

TOWN OF GEORGETOWN, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF GEORGETOWN, MASSACHUSETTS

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JUNE 30, 2012

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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, 2012 (except for the Georgetown Municipal Electric Light Department which is as of and for the fiscal year ended December 31, 2011), 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, a major enterprise fund, which represents 58% and 82%, respectively, of the assets and revenues of the business-type activities. 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, 2011, 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, 2012, 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 14, 2013, 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.

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

Powers & Sullivan LLC

March 14, 2013

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, 2012. 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 \$32.7 million at the close of fiscal year 2012.

	FY 2012 Governmental Activities	FY 2011 Governmental Activities
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 11,897,435	\$ 10,693,147
Capital assets.....	31,668,746	31,760,877
Total assets.....	<u>43,566,181</u>	<u>42,454,024</u>
Liabilities:		
Current liabilities (excluding debt).....	2,239,109	1,822,768
Noncurrent liabilities (excluding debt).....	5,032,138	4,264,985
Current debt.....	581,060	611,061
Noncurrent debt.....	<u>2,978,508</u>	<u>3,559,568</u>
Total liabilities.....	<u>10,830,815</u>	<u>10,258,382</u>
Net Assets:		
Capital assets net of related debt.....	27,884,114	27,643,790
Restricted.....	3,557,917	2,869,451
Unrestricted.....	<u>1,293,335</u>	<u>1,682,401</u>
Total net assets.....	<u>\$ 32,735,366</u>	<u>\$ 32,195,642</u>

The Town’s noncurrent liabilities increased by \$767,000 as a result of the recognition of the Governmental Accounting Standard’s Board (GASB) Statement 45, which requires the Town to recognize a liability in governmental activities for its net other postemployment benefit obligation (OPEB). This liability, which equals \$4.4 million, increased by \$842,000 in fiscal year 2012.

Governmental net assets of \$27.9 million (85%) 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, \$3.6 million (11%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1.3 million (4%), may be used to meet the government's ongoing obligations to citizens and creditors.

	FY 2012 Governmental Activities	FY 2011 Governmental Activities
Program revenues:		
Charges for services.....	\$ 1,192,988	\$ 970,160
Operating grants and contributions.....	10,155,007	10,812,105
Capital grants and contributions.....	613,330	434,838
General revenues:		
Real estate and personal property taxes.....	14,849,973	13,194,090
Tax liens.....	91,632	107,128
Motor vehicle excise taxes.....	1,064,956	1,034,268
Community preservation tax.....	326,728	292,016
Penalties and interest on taxes.....	54,215	48,612
Payments in lieu of taxes.....	50,127	51,225
Grants and contributions not restricted to specific programs.....	833,170	859,578
Unrestricted investment income.....	40,824	53,959
Other revenues.....	403,489	389,692
Total revenues.....	29,676,439	28,247,671
Expenses:		
General government.....	1,620,286	1,447,926
Public safety.....	3,138,981	3,054,421
Education.....	22,058,215	21,426,895
Public works.....	1,305,029	1,568,351
Community preservation.....	177,409	78,124
Human services.....	357,379	321,057
Culture and recreation.....	606,733	437,599
Interest.....	131,233	146,241
Total expenses.....	29,395,265	28,480,614
Excess (Deficiency) before transfers.....	281,174	(232,943)
Transfers.....	258,550	233,094
Change in net assets.....	\$ 539,724	\$ 151

The Town's governmental activities net assets increased \$539,000 in Fiscal 2012. This was due to better than expected budgetary results of \$940,000 and capital grants totaling \$613,000; both of which were offset by a \$842,000 increase in the OPEB liability.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$14.5 million at the close of fiscal year 2012.

	FY 2012 Business-type Activities	FY 2011 Business-type Activities
Assets:		
Current assets.....	\$ 4,678,115	\$ 5,197,417
Noncurrent assets (excluding capital).....	339,938	379,820
Capital assets.....	13,120,720	12,602,396
Total assets.....	18,138,773	18,179,633
Liabilities:		
Current liabilities (excluding debt).....	1,183,460	1,090,872
Noncurrent liabilities (excluding debt).....	215,567	153,635
Current debt.....	215,000	210,000
Noncurrent debt.....	1,985,000	2,200,000
Total liabilities.....	3,599,027	3,654,507
Net Assets:		
Capital assets net of related debt.....	11,300,540	10,609,513
Unrestricted.....	3,239,206	3,915,613
Total net assets.....	\$ 14,539,746	\$ 14,525,126

Business type net assets of \$11.3 million (78%) represent investments in capital assets net of related debt. The remaining \$3.2 million (22%) is available to be used for the ongoing operation of the Town's Water and Municipal Light departments.

As shown in the following table, net assets of the business-type activities increased \$15,000. This consisted of a \$26,000 increase in net assets of the Water Department and a \$12,000 decrease in net assets of Municipal Light Department. The increase in the Water Department is mainly the result of operating revenues assigned to meet current operating expenditures and principal payments on debt. 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, 2011.

	FY 2012 Business-type Activities	FY 2011 Business-type Activities
Program revenues:		
Charges for services.....	\$ 8,128,747	\$ 8,774,388
Operating grants and contributions.....	41,386	45,800
General revenues:		
Unrestricted investment income.....	13,085	16,358
Total revenues.....	8,183,218	8,836,546
Expenses:		
Electric Light.....	6,719,725	6,725,540
Water.....	1,190,323	1,198,300
Total expenses.....	7,910,048	7,923,840
Excess (Deficiency) before transfers.....	273,170	912,706
Transfers.....	(258,550)	(233,094)
Change in net assets.....	\$ 14,620	\$ 679,612

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.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8.1 million, an increase of \$668,000 from the prior year. This is attributable to increases in the general fund, community preservation and nonmajor funds of \$488,000, \$172,000 and \$7,500, respectively.

The general fund is the chief operating fund. At the end of the current fiscal year, the unassigned fund balance of the general fund totaled \$2.9 million, and the total fund balance totaled \$3.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 12% of general fund expenditures, while total fund balance represents approximately 13% of that same amount. The Town's assigned and committed fund balances consists of \$138,000 in encumbrances and \$133,000 in continuing appropriations, respectively.

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, 2012, the Town has a balance of \$2.9 million in unspent CPA funds which are classified as a major governmental fund in the fund-based financial statements. During fiscal year 2012, the Town received \$327,000 in assessments, \$22,000 in investment earnings, and \$294,000 in state matching funds. Expenditures in fiscal year 2012 totaled \$470,000.

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 \$13,000 on projects in fiscal year 2012 which was fully supported by state grants and therefore the fund balance remains at zero at fiscal year-end.

The Town also maintains a stabilization fund, which is classified within the general fund. The stabilization fund has a year-end balance of \$1.2 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 \$216,000 increase between the original budget and the final amended budget was primarily due to additional appropriations for public works.

Actual revenues came in higher than budgeted by \$142,000. All categories of revenue exceeded budget estimates with the exception of real estate and personal property 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 2012 the Town expended \$1.1 million on governmental activities capital assets consisting mainly of land, construction in progress, building improvements, equipment and vehicles. The business type activities expended \$943,000, which consisted of \$259,000 in the Water Department and \$684,000 in the Municipal Light Department.

Outstanding long-term debt of the general government, as of June 30, 2012, totaled \$3.6 million, of which \$1.2 million is related to school projects, \$1.6 million is related to the library addition, leaving a balance of \$788,000 for other capital projects.

The enterprise funds and Municipal Light Plant have \$1.6 million and \$640,000 of debt, respectively, all of which is fully supported by the rates and is not reliant on a general fund subsidy.

Please refer to notes 4, 6, 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.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 9,925,826	\$ 1,687,287	\$ 11,613,113
Restricted cash and cash equivalents.....	-	1,210,312	1,210,312
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	192,801	-	192,801
Tax liens.....	480,968	-	480,968
Motor vehicle excise taxes.....	34,745	-	34,745
Water fees.....	-	418,457	418,457
Electric light fees.....	-	742,692	742,692
Departmental and other.....	115,255	-	115,255
Special assessments.....	4,072	-	4,072
Intergovernmental.....	1,024,285	39,882	1,064,167
Inventory.....	-	29,771	29,771
Purchased power advanced deposits.....	-	549,714	549,714
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	339,938	339,938
Loans.....	119,483	-	119,483
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	5,442,769	689,019	6,131,788
Depreciable.....	26,225,977	12,431,701	38,657,678
TOTAL ASSETS.....	43,566,181	18,138,773	61,704,954
LIABILITIES			
CURRENT:			
Warrants payable.....	758,184	779,391	1,537,575
Accrued payroll.....	803,602	9,113	812,715
Tax refunds payable.....	33,100	-	33,100
Accrued interest.....	17,114	17,297	34,411
Payroll withholdings.....	143,186	-	143,186
Abandoned property.....	3,368	-	3,368
Other liabilities.....	2,227	-	2,227
Customer deposits payable.....	-	120,716	120,716
Capital lease obligations.....	79,360	-	79,360
Compensated absences.....	34,000	256,943	290,943
Notes payable.....	364,968	-	364,968
Bonds payable.....	581,060	215,000	796,060
NONCURRENT:			
Capital lease obligations.....	387,992	-	387,992
Compensated absences.....	247,000	-	247,000
Other postemployment benefits.....	4,397,146	215,567	4,612,713
Bonds payable.....	2,978,508	1,985,000	4,963,508
TOTAL LIABILITIES.....	10,830,815	3,599,027	14,429,842
NET ASSETS			
Invested in capital assets, net of related debt.....	27,884,114	11,300,540	39,184,654
Restricted for:			
Permanent funds:			
Expendable.....	1,591	-	1,591
Nonexpendable.....	5,000	-	5,000
Gifts and grants.....	3,551,326	-	3,551,326
Unrestricted.....	1,293,335	3,239,206	4,532,541
TOTAL NET ASSETS.....	\$ 32,735,366	\$ 14,539,746	\$ 47,275,112

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,620,286	\$ 355,847	\$ 71,864	\$ 5,554	\$ (1,187,021)
Public safety.....	3,138,981	361,651	89,754	-	(2,687,576)
Education.....	22,058,215	397,881	9,884,601	313,756	(11,461,977)
Public works.....	1,305,029	4,510	78,888	-	(1,221,631)
Community preservation.....	177,409	-	-	294,020	116,611
Human services.....	357,379	72,799	845	-	(283,735)
Culture and recreation.....	606,733	300	29,055	-	(577,378)
Interest.....	131,233	-	-	-	(131,233)
Total Governmental Activities.....	<u>29,395,265</u>	<u>1,192,988</u>	<u>10,155,007</u>	<u>613,330</u>	<u>(17,433,940)</u>
<i>Business-Type Activities:</i>					
Water.....	1,190,323	1,431,647	41,386	-	282,710
Electric Light.....	6,719,725	6,697,100	-	-	(22,625)
Total Business-Type Activities.....	<u>7,910,048</u>	<u>8,128,747</u>	<u>41,386</u>	<u>-</u>	<u>260,085</u>
Total Primary Government.....	<u>\$ 37,305,313</u>	<u>\$ 9,321,735</u>	<u>\$ 10,196,393</u>	<u>\$ 613,330</u>	<u>\$ (17,173,855)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (17,433,940)	\$ 260,085	\$ (17,173,855)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	14,849,973	-	14,849,973
Tax liens.....	91,632	-	91,632
Motor vehicle excise taxes.....	1,064,956	-	1,064,956
Community preservation surcharge.....	326,728	-	326,728
Penalties and interest on taxes.....	54,215	-	54,215
Payments in lieu of taxes.....	50,127	-	50,127
Grants and contributions not restricted to specific programs.....	833,170	-	833,170
Unrestricted investment income.....	40,824	13,085	53,909
Miscellaneous.....	403,489	-	403,489
<i>Transfers, net</i>	258,550	(258,550)	-
Total general revenues and transfers.....	17,973,664	(245,465)	17,728,199
Change in net assets.....	539,724	14,620	554,344
<i>Net Assets:</i>			
Beginning of year.....	32,195,642	14,525,126	46,720,768
End of year.....	\$ 32,735,366	\$ 14,539,746	\$ 47,275,112

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	General	Community Preservation Fund	Highway Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 4,678,229	\$ 2,916,204	\$ -	\$ 2,331,393	\$ 9,925,826
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	192,801	-	-	-	192,801
Tax liens and foreclosures.....	473,547	3,693	-	3,728	480,968
Motor vehicle excise taxes.....	34,745	-	-	-	34,745
Departmental and other.....	-	-	-	115,255	115,255
Special assessments.....	-	4,072	-	-	4,072
Intergovernmental.....	-	145,718	735,080	143,487	1,024,285
Loans.....	-	-	-	119,483	119,483
Due from other funds.....	13,375	-	-	-	13,375
TOTAL ASSETS.....	5,392,697	3,069,687	735,080	2,713,346	11,910,810
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	685,716	19,234	-	53,234	758,184
Accrued payroll.....	797,199	-	-	6,403	803,602
Tax refunds payable.....	33,100	-	-	-	33,100
Payroll withholdings.....	143,186	-	-	-	143,186
Abandoned property.....	3,368	-	-	-	3,368
Other liabilities.....	2,227	-	-	-	2,227
Deferred revenues.....	583,476	153,483	721,705	238,466	1,697,130
Due to other funds.....	-	-	13,375	-	13,375
Notes payable.....	-	-	-	364,968	364,968
TOTAL LIABILITIES.....	2,248,272	172,717	735,080	663,071	3,819,140
FUND BALANCES:					
Nonspendable.....	-	-	-	5,000	5,000
Restricted.....	-	2,896,970	-	2,379,946	5,276,916
Committed.....	133,000	-	-	-	133,000
Assigned.....	137,526	-	-	-	137,526
Unassigned.....	2,873,899	-	-	(334,671)	2,539,228
TOTAL FUND BALANCES.....	3,144,425	2,896,970	-	2,050,275	8,091,670
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 5,392,697	\$ 3,069,687	\$ 735,080	\$ 2,713,346	\$ 11,910,810

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....		\$ 8,091,670
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		31,668,746
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,697,130
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(17,114)
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.....	(3,559,568)	
Capital lease obligations.....	(467,352)	
Compensated absences.....	(281,000)	
Other postemployment benefits.....	<u>(4,397,146)</u>	
Net effect of reporting long-term liabilities.....		<u>(8,705,066)</u>
Net assets of governmental activities.....		<u>\$ 32,735,366</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Community Preservation Fund	Highway Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 14,865,726	\$ -	\$ -	\$ -	\$ 14,865,726
Tax liens.....	55,233	-	-	-	55,233
Motor vehicle excise taxes.....	1,078,891	-	-	-	1,078,891
Penalties and interest on taxes.....	51,379	-	-	-	51,379
Payments in lieu of taxes.....	50,127	-	-	-	50,127
Intergovernmental.....	8,457,189	294,020	13,375	1,724,201	10,488,785
Departmental and other.....	790,754	-	-	1,808,758	2,599,512
Special assessments.....	-	-	-	4,511	4,511
Community preservation surcharge.....	-	326,728	-	-	326,728
Contributions.....	-	-	-	2,436	2,436
Investment income.....	16,897	22,021	-	7,773	46,691
TOTAL REVENUES.....	25,366,196	642,769	13,375	3,547,679	29,570,019
EXPENDITURES:					
Current:					
General government.....	934,438	-	-	267,383	1,201,821
Public safety.....	2,016,491	-	-	237,609	2,254,100
Education.....	13,069,228	-	-	3,008,194	16,077,422
Public works.....	789,502	-	13,375	83,843	886,720
Community preservation.....	-	470,406	-	-	470,406
Human services.....	232,722	-	-	61,031	293,753
Culture and recreation.....	336,636	-	-	52,457	389,093
Pension benefits.....	3,593,344	-	-	-	3,593,344
Property and liability insurance.....	170,528	-	-	-	170,528
Employee benefits.....	2,641,903	-	-	-	2,641,903
State and county charges.....	439,033	-	-	-	439,033
Debt service:					
Principal.....	611,061	-	-	-	611,061
Interest.....	131,177	-	-	-	131,177
TOTAL EXPENDITURES.....	24,966,063	470,406	13,375	3,710,517	29,160,361
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	400,133	172,363	-	(162,838)	409,658
OTHER FINANCING SOURCES (USES):					
Transfers in.....	312,260	-	-	224,822	537,082
Transfers out.....	(224,023)	-	-	(54,509)	(278,532)
TOTAL OTHER FINANCING SOURCES (USES).....	88,237	-	-	170,313	258,550
NET CHANGE IN FUND BALANCES.....	488,370	172,363	-	7,475	668,208
FUND BALANCES AT BEGINNING OF YEAR.....	2,656,055	2,724,607	-	2,042,800	7,423,462
FUND BALANCES AT END OF YEAR.....	\$ 3,144,425	\$ 2,896,970	\$ -	\$ 2,050,275	\$ 8,091,670

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, 2012

Net change in fund balances - total governmental funds.....	\$	668,208
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		1,112,749
Depreciation expense.....		<u>(1,204,880)</u>
Net effect of reporting capital assets.....		(92,131)
<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>		
		106,420
<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 principal payments.....		99,735
Debt service principal payments.....		<u>611,061</u>
Net effect of recording long-term debt.....		710,796
<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.....		(12,000)
Net change in accrued interest on long-term debt.....		(56)
Net change in other postemployment benefits.....		<u>(841,513)</u>
Net effect of recording long-term liabilities.....		<u>(853,569)</u>
Change in net assets of governmental activities.....	\$	<u><u>539,724</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Water Enterprise	Electric Light December 31, 2011	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 981,200	\$ 706,087	\$ 1,687,287
Restricted cash and cash equivalents.....	-	1,210,312	1,210,312
Receivables, net of allowance for uncollectibles:			
Water fees.....	418,457	-	418,457
Electric light fees.....	-	742,692	742,692
Intergovernmental.....	39,882	-	39,882
Inventory.....	-	29,771	29,771
Purchased power advanced deposits.....	-	549,714	549,714
Total current assets.....	1,439,539	3,238,576	4,678,115
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	339,938	-	339,938
Capital assets, net of accumulated depreciation.....			
Nondepreciable.....	388,848	-	388,848
Depreciable.....	5,467,830	7,264,042	12,731,872
Total noncurrent assets.....	6,196,616	7,264,042	13,460,658
TOTAL ASSETS.....	7,636,155	10,502,618	18,138,773
LIABILITIES			
CURRENT:			
Warrants payable.....	52,632	726,759	779,391
Accrued payroll.....	9,113	-	9,113
Accrued interest.....	17,297	-	17,297
Customer deposits payable.....	-	120,716	120,716
Compensated absences.....	27,000	229,943	256,943
Bonds payable.....	135,000	80,000	215,000
Total current liabilities.....	241,042	1,157,418	1,398,460
NONCURRENT:			
Other postemployment benefits.....	215,567	-	215,567
Bonds payable.....	1,425,000	560,000	1,985,000
Total noncurrent liabilities.....	1,640,567	560,000	2,200,567
TOTAL LIABILITIES.....	1,881,609	1,717,418	3,599,027
NET ASSETS			
Invested in capital assets, net of related debt.....	4,676,498	6,624,042	11,300,540
Unrestricted.....	1,078,048	2,161,158	3,239,206
TOTAL NET ASSETS.....	\$ 5,754,546	\$ 8,785,200	\$ 14,539,746

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Water Enterprise	Electric Light December 31, 2011	Total
OPERATING REVENUES:			
Charges for services	\$ 1,431,647	\$ 6,629,171	\$ 8,060,818
Other.....	-	15,659	15,659
TOTAL OPERATING REVENUES	1,431,647	6,644,830	8,076,477
OPERATING EXPENSES:			
Cost of services and administration	926,183	6,004,508	6,930,691
Repairs and maintenance.....	-	402,610	402,610
Depreciation.....	186,916	237,710	424,626
TOTAL OPERATING EXPENSES	1,113,099	6,644,828	7,757,927
OPERATING INCOME.....	318,548	2	318,550
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	2,042	11,043	13,085
Interest expense.....	(77,224)	(26,424)	(103,648)
Intergovernmental.....	41,386	-	41,386
Other revenues.....	-	52,270	52,270
Payment in lieu of taxes.....	-	(48,473)	(48,473)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(33,796)	(11,584)	(45,380)
INCOME (LOSS) BEFORE TRANSFERS.....	284,752	(11,582)	273,170
TRANSFERS:			
Transfers out.....	(258,550)	-	(258,550)
CHANGE IN NET ASSETS.....	26,202	(11,582)	14,620
NET ASSETS AT BEGINNING OF YEAR.....	5,728,344	8,796,782	14,525,126
NET ASSETS AT END OF YEAR.....	\$ 5,754,546	\$ 8,785,200	\$ 14,539,746

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Water	Electric Light December 31, 2011	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users.....	\$ 1,484,836	\$ 6,758,928	\$ 8,243,764
Payments to vendors.....	(451,219)	(6,300,825)	(6,752,044)
Payments to employees.....	(458,169)	-	(458,169)
NET CASH FROM OPERATING ACTIVITIES.....	575,448	458,103	1,033,551
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out.....	(258,550)	-	(258,550)
Miscellaneous.....	-	52,270	52,270
Payments in lieu of taxes.....	-	(48,473)	(48,473)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(258,550)	3,797	(254,753)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Intergovernmental grants.....	78,683	-	78,683
Acquisition and construction of capital assets.....	(258,798)	(684,152)	(942,950)
Principal payments on bonds and notes.....	(130,000)	(80,000)	(210,000)
Interest expense.....	(82,639)	(26,424)	(109,063)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(392,754)	(790,576)	(1,183,330)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	2,042	11,043	13,085
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(73,814)	(317,633)	(391,447)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,055,014	2,234,032	3,289,046
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 981,200	\$ 1,916,399	\$ 2,897,599
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ 318,548	\$ 2	\$ 318,550
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	186,916	237,710	424,626
Changes in assets and liabilities:			
Water fees.....	(12,157)	-	(12,157)
Electric light fees.....	-	117,512	117,512
Purchased power advance deposits.....	-	25,085	25,085
Warrants payable.....	10,214	95,712	105,926
Accrued payroll.....	1,581	(20,316)	(18,735)
Liabilities due depositors.....	-	76	76
Accrued compensated absences.....	5,000	5,736	10,736
Other postemployment benefits.....	65,346	(3,414)	61,932
Total adjustments.....	256,900	458,101	715,001
NET CASH FROM OPERATING ACTIVITIES.....	\$ 575,448	\$ 458,103	\$ 1,033,551

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Other Postemployment Benefit Trust Fund (1)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 7,936	\$ 1,378	\$ 303,729
Investments.....	<u>274,397</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>282,333</u>	<u>1,378</u>	<u>303,729</u>
LIABILITIES			
Warrants payable.....	-	-	22,590
Liabilities due depositors.....	<u>-</u>	<u>-</u>	<u>281,139</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>303,729</u>
NET ASSETS			
Held in trust.....	<u>\$ 282,333</u>	<u>\$ 1,378</u>	<u>\$ -</u>

See notes to basic financial statements.
(1) Georgetown Electric Light Department only.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Other Postemployment Benefit Trust Fund (1)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 78,474	\$ -
Net investment income:		
Interest.....	720	9
Intergovernmental.....	-	290
TOTAL ADDITIONS.....	79,194	299
CHANGE IN NET ASSETS.....	79,194	299
NET ASSETS AT BEGINNING OF YEAR.....	203,139	1,079
NET ASSETS AT END OF YEAR.....	\$ 282,333	\$ 1,378

See notes to basic financial statements.

(1) Georgetown Electric Light Department only.

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, 2012.

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 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds 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 *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

Real estate 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:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts.

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

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town’s by-laws authorize the Town Accountant to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

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 nonmajor 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.

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 \$11,202,810 and the bank balance totaled \$11,355,096. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance, \$2,238,377 was covered by Depositor’s Insurance Fund, and \$8,116,719 was exposed to custodial credit risk because it was uninsured and uncollateralized.

As of December 31, 2011, GMELD’s carrying amount of deposits totaled \$1,916,399. In addition, the GMELD had \$7,936 of deposits in an Other Postemployment Benefit Trust Fund (Trust).

Investments

The Town participates in the MMDT cash portfolio. MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months. Town’s investment in MMDT totaled \$9,323 at June 30, 2012.

GMELD had no investments at December 31, 2011.

As of June 30, 2012, the Trust had the following investments:

Investment Type	<u>Fair Value</u>	<u>Maturity</u> <u>1-5 Years</u>
<u>Debt Securities:</u>		
Corporate Bonds.....	\$ 10,042	\$ <u>10,042</u>
<u>Other Investments:</u>		
Equity Mutual Funds.....	<u>264,355</u>	
Total Investments.....	\$ <u>274,397</u>	

The corporate bonds carry a AA rating from Moody’s Investor Services.

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, 2012, 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.

Of the Trust’s total investments of \$274,397, there was custodial credit risk exposure of \$274,397 which is equal to the corporate bonds in the amount of \$10,042, and equity mutual funds of \$264,355 because the related securities are uninsured, unregistered and held by the counterparty. The Trust does not have an investment policy for custodial credit risk.

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, 2012 is unrated.

The Trust has not formally adopted a policy related to credit risk.

NOTE 3 – RECEIVABLES

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

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 207,368	\$ (14,567)	\$ 192,801
Tax liens and foreclosures.....	480,968	-	480,968
Motor vehicle excise taxes.....	88,364	(53,619)	34,745
Departmental and other.....	115,255	-	115,255
Special assessments.....	4,072	-	4,072
Intergovernmental.....	1,024,285	-	1,024,285
Loans.....	119,483	-	119,483
Total.....	<u>\$ 2,039,795</u>	<u>\$ (68,186)</u>	<u>\$ 1,971,609</u>

At June 30, 2012, receivables for the water enterprise consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water fees.....	\$ 418,457	\$ -	\$ 418,457
Intergovernmental.....	379,820	-	379,820
Total.....	<u>\$ 798,277</u>	<u>\$ -</u>	<u>\$ 798,277</u>

At December 31, 2011, receivables for the municipal electric light fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Electric Light user fees.....	\$ 742,692	\$ -	\$ 742,692

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 Fund	Other Governmental Funds	Total
<u>Receivable type:</u>					
Real estate and personal property taxes....	\$ 75,184	\$ -	\$ -	\$ -	\$ 75,184
Tax liens and foreclosures.....	473,547	3,693	-	3,728	480,968
Motor vehicle excise taxes.....	34,745	-	-	-	34,745
Departmental and other.....	-	-	-	115,255	115,255
Special assessments.....	-	4,072	-	-	4,072
Intergovernmental.....	-	145,718	721,705	-	867,423
Loans.....	-	-	-	119,483	119,483
Total.....	\$ 583,476	\$ 153,483	\$ 721,705	\$ 238,466	\$ 1,697,130

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,147,496	\$ 263,971	\$ -	\$ 4,411,467
Construction in progress.....	489,136	741,020	(198,854)	1,031,302
Total capital assets not being depreciated.....	4,636,632	1,004,991	(198,854)	5,442,769
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	34,460,923	40,666	-	34,501,589
Computers and computer equipment.....	708,913	35,464	-	744,377
Equipment and furniture.....	1,221,902	66,018	-	1,287,920
Other improvements.....	991,856	-	-	991,856
Books.....	317,713	-	-	317,713
Infrastructure.....	8,902,592	132,836	-	9,035,428
Vehicles.....	2,362,864	31,628	-	2,394,492
Total capital assets being depreciated.....	48,966,763	306,612	-	49,273,375
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(14,472,334)	(741,447)	-	(15,213,781)
Computers and computer equipment.....	(681,306)	(11,732)	-	(693,038)
Equipment and furniture.....	(989,955)	(45,838)	-	(1,035,793)
Other improvements.....	(653,281)	(43,267)	-	(696,548)
Books.....	(298,320)	(8,847)	-	(307,167)
Infrastructure.....	(3,273,049)	(224,395)	-	(3,497,444)
Vehicles.....	(1,474,273)	(129,354)	-	(1,603,627)
Total accumulated depreciation.....	(21,842,518)	(1,204,880)	-	(23,047,398)
Total capital assets being depreciated, net.....	27,124,245	(898,268)	-	26,225,977
Total governmental activities capital assets, net.....	\$ 31,760,877	\$ 106,723	\$ (198,854)	\$ 31,668,746

Business Type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 200,926	\$ -	\$ -	\$ 200,926
Construction in progress.....	154,135	33,787	-	187,922
Total capital assets not being depreciated.....	<u>355,061</u>	<u>33,787</u>	<u>-</u>	<u>388,848</u>
<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	225,011	-	9,785,166
Vehicles.....	79,265	-	-	79,265
Total capital assets being depreciated.....	<u>9,914,468</u>	<u>225,011</u>	<u>-</u>	<u>10,139,479</u>
<u>Less accumulated depreciation for:</u>				
Computers and computer equipment.....	(63,306)	-	-	(63,306)
Equipment and furniture.....	(130,672)	-	-	(130,672)
Other improvements.....	(41,524)	(3,609)	-	(45,133)
Infrastructure.....	(4,179,966)	(179,307)	-	(4,359,273)
Vehicles.....	(69,265)	(4,000)	-	(73,265)
Total accumulated depreciation.....	<u>(4,484,733)</u>	<u>(186,916)</u>	<u>-</u>	<u>(4,671,649)</u>
Total capital assets being depreciated, net.....	<u>5,429,735</u>	<u>38,095</u>	<u>-</u>	<u>5,467,830</u>
Total water fund activities capital assets, net.....	<u>\$ 5,784,796</u>	<u>\$ 71,882</u>	<u>\$ -</u>	<u>\$ 5,856,678</u>
Electric Light Department Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 300,171	\$ -	\$ -	\$ 300,171
<u>Capital assets being depreciated:</u>				
Structures and improvements.....	539,207	6,539	-	545,746
Machinery and equipment.....	7,196,695	611,446	(75,969)	7,732,172
Infrastructure.....	4,149,608	66,167	-	4,215,775
Total capital assets being depreciated.....	<u>11,885,510</u>	<u>684,152</u>	<u>(75,969)</u>	<u>12,493,693</u>
<u>Less accumulated depreciation for:</u>				
Structures and improvements.....	(193,101)	(9,333)	-	(202,434)
Machinery and equipment.....	(3,158,606)	(156,554)	75,969	(3,239,191)
Infrastructure.....	(2,016,374)	(71,823)	-	(2,088,197)
Total accumulated depreciation.....	<u>(5,368,081)</u>	<u>(237,710)</u>	<u>75,969</u>	<u>(5,529,822)</u>
Total capital assets being depreciated, net.....	<u>6,517,429</u>	<u>446,442</u>	<u>-</u>	<u>6,963,871</u>
Total Electric Light Department capital assets, net.....	<u>\$ 6,817,600</u>	<u>\$ 446,442</u>	<u>\$ -</u>	<u>\$ 7,264,042</u>

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

Governmental Activities:	
General government.....	\$ 69,694
Public safety.....	179,707
Education.....	570,034
Public works.....	269,369
Human services.....	105
Culture and recreation.....	<u>115,971</u>
Total depreciation expense - governmental activities.....	<u>\$ 1,204,880</u>
Business-Type Activities:	
Water.....	\$ 186,916
Electric light.....	<u>237,710</u>
Total depreciation expense - business-type activities.....	<u>\$ 424,626</u>

NOTE 5 – INTERFUND TRANSFERS

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 224,023	\$ 224,023 (1)
Nonmajor Governmental Funds...	53,710	799	54,509 (2)
Water Enterprise Fund.....	<u>258,550</u>	<u>-</u>	<u>258,550 (3)</u>
Total.....	<u>\$ 312,260</u>	<u>\$ 224,822</u>	<u>\$ 537,082</u>

- (1) Represents budgeted transfers from the general fund to the capital projects fund for \$215,420 as well as transfers to close out old special revenue accounts totaling \$8,603.
- (2) Represents a budgeted transfer to the general fund from the septic betterment fund (\$21,086) as well as transfers to close out old capital project and special revenue accounts totaling \$33,423.
- (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:

<u>Asset:</u>	<u>Governmental Activities</u>
Computers and computer equipment.....	\$ 5,217
Equipment and furniture.....	89,516
Vehicles.....	<u>863,343</u>
Total assets.....	958,076
 Less: accumulated depreciation.....	 <u>(397,829)</u>
 Total.....	 \$ <u><u>560,247</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2012, are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
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.....	 541,606
 Less: amounts representing interest.....	 <u>(74,254)</u>
 Present value of minimum lease payments.....	 \$ <u><u>467,352</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.

Detail related to the Town's short-term debt activity for the fiscal year ended June 30, 2012, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
BAN	Bond Anticipation Note.....	0.90%	09/19/12	\$ -	\$ 364,968	\$ -	\$ 364,968 (1)

(1) At maturity on September 19, 2012, the BAN was rolled into a new BAN totaling \$731,202 due on September 19, 2013 with an interest rate of 0.55%.

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, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWPAT - Title V Loans (2003).....	2021	\$ 197,403	4.20	\$ 103,802	\$ -	\$ 10,400	\$ 93,402
MWPAT - Title V Loans (2004).....	2021	192,045	4.25	106,827	-	10,661	96,166
Landfill Closure Bonds (1999).....	2017	1,235,000	4.25	410,000	-	75,000	335,000
Town Hall Remodeling (2003).....	2013	800,000	4.25	160,000	-	80,000	80,000
Addition to DPW Garage (2003).....	2013	275,000	4.25	50,000	-	25,000	25,000
Library Addition (2005).....	2025	2,400,000	4.25	1,680,000	-	120,000	1,560,000
Fire Engine (2005).....	2015	350,000	2.00	140,000	-	35,000	105,000
School (2009).....	2018	1,983,000	2.00-2.70	1,456,000	-	244,000	1,212,000
Land Acquisition (2009).....	2017	87,000	2.00-2.50	64,000	-	11,000	53,000
Total.....				\$ 4,170,629	\$ -	\$ 611,061	\$ 3,559,568

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 581,060	\$ 117,336	\$ 698,396
2014.....	461,061	97,458	558,519
2015.....	436,061	82,285	518,346
2016.....	376,061	66,292	442,353
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
Totals.....	<u>\$ 3,559,568</u>	<u>\$ 587,495</u>	<u>\$ 4,147,063</u>

Bonds and Notes Payable Schedule – Municipal Light Enterprise Fund

<u>Project</u>	<u>Maturities Through</u>	<u>Original Amount</u>	<u>Average Interest Rate (%)</u>	<u>Outstanding at December 31, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2011</u>
Electric Light Sub-station (2005).....	2020	\$ 1,200,000	4.25	\$ 720,000	\$ -	\$ 80,000	\$ 640,000

Debt service requirements for principal and interest for municipal light 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>
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.....	<u>\$ 640,000</u>	<u>\$ 105,720</u>	<u>\$ 745,720</u>

Bonds and Notes Payable Schedule – Water Enterprise Fund

Project	Maturities Through	Original Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWPAT (2005).....	2021	\$ 1,899,012	5.20	\$ 1,300,000	\$ -	\$ 110,000	\$ 1,190,000
General Obligation Water Bonds (2005).....	2025	500,000	4.25	390,000	-	20,000	370,000
Total.....				\$ 1,690,000	\$ -	\$ 130,000	\$ 1,560,000

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

Fiscal Year	Principal	Interest	Total
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.....	\$ 1,560,000	\$ 383,636	\$ 1,943,636

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 \$1,871,535 at June 30, 2012. The Town is scheduled to be subsidized by the MWPAT on a periodic basis for principal in the amount of \$379,820 and interest costs for \$250,091. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$1,241,625. The principal subsidies are guaranteed and therefore a \$379,820 intergovernmental receivable has been recorded in the Water Enterprise Fund at June 30, 2012. 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 2012 principal and interest subsidies totaled \$37,297 and \$52,298, 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, 2012, the Town had the following authorized and unissued debt:

Purpose	Amount
Septic Improvement.....	\$ 400,000
School Textbooks.....	700
Penn Brook Feasibility Study.....	355,032
Energy Services Performance.....	4,000,000
Total.....	\$ 4,755,732

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Activities:					
Bonds payable.....	\$ 4,170,629	\$ -	\$ (611,061)	\$ 3,559,568	\$ 581,060
Other postemployment benefits....	3,555,633	1,707,947	(866,434)	4,397,146	-
Capital leases.....	567,087	(3,787)	(95,948)	467,352	79,360
Compensated absences.....	<u>269,000</u>	<u>39,000</u>	<u>(27,000)</u>	<u>281,000</u>	<u>34,000</u>
Total governmental activity long-term liabilities.....	<u>\$ 8,562,349</u>	<u>\$ 1,743,160</u>	<u>\$ (1,600,443)</u>	<u>\$ 8,705,066</u>	<u>\$ 694,420</u>
Business-Type Activities:					
Bonds payable.....	\$ 2,410,000	\$ -	\$ (210,000)	\$ 2,200,000	\$ 215,000
Other postemployment benefits....	153,635	228,732	(166,800)	215,567	-
Compensated absences.....	<u>246,207</u>	<u>256,943</u>	<u>(246,207)</u>	<u>256,943</u>	<u>256,943</u>
Total business-type activity long-term liabilities.....	<u>\$ 2,809,842</u>	<u>\$ 485,675</u>	<u>\$ (623,007)</u>	<u>\$ 2,672,510</u>	<u>\$ 471,943</u>

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

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to constraints imposed on the uses of those resources.

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2012, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 5,000	\$ 5,000
Restricted for:				
Community preservation.....	-	2,896,970	-	2,896,970
Town revolving funds.....	-	-	10,784	10,784
Town gift and grant funds.....	-	-	37,922	37,922
Town receipts reserved for appropriation.....	-	-	228,515	228,515
School lunch.....	-	-	4,298	4,298
School revolving funds.....	-	-	243,522	243,522
School gift and grant funds.....	-	-	611,830	611,830
Special revenue trust funds.....	-	-	545,722	545,722
Other special revenue accounts.....	-	-	537,671	537,671
Town capital projects.....	-	-	158,091	158,091
Expendable permanent funds.....	-	-	1,591	1,591
Committed to:				
Public safety.....	83,000	-	-	83,000
Education.....	50,000	-	-	50,000
Assigned to:				
General government.....	14,780	-	-	14,780
Public safety.....	2,449	-	-	2,449
Public works.....	119,347	-	-	119,347
Human services.....	748	-	-	748
Culture and recreation.....	202	-	-	202
Unassigned.....	<u>2,873,899</u>	<u>-</u>	<u>(334,671)</u>	<u>2,539,228</u>
TOTAL FUND BALANCES.....	\$ <u>3,144,425</u>	\$ <u>2,896,970</u>	\$ <u>2,050,275</u>	\$ <u>8,091,670</u>

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At June 30, 2012, \$1,196,747 has been set aside in stabilization funds, which are classified as part of the general fund in the governmental funds financial statements. The stabilization fund balances 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 NextEra Energy Resources, LLC (formerly 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 NextEra Energy Seabrook, LLC (NextEra Seabrook) (formerly FPL Energy Seabrook, LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources, LLC (formerly FPL Energy, LLC). The operating license for the Seabrook Station extends to March, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating licensed for an additional 20 years.

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 the 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.

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse on the financial position of MMWEC.

As of December 31, 2011, total capital expenditures for MMWEC's Projects amounted to \$1,581,599,000, of which \$12,394,000 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 Project Revenue Bonds totaling \$358,420,000, of which \$2,684,000 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, 2011, MMWEC's total future debt service requirement on outstanding bonds issued for Projects is \$380,165,000, of which \$2,867,000 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, 2011 and estimated for future years is shown below.

<u>For Years Ended December 31,</u>	<u>Annual Cost</u>
2012.....	\$ 576,000
2013.....	552,000
2014.....	516,000
2015.....	486,000
2016.....	441,000
2017 to 2019.....	<u>296,000</u>
Total.....	<u>\$ 2,867,000</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 \$1,421,000 and \$1,456,000 for the years ended December 31, 2011 and 2010, 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 \$2,529,000

for the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010 were \$1,056,844, \$949,378, and \$926,871, 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, 2012, the CPA fund has a balance of \$2,896,970 and is reported as a major fund in the governmental funds financial statements.

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2009 and calendar year 2008 were the initial years that the Town and the Georgetown Municipal Electric Light Department (GMELD) implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45). As allowed by GASB 45, the Town and the GMELD have established the net Other Postemployment Benefit (OPEB) obligation at zero at the beginning of the transition years and have applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description – The Town administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”), which the GMELD participates in. 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 and the GMELD are required to contribute 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. The Town and the GMELD are required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The Town contributed approximately \$887,000 during fiscal year 2012, and the GMELD contributes approximately \$146,000 including a pre-funding contribution of approximately \$78,000 during calendar year 2011 towards these benefits.

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 and the GMELD’s annual OPEB cost for the periods, the amount actually contributed to the plan, and changes in the net OPEB obligation are summarized in the following table:

	Governmental Activities and Water Enterprise Fund	Electric Light Enterprise Fund
Annual required contribution.....	\$ 1,646,020	\$ 142,485
Interest on net OPEB obligation.....	148,234	137
Adjustments to annual required contribution.....	-	(197)
Annual OPEB cost (expense).....	<u>1,794,254</u>	<u>142,425</u>
Contributions made.....	<u>(887,395)</u>	<u>(145,839)</u>
Increase in net OPEB obligation.....	906,859	(3,414)
Net OPEB obligation - beginning of year.....	<u>3,705,854</u>	<u>3,414</u>
Net OPEB obligation - end of year.....	<u>\$ 4,612,713</u>	<u>\$ -</u>

The Electric Light amounts are shown for the year ended December 31, 2011.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 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>
<u>Governmental Activities and Water Enterprise Fund</u>				
	6/30/2011	\$ 1,794,254	49%	\$ 4,612,713
	6/30/2010	2,481,818	40%	2,926,028
	6/30/2009	2,260,795	36%	1,449,105
<u>Electric Light Enterprise Fund</u>				
	12/31/2011	\$ 145,839	102%	\$ -
	12/31/2010	146,954	163%	3,414
	12/31/2009	166,585	67%	95,834

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
<u>Governmental Activities and Water Enterprise Fund</u>						
7/1/2010	\$ -	\$ 16,574,112	\$ 16,574,112	0%	\$ N/A	N/A
12/31/2007	-	28,732,243	28,732,243	0%	N/A	N/A
<u>Electric Light Enterprise Fund</u>						
7/1/2010	\$ -	\$ 1,927,341	\$ 1,927,341	0%	\$ 499,383	385.9%
12/31/2007	-	2,316,246	2,316,246	0%	N/A	N/A

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

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided for the latest actuarial valuations:

Governmental Activities and Water Enterprise Fund

Actuarial Methods:

Valuation date.....	July 1, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4.5%
Remaining amortization period.....	28 years as of July 1, 2010
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	4.0%, per annum
Inflation rate.....	3.5%, per annum
Medical/drug cost trend rate.....	8.0% graded to 5.0% over 3 years
Dental.....	7.0% graded to 5.0% over 4 years

Electric Light Enterprise Fund

Actuarial Methods:

Valuation date.....	July 1, 2010
Actuarial cost method.....	Projected Unit Credit
Remaining amortization period.....	28 years as of July 1, 2010
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	4.0% pay as you go, 8.0% full pre-funding
Medical/drug cost trend rate.....	10.0% graded to 5.0% over 6 years
Dental.....	5.0% per year

NOTE 15 – COMMITMENTS

Subsequent to year end, the Town passed, by special election, an override of Proposition 2 ½ allowing the construction of a new school totaling \$46.2 million. The funds will be expended under the direction of the School Building Committee for the design, construction and original equipping of a new Penn Brook Elementary School.

NOTE 16 – 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, 2012, 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Governmental Operations*, which is required to be implemented in fiscal year 2015.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 14,831,241	\$ 14,831,241	\$ 14,831,241
Tax liens.....	-	-	-	-
Motor vehicle excise taxes.....	-	950,000	950,000	950,000
Penalties and interest on taxes.....	-	50,000	50,000	50,000
Payments in lieu of taxes.....	-	50,000	50,000	50,000
Intergovernmental.....	-	5,894,496	5,894,496	5,894,496
Departmental and other.....	-	770,978	770,978	770,978
Investment income.....	-	17,000	17,000	17,000
TOTAL REVENUES.....	-	22,563,715	22,563,715	22,563,715
EXPENDITURES:				
Current:				
General government.....	18,050	1,526,685	1,544,735	1,475,136
Public safety.....	14,675	1,942,071	1,956,746	2,041,424
Education.....	-	13,069,228	13,069,228	13,069,231
Public works.....	125,306	741,311	866,617	912,575
Human services.....	5,492	247,728	253,220	261,202
Culture and recreation.....	1,120	333,381	334,501	338,487
Pension benefits.....	-	1,064,476	1,064,476	1,064,476
Property and liability insurance.....	-	168,000	168,000	171,000
Employee benefits.....	-	2,825,759	2,825,759	2,823,409
State and county charges.....	-	439,033	439,033	439,033
Debt service:				
Principal.....	-	611,061	611,061	611,061
Interest.....	-	142,577	142,577	142,577
TOTAL EXPENDITURES.....	164,643	23,111,310	23,275,953	23,349,611
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(164,643)	(547,595)	(712,238)	(785,896)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	321,636	321,636	321,636
Transfers out.....	-	(240,420)	(240,420)	(383,131)
TOTAL OTHER FINANCING SOURCES (USES).....	-	81,216	81,216	(61,495)
NET CHANGE IN FUND BALANCE.....	(164,643)	(466,379)	(631,022)	(847,391)
BUDGETARY FUND BALANCE, Beginning of year.....	1,631,781	1,631,781	1,631,781	1,631,781
BUDGETARY FUND BALANCE, End of year.....	\$ 1,467,138	\$ 1,165,402	\$ 1,000,759	\$ 784,390

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	14,739,593	\$ -	\$ (91,648)
	55,233	-	55,233
	1,078,891	-	128,891
	51,379	-	1,379
	50,127	-	127
	5,928,189	-	33,693
	790,754	-	19,776
	11,754	-	(5,246)
	<u>22,705,920</u>	<u>-</u>	<u>142,205</u>
	934,438	14,780	525,918
	2,016,491	2,449	22,484
	13,069,228	-	3
	789,502	119,347	3,726
	232,722	748	27,732
	336,636	202	1,649
	1,064,344	-	132
	170,528	-	472
	2,641,903	-	181,506
	439,033	-	-
	611,061	-	-
	131,177	-	11,400
	<u>22,437,063</u>	<u>137,526</u>	<u>775,022</u>
	<u>268,857</u>	<u>(137,526)</u>	<u>917,227</u>
	354,260	-	32,624
	<u>(391,735)</u>	<u>-</u>	<u>(8,604)</u>
	<u>(37,475)</u>	<u>-</u>	<u>24,020</u>
	231,382	(137,526)	941,247
	<u>1,631,781</u>	<u>-</u>	<u>-</u>
\$	<u><u>1,863,163</u></u>	<u><u>(137,526)</u></u>	<u><u>941,247</u></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)
01/01/11	\$ 278,332,006	\$ 536,115,536	\$ 257,783,530	51.9%	\$ 119,707,156	215.3%
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%

The Town's share of the UAAL, as of January 1, 2012, is approximately 5.01%.

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
2012	\$ 21,084,190	\$ 21,084,190	100%	\$ 1,056,844	5.01%
2011	19,484,573	19,484,573	100%	949,378	4.87%
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

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)
<u>Governmental Activities and Water Enterprise Fund</u>						
7/1/2010	\$ -	\$ 16,574,112	\$ 16,574,112	0%	\$ N/A	N/A
12/31/2007	-	28,732,243	28,732,243	0%	N/A	N/A
<u>Electric Light Enterprise Fund</u>						
7/1/2010	\$ -	\$ 1,927,341	\$ 1,927,341	0%	\$ 499,383	385.9%
12/31/2007	-	2,316,246	2,316,246	0%	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
<u>Governmental Activities and Water Enterprise Fund</u>			
6/30/2011	\$ 1,646,020	\$ 887,395	54%
6/30/2010	2,602,893	1,004,895	39%
6/30/2009	2,414,885	911,248	38%
<u>Electric Light Enterprise Fund</u>			
12/31/2010	\$ 148,524	\$ 239,374	161%
12/31/2009	166,585	112,164	67%
12/31/2008	157,519	116,106	74%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Governmental Activities and Water Enterprise Fund

Actuarial Methods:

Valuation date.....	July 1, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4.5%
Remaining amortization period.....	28 years as of July 1, 2010
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	4.0%, per annum
Inflation rate.....	3.5%, per annum
Medical/drug cost trend rate.....	8.0% graded to 5.0% over 3 years
Dental.....	7.0% graded to 5.0% over 4 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	128
Current active members.....	<u>230</u>
 Total.....	 <u><u>358</u></u>

Electric Light Enterprise Fund

Actuarial Methods:

Valuation date.....	July 1, 2010
Actuarial cost method.....	Projected Unit Credit
Remaining amortization period.....	28 years as of July 1, 2010
Asset valuation method.....	Market Value

Actuarial Assumptions:

Investment rate of return.....	4.0% pay as you go, 8.0% full pre-funding
Medical/drug cost trend rate.....	10.0% graded to 5.0% over 6 years
Dental.....	5.0% per year

Plan Membership:

Current retirees, beneficiaries, and dependents...	15
Current active members.....	<u>6</u>
 Total.....	 <u><u>21</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 2012 budget includes \$23,351,730 in appropriations and other amounts to be raised and \$164,643 in encumbrances and appropriations carried over from previous fiscal years. During fiscal year 2012, Town Meeting approved supplemental appropriations totaling \$216,369.

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, 2012, is presented below:

Net change in fund balance, budgetary basis.....	\$ 231,382
<u>Perspective difference:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	130,855
<u>Basis of accounting differences:</u>	
Net change in revenues due to 60 day receipts.....	55,233
Net change in recording tax refunds payable.....	70,900
Net increase in revenues due to on-behalf payments.....	2,529,000
Net increase in recording expenditures due to on-behalf payments.....	<u>(2,529,000)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 488,370</u>

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 system wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

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

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

Valuation Date.....	January 1, 2011
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	24 years remaining as of July 1, 2011, 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.....	1,624
Terminated participants entitled to a return of their employee contributions.....	844
Terminated participants with a vested right to a deferred or immediate benefit.....	70
Active participants.....	<u>3,013</u>
Total.....	<u><u>5,551</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 multiyear 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 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.