, the Town does not have any custodial credit risk exposure for its investments since MMDT deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical for book-entry form.

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

Interest Rate Risk - Investments

To manage its exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the investment of short-term funds to maturities of one year or less.

Credit Risk - Investments

The Town has not formally adopted a policy related to credit risk. The Town's investment in MMDT at June 30, 2010 is unrated.

**NOTE 3 – RECEIVABLES**

At June 30, 2010, receivables for the individual major and non-major governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 141,732	\$ (25,448)	\$ 116,284
Tax liens and foreclosures.....	396,676	-	396,676
Motor vehicle excise taxes.....	161,362	(84,397)	76,965
Special assessments.....	56,649	-	56,649
Intergovernmental.....	946,084	-	946,084
Loans.....	56,252	-	56,252
	<u>\$ 1,758,755</u>	<u>\$ (109,845)</u>	<u>\$ 1,648,910</u>

At June 30, 2010, receivables for the water enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water fees.....	\$ 519,067	\$ -	\$ 519,067
Intergovernmental.....	452,587	-	452,587
	<u>\$ 971,654</u>	<u>\$ -</u>	<u>\$ 971,654</u>

At December 31, 2009, receivables for the municipal electric light fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Electric Light user fees.....	\$ 1,041,722	\$ (3,259)	\$ 1,038,463

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Community Preservation Fund	Highway Improvements	Other Governmental Funds	Total
<u>Receivable type:</u>					
Real estate and personal property taxes....	\$ 69,921	\$ -	\$ -	\$ -	\$ 69,921
Tax liens and foreclosures.....	391,468	2,359	-	2,849	396,676
Motor vehicle excise taxes.....	76,965	-	-	-	76,965
Special assessments.....	-	2,148	-	54,501	56,649
Intergovernmental.....	-	141,768	539,094	-	680,862
Loans.....	-	-	-	56,252	56,252
Total.....	<u>\$ 538,354</u>	<u>\$ 146,275</u>	<u>\$ 539,094</u>	<u>\$ 113,602</u>	<u>\$ 1,337,325</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,974,082	\$ -	\$ -	\$ 3,974,082
Construction in progress.....	115,304	160,818	-	276,122
Total capital assets not being depreciated.....	4,089,386	160,818	-	4,250,204
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	34,406,923	-	-	34,406,923
Computers and computer equipment.....	674,680	35,712	-	710,392
Equipment and furniture.....	1,134,046	71,748	-	1,205,794
Other improvements.....	991,856	-	-	991,856
Books.....	317,713	-	-	317,713
Infrastructure.....	8,532,879	272,923	-	8,805,802
Vehicles.....	2,191,496	157,782	-	2,349,278
Total capital assets being depreciated.....	48,249,593	538,165	-	48,787,758
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(12,903,634)	(799,404)	-	(13,703,038)
Computers and computer equipment.....	(641,885)	(26,055)	-	(667,940)
Equipment and furniture.....	(877,848)	(60,031)	-	(937,879)
Other improvements.....	(564,122)	(45,017)	-	(609,139)
Books.....	(270,886)	(15,227)	-	(286,113)
Infrastructure.....	(2,834,960)	(216,734)	-	(3,051,694)
Vehicles.....	(1,197,287)	(138,273)	-	(1,335,560)
Total accumulated depreciation.....	(19,290,622)	(1,300,741)	-	(20,591,363)
Total capital assets being depreciated, net.....	28,958,971	(762,576)	-	28,196,395
Total governmental activities capital assets, net.....	\$ 33,048,357	\$ (601,758)	\$ -	\$ 32,446,599

<b>Business Type Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Fund Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 200,926	\$ -	\$ -	\$ 200,926
Construction in progress.....	-	135,226	-	135,226
Total capital assets not being depreciated.....	200,926	135,226	-	336,152
<u>Capital assets being depreciated:</u>				
Computers and computer equipment.....	63,306	-	-	63,306
Equipment and furniture.....	130,672	-	-	130,672
Other improvements.....	81,070	-	-	81,070
Infrastructure.....	9,560,155	-	-	9,560,155
Vehicles.....	79,265	-	-	79,265
Total capital assets being depreciated.....	9,914,468	-	-	9,914,468
<u>Less accumulated depreciation for:</u>				
Computers and computer equipment.....	(63,306)	-	-	(63,306)
Equipment and furniture.....	(126,065)	(4,354)	-	(130,419)
Other improvements.....	(34,302)	(3,611)	-	(37,913)
Infrastructure.....	(3,823,494)	(178,850)	-	(4,002,344)
Vehicles.....	(61,265)	(4,000)	-	(65,265)
Total accumulated depreciation.....	(4,108,432)	(190,815)	-	(4,299,247)
Total capital assets being depreciated, net.....	5,806,036	(190,815)	-	5,615,221
Total water fund activities capital assets, net.....	\$ 6,006,962	\$ (55,589)	\$ -	\$ 5,951,373

<b>Electric Light Department Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 300,171	\$ -	\$ -	\$ 300,171
<u>Capital assets being depreciated:</u>				
Structures and improvements.....	539,207	-	-	539,207
Machinery and equipment.....	6,975,833	88,750	-	7,064,583
Infrastructure.....	4,052,312	39,577	-	4,091,889
Total capital assets being depreciated.....	11,567,352	128,327	-	11,695,679
<u>Less accumulated depreciation for:</u>				
Structures and improvements.....	(176,125)	(7,994)	-	(184,119)
Machinery and equipment.....	(2,866,190)	(163,271)	-	(3,029,461)
Infrastructure.....	(1,888,127)	(60,082)	-	(1,948,209)
Total accumulated depreciation.....	(4,930,442)	(231,347)	-	(5,161,789)
Total capital assets being depreciated, net.....	6,636,910	(103,020)	-	6,533,890
Total Electric Light Department capital assets, net.....	\$ 6,937,081	\$ (103,020)	\$ -	\$ 6,834,061

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

**Governmental Activities:**

General government.....	\$ 71,778
Public safety.....	186,061
Education.....	651,430
Public works.....	267,161
Human services.....	210
Culture and recreation.....	124,101
Total depreciation expense - governmental activities.....	\$ 1,300,741

**Business-Type Activities:**

Water.....	\$ 190,815
Electric light.....	231,347
Total depreciation expense - business-type activities.....	\$ 422,162

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The Town has an interfund receivable/payable balance of \$265,222 as of June 30, 2010. Of this amount, \$240,677 exists between the general fund and the highway improvements fund and \$24,545 exists between the general fund and the state fiscal stabilization fund. Their purpose is to cover short-term cash needs that will be funded by future grant proceeds.

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 305,000	\$ 305,000 (1)
Nonmajor Governmental Funds...	45,551	-	45,551 (2)
Water Enterprise Fund.....	217,655	-	217,655 (3)
Total.....	<u>\$ 263,206</u>	<u>\$ 305,000</u>	<u>\$ 568,206</u>

- (1) Represents budgeted transfers from the general fund to the capital projects fund, the conservation commission, and to establish the capital fund.
- (2) Represents budgeted transfers to the general fund from the septic betterment fund (\$21,086) and from the capital projects fund (\$24,465).
- (3) Represents a budgeted transfer from the water fund to the general fund for indirect charges.

**NOTE 6 – CAPITAL LEASES**

The Town has entered into several lease agreements to finance the acquisition of vehicles, computers and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The following identifies the assets acquired through capital lease agreements:

Asset:	Governmental Activities
Computers and computer equipment.....	\$ 5,217
Equipment and furniture.....	89,516
Vehicles.....	863,343
Less: accumulated depreciation.....	<u>(224,831)</u>
Total.....	<u>\$ 733,245</u>

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

<u>Fiscal Years</u> <u>Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2011.....	\$ 124,367
2012.....	124,368
2013.....	99,142
2014.....	99,143
2015.....	99,143
2016.....	99,143
2017.....	99,142
2018.....	22,947
2019.....	<u>22,946</u>
 Total minimum lease payments.....	 790,341
 Less: amounts representing interest.....	 <u>(127,306)</u>
 Present value of minimum lease payments.....	 \$ <u><u>663,035</u></u>

**NOTE 7 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).
- Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds respectively.

The Town had no short-term financing for fiscal year 2010.

**NOTE 8 – LONG-TERM DEBT**

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

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
MWPAT - Title V Loans.....	4.20	\$ 124,602	\$ -	\$ 10,400	\$ 114,202
Landfill Closure Bonds.....	4.25	560,000	-	75,000	485,000
MWPAT - Title V Loans.....	4.25	127,961	-	10,684	117,277
Town Hall Remodeling.....	4.25	320,000	-	80,000	240,000
Addition to DPW Garage (2003).....	4.25	100,000	-	25,000	75,000
Library Addition (2005).....	4.25	1,920,000	-	120,000	1,800,000
Highway Sander (2005).....	4.25	5,000	-	5,000	-
Public Safety Building Improvements (2005)....	4.25	4,000	-	4,000	-
School Security System (2005).....	4.25	5,000	-	5,000	-
School Computers.....	4.25	30,000	-	30,000	-
School Textbooks.....	4.25	15,000	-	15,000	-
School Renovations (2005).....	2.00	6,000	-	6,000	-
Fire Engine (2005).....	2.00	210,000	-	35,000	175,000
School (2009).....	2.00-2.70	1,983,000	-	263,000	1,720,000
Land Acquisition (2009).....	2.00-2.50	87,000	-	12,000	75,000
<b>Total.....</b>		<b>\$ 5,497,563</b>	<b>\$ -</b>	<b>\$ 696,084</b>	<b>\$ 4,801,479</b>

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

Fiscal Year	Principal	Interest	Total
2011.....	\$ 630,850	\$ 134,822	\$ 765,672
2012.....	611,061	119,404	730,465
2013.....	581,060	103,296	684,356
2014.....	461,061	87,283	548,344
2015.....	436,061	76,125	512,186
2016.....	376,061	66,007	442,068
2017.....	416,061	56,664	472,725
2018.....	386,061	45,559	431,620
2019.....	141,061	33,404	174,465
2020.....	141,061	27,835	168,896
2021.....	141,081	22,262	163,343
2022.....	120,000	16,800	136,800
2023.....	120,000	12,000	132,000
2024.....	120,000	7,200	127,200
2025.....	120,000	2,400	122,400
<b>Totals.....</b>	<b>\$ 4,801,479</b>	<b>\$ 811,061</b>	<b>\$ 5,612,540</b>

**Bonds and Notes Payable Schedule – Municipal Light Enterprise Fund**

Project	Average Interest Rate (%)	Outstanding at December 31, 2008	Issued	Redeemed	Outstanding at December 31, 2009
Refunding Bonds - 1998.....	3.65-4.55	\$ 95,000	\$ -	\$ 95,000	\$ -
Amortization of refunding and issue costs.....		(8,750)	-	(8,750)	-
Electric Light Sub-station.....	4.25	880,000	-	80,000	800,000
Total.....		\$ 966,250	\$ -	\$ 166,250	\$ 800,000

Debt service requirements for principal and interest for municipal light enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2011.....	\$ 80,000	\$ 29,080	\$ 109,080
2012.....	80,000	26,440	106,440
2013.....	80,000	23,740	103,740
2014.....	80,000	20,540	100,540
2015.....	80,000	17,340	97,340
2016.....	80,000	14,540	94,540
2017.....	80,000	11,740	91,740
2018.....	80,000	8,860	88,860
2019.....	80,000	5,960	85,960
2020.....	80,000	3,000	83,000
Totals.....	\$ 800,000	\$ 161,240	\$ 961,240

**Bonds and Notes Payable Schedule – Water Enterprise Fund**

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
MWPAT.....	5.20	\$ 1,511,956	\$ -	\$ 104,354	\$ 1,407,602
General Obligation Water Bonds.....	4.25	430,000	-	20,000	410,000
Total.....		\$ 1,941,956	\$ -	\$ 124,354	\$ 1,817,602

Debt service requirements for principal and interest for water enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 127,602	\$ 87,750	215,352
2012.....	130,000	80,771	210,771
2013.....	135,000	68,535	203,535
2014.....	145,000	65,916	210,916
2015.....	150,000	57,567	207,567
2016.....	155,000	50,262	205,262
2017.....	155,000	42,185	197,185
2018.....	160,000	33,904	193,904
2019.....	170,000	25,974	195,974
2020.....	175,000	18,292	193,292
2021.....	180,000	9,901	189,901
2022.....	30,000	4,800	34,800
2023.....	35,000	3,500	38,500
2024.....	35,000	2,100	37,100
2025.....	35,000	700	35,700
Totals.....	\$ <u>1,817,602</u>	\$ <u>552,157</u>	\$ <u>2,369,759</u>

The Town has received bonds from the Massachusetts Water Pollution Abatement Trust (MWPAT) for various water and sewer projects. The remaining scheduled loan repayments, including interest, total \$2,221,740 at June 30, 2010. The Town is scheduled to be subsidized by the MWPAT on a periodic basis for principal in the amount of \$452,587 and interest costs for \$360,170. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$1,408,983. The principal subsidies are guaranteed and therefore a \$452,587 intergovernmental receivable has been recorded in the Water Enterprise Fund at June 30, 2010. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2010 principal and interest subsidies totaled \$33,264 and \$63,159, respectively.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2010, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Septic Improvement.....	\$ 400,000
School Textbooks.....	700
Total.....	\$ <u>400,700</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 5,497,563	\$ -	\$ (696,084)	\$ 4,801,479	\$ 630,850
Other postemployment benefits....	1,338,619	2,245,677	(848,094)	2,736,202	-
Capital leases.....	528,999	195,700	(61,664)	663,035	95,948
Compensated absences.....	<u>249,000</u>	<u>39,000</u>	<u>(29,000)</u>	<u>259,000</u>	<u>30,000</u>
Total governmental activity long-term liabilities.....	<u>\$ 7,614,181</u>	<u>\$ 2,480,377</u>	<u>\$ (1,634,842)</u>	<u>\$ 8,459,716</u>	<u>\$ 756,798</u>
<b>Business-Type Activities:</b>					
Bonds and notes payable.....	\$ 2,908,206	\$ -	\$ (290,604)	\$ 2,617,602	\$ 207,602
Other postemployment benefits....	69,073	277,554	(156,801)	189,826	-
Compensated absences.....	<u>250,782</u>	<u>278,405</u>	<u>(250,782)</u>	<u>278,405</u>	<u>278,405</u>
Total business-type activity long-term liabilities.....	<u>\$ 3,228,061</u>	<u>\$ 555,959</u>	<u>\$ (698,187)</u>	<u>\$ 3,085,833</u>	<u>\$ 486,007</u>

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

**NOTE 9 – STABILIZATION FUNDS**

At June 30, 2010, \$1,049,069 has been set aside in a stabilization fund, which is classified as a nonmajor fund in the governmental funds financial statements. The stabilization fund balance can be used for general and/or capital purposes upon Town Meeting approval.

**NOTE 10 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**NOTE 11 – MUNICIPAL LIGHT DEPARTMENT**

The Town of Georgetown acting through its Light Department is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct,

own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participants' share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of the Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of FPL Energy, LLC. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. The operating license for the Seabrook Station extends to March, 2030. FPLE Seabrook has stated its intention to request an extension of the Seabrook Station operating licensed beyond March 2030.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the cost associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the Project Participants are liable for their proportionate share of uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

Georgetown Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

As of December 31, 2009, total capital expenditures for MMWEC's Projects amounted to \$1,566,416,000, of which \$12,287,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$502,245,000, of which \$3,688,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2009, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is \$573,581,000, of which \$4,235,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Georgetown Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2009 and estimated for future years is shown below.

<u>For Years Ended December 31,</u>	<u>Annual Cost</u>
2010.....	\$ 596,000
2011.....	591,000
2012.....	590,000
2013.....	575,000
2014.....	542,000
2015 to 2019.....	<u>1,341,000</u>
Total.....	<u>\$ 4,235,000</u>

In addition, under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$1,480,000 and \$1,474,000 for the years ended December 31, 2009 and 2008, respectively.

**NOTE 12 – PENSION PLAN**

*Plan Description* – The Town contributes to the Essex Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Commonwealth's Teachers Contributory Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are funded by the Commonwealth. The amount of these on-behalf payments totaled approximately \$2,247,000 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the General Fund as Intergovernmental Revenues and Pension Expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth. Cost-of-living adjustments granted after 1997 are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 491 Maple Street, Suite 202, Danvers, Massachusetts, 01923.

*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, which is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town's contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$926,871, 870,045, and \$833,660 respectively, which equaled its required contribution for each fiscal year.

#### **NOTE 13 – COMMUNITY PRESERVATION FUNDS**

In Spring of 2001, the Town approved the Community Preservation Act (CPA) which allows the Town to impose a surcharge on property taxes and to receive matching state funds for specified uses related to the acquisition, creation, preservation, and support of open space, historic resources, land for recreational use and community housing. The CPA requires that the Town spend or set aside for later spending a minimum of ten percent of annual revenues for open space, a minimum of ten percent of annual revenues for historic resources and a minimum of ten percent of annual revenues for community housing.

In accordance with the CPA, the Town has approved a new bylaw establishing a Community Preservation Committee (CPC) to study the needs, possibilities and resources of the Town regarding community preservation and to make recommendations for Town Meeting approval to fund eligible projects using CPA funds.

As of June 30, 2010, the CPA fund has a balance of \$2,472,044 and is reported as a major fund in the governmental funds financial statements.

#### **NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 60 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 40 percent of their premium costs. For fiscal year 2010, the Town contributed approximately \$710,000 to the plan.

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

Normal cost.....	\$ 2,414,173
Interest on net OPEB obligation.....	156,679
Adjustments to annual required contribution.....	(89,034)
Annual OPEB cost (expense).....	<u>2,481,818</u>
Contributions made.....	<u>(1,004,895)</u>
Increase in net OPEB obligation.....	1,476,923
Net OPEB obligation - beginning of year.....	<u>1,449,105</u>
Net OPEB obligation - end of year.....	<u>\$ 2,926,028</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 2,481,818	40%	\$ 2,926,028
6/30/2009	2,260,795	36%	1,449,105

*Funded Status and Funding Progress* – As of December 31, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$31 million, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2007, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5% over 5 years and included a 4.5% inflation assumption. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2010 is 28 years.

**NOTE 15 – CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS***Future Implementation of GASB Pronouncements:*

- The GASB issued Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

## ***Required Supplementary Information***

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

FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 12,880,509	\$ 12,880,509	\$ 12,880,509
Motor vehicle excise taxes.....	-	1,142,845	1,142,845	1,142,845
Penalties and interest on taxes.....	-	48,000	48,000	48,000
Payments in lieu of taxes.....	-	50,500	50,500	50,500
Intergovernmental.....	-	5,247,013	5,247,013	5,247,013
Departmental and other.....	-	659,459	659,459	659,459
Investment income.....	-	75,000	75,000	75,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>20,103,326</b>	<b>20,103,326</b>	<b>20,103,326</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	14,277	1,040,364	1,054,641	1,051,461
Public safety.....	11,045	1,912,196	1,923,241	2,008,947
Education.....	-	11,209,620	11,209,620	11,212,146
Public works.....	43,231	748,100	791,331	929,463
Human services.....	241	258,146	258,387	260,718
Culture and recreation.....	5	322,294	322,299	326,138
Pension benefits.....	-	954,685	954,685	954,685
Property and liability insurance.....	-	168,000	168,000	168,000
Employee benefits.....	-	2,525,970	2,525,970	2,558,045
State and county charges.....	-	305,708	305,708	305,708
Debt service:				
Principal.....	-	696,084	696,084	696,084
Interest.....	-	178,713	178,713	178,713
<b>TOTAL EXPENDITURES.....</b>	<b>68,799</b>	<b>20,319,880</b>	<b>20,388,679</b>	<b>20,650,108</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(68,799)</b>	<b>(216,554)</b>	<b>(285,353)</b>	<b>(546,782)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	242,199	242,199	242,199
Transfers out.....	-	(190,000)	(190,000)	(305,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>52,199</b>	<b>52,199</b>	<b>(62,801)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(68,799)</b>	<b>(164,355)</b>	<b>(233,154)</b>	<b>(609,583)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>1,414,330</b>	<b>1,414,330</b>	<b>1,414,330</b>	<b>1,414,330</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 1,345,531</b>	<b>\$ 1,249,975</b>	<b>\$ 1,181,176</b>	<b>\$ 804,747</b>

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 12,796,812	\$ -	\$ (83,697)
1,034,042	-	(108,803)
74,948	-	26,948
50,192	-	(308)
5,258,560	-	11,547
740,741	-	81,282
28,182	-	(46,818)
<u>20,232,662</u>	<u>-</u>	<u>129,336</u>
919,624	36,981	94,856
1,912,680	44,346	51,921
11,212,140	-	6
883,710	43,220	2,533
230,252	185	30,281
317,447	4	8,687
933,421	-	21,264
146,820	-	21,180
2,341,477	-	216,568
313,367	-	(7,659)
696,084	-	-
178,310	-	403
<u>20,085,332</u>	<u>124,736</u>	<u>440,040</u>
<u>147,330</u>	<u>(124,736)</u>	<u>569,376</u>
263,206	-	21,007
(305,000)	-	-
<u>(41,794)</u>	<u>-</u>	<u>21,007</u>
105,536	(124,736)	590,383
<u>1,414,330</u>	<u>-</u>	<u>-</u>
\$ <u>1,519,866</u>	\$ <u>(124,736)</u>	\$ <u>590,383</u>

# ***Retirement System Schedules of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**ESSEX REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/08	\$ 301,420,965	\$ 445,171,554	\$ 143,750,589	67.7%	\$ 111,726,856	128.7%
01/01/06	261,327,047	375,593,562	114,266,515	69.6%	98,641,094	115.8%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%
01/01/99	180,034,700	268,386,000	88,351,300	67.1%	89,645,300	98.6%
01/01/98	151,293,900	245,965,100	94,671,200	61.5%	85,785,000	110.4%
01/01/96	106,176,700	200,397,500	94,220,800	53.0%	72,953,200	129.2%
01/01/94	80,878,500	178,256,800	97,378,300	45.4%	62,076,500	156.9%
01/01/92	61,357,800	143,785,900	82,428,100	42.7%	52,995,500	155.5%

The Town's share of the UAAL, as of January 1, 2010, is approximately 5.25%.

See notes to required supplementary information.

**ESSEX REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30	System Wide			Town of Georgetown	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2010	\$ 17,648,430	\$ 17,648,430	100%	\$ 926,871	5.25%
2009	16,326,599	16,326,599	100%	870,045	5.33%
2008	15,623,540	15,623,540	100%	833,660	5.34%
2007	15,788,864	15,788,864	100%	766,120	4.85%
2006	16,622,274	16,622,274	100%	685,109	4.12%
2005	13,080,011	13,080,011	100%	617,940	4.72%

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

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

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

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

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

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

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**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/2007	\$ -	\$ 28,732,243	\$ 28,732,243	0%	\$ N/A	N/A

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2010	\$ 2,414,173	\$ 1,004,895	42%
6/30/2009	2,414,885	911,248	38%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	December 31, 2007
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4.5%
Remaining amortization period.....	30 years as of July 1, 2008
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	4.5%, pay-as-you-go scenario
Inflation rate.....	4.5%
Medical/drug cost trend rate.....	10.0% graded to 5.0% over 5 years
Dental.....	5.0%

Plan Membership:

Current retirees, beneficiaries, and dependents...	170
Current active members.....	<u>157</u>
Total.....	<u><u>327</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

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

Increases or transfers between departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of the Town’s appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year’s original budget.

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2010 budget includes \$20,509,880 in appropriations and other amounts to be raised and \$68,799 in encumbrances and appropriations carried over from previous fiscal years. During fiscal year 2010, Town Meeting approved supplemental appropriations totaling \$376,429.

The Town Accountant has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2010, is presented below:

Net change in fund balance, budgetary basis.....	\$ 105,536
<u>Basis of accounting differences:</u>	
Net change in revenues due to 60 day receipts.....	(31,319)
Net change in recording tax refunds payable.....	33,000
Net increase in revenues due to on-behalf payments.....	2,247,000
Net increase in recording expenditures due to on-behalf payments.....	<u>(2,247,000)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 107,217</u>

C. Appropriation Deficits

During fiscal year 2010, actual expenditures and encumbrances exceeded appropriations for state and county charges. This deficit will be funded by available funds during fiscal year 2011.

**NOTE B – PENSION PLAN**

The Town contributes to the Essex Regional Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Essex Regional Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the systemwide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information presents multi-year trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Valuation Date.....	January 1, 2008
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.50% per year
Remaining Amortization Period.....	20 years remaining as of July 1, 2008, closed
Asset Valuation Method.....	20% of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value and must be within 20% of market value of the assets.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	5.00%
Cost of living adjustments.....	3.00% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	1,568
Terminated participants entitled to a return of their employee contributions.....	880
Terminated participants with a vested right to a deferred or immediate benefit.....	65
Active participants.....	<u>3,139</u>
Total.....	<u><u>5,652</u></u>

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare, prescription drug, dental, vision and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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