

TOWN OF GRANBY, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

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Independent Auditor's Report

To the Honorable Selectboard
Town of Granby, Massachusetts

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

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

In our opinion, except for the effects of not recording a liability for OPEB obligations in the governmental activities, as described in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Granby, Massachusetts, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Granby, Massachusetts, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1B to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2012, on our consideration of the Town of Granby, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Scanlon & Associates, LLC
South Deerfield, Massachusetts

May 4, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Granby we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011.

Financial Highlights

- The Town's assets exceeded its liabilities by \$22,028,538 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$21,047,281 or an increase of \$981,257. (5%).
- Total net assets are comprised of the following:

Capital assets, net of related debt, of \$11,753,827 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.

Net assets of \$2,559,902 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.

Unrestricted net assets of \$7,714,809 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.

- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$9,757,394. This compares to the prior year ending fund balance of \$9,173,650 showing an increase of \$583,744 (6%) in comparison with prior year
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,376,364, or 31% of total general fund revenues and 32% of expenditures and other uses.
- Total liabilities of the Town decreased by \$173,878 (4%) to \$4,379,269 during the fiscal year. This net change resulted from a net increase in current liabilities of \$10,696 (the components of which were an increase to compensated absences of \$6,253 and bonds payable of \$188,540; and, decreases in other current liabilities of \$184,097) and a net decrease in noncurrent liabilities of \$184,534 (the components of which were an increase in compensated absences of \$25,010 and a decrease in bonds payable of \$209,544).

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Granby adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights
Statement of Net Assets Highlights

	Governmental Activities		
	2011	2010	Change
Assets:			
Current assets	\$ 11,795,219	\$ 11,878,754	\$ (83,535)
Noncurrent assets (excluding capital assets)	31,919	51,885	(19,966)
Capital assets	14,580,669	13,669,749	910,920
Total assets	26,407,807	25,600,388	807,419
Liabilities:			
Current debt	773,904	585,364	188,540
Current liabilities (excluding debt)	1,500,835	1,678,679	(177,844)
Noncurrent liabilities (excluding debt)	451,592	426,582	25,010
Noncurrent debt	1,652,938	1,862,482	(209,544)
Total liabilities	4,379,269	4,553,107	(173,838)
Net Assets:			
Capital assets net of related debt	11,753,827	11,221,903	531,924
Restricted	2,559,902	1,815,354	744,548
Unrestricted	7,714,809	8,010,024	(295,215)
Total net assets	\$ 22,028,538	\$ 21,047,281	\$ 981,257

Statement of Activities Highlights

	Governmental Activities		
	2011	2010	Change
Program Revenues:			
Charges for services	2,142,390	2,337,292	(194,902)
Operating grants and contributions	8,319,486	8,207,232	112,254
Capital grants and contributions	495,109	347,418	147,691
General Revenues:			
Property taxes	8,585,144	8,399,815	185,329
Motor vehicle excise and other taxes	633,810	634,101	(291)
Penalties and interest on taxes	66,121	51,526	14,595
Nonrestricted grants	820,396	843,587	(23,191)
Unrestricted investment income	76,926	191,129	(114,203)
Miscellaneous	-	5,347	(5,347)
Total revenues	21,139,382	21,017,447	121,935
Expenses:			
General government	890,149	902,308	(12,159)
Public safety (including ambulance)	2,082,460	1,891,670	190,790
Public works (including Sewer)	891,898	1,022,713	(130,815)
Education	11,391,204	11,090,324	300,880
Health and human services	201,207	265,220	(64,013)
Culture and recreation	166,882	168,493	(1,611)
Employee benefits and insurance	3,788,955	3,647,032	141,923
State assessments	669,647	702,886	(33,239)
Interest	75,723	86,073	(10,350)
Total expenses	20,158,125	19,776,719	381,406
Change in net assets	981,257	1,240,728	(259,471)
Net assets - beginning of year	21,047,281	19,806,553	1,240,728
Net assets - end of year	\$ 22,028,538	\$ 21,047,281	\$ 981,257

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$21,047,281 at the close of fiscal year 2011.

Net assets of \$11,753,821 (53%) 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 \$2,559,902 (14%) (represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$7,714,809 (33%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental activities net assets increased by \$981,257 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, the general fund *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 \$9,757,394 an increase of \$583,744 (6%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Restricted fund balance - \$2,356,422 (24%)
- Committed fund balance - \$412,980 (4%)
- Assigned fund balance - \$2,035,839 (21%)
- Unassigned fund balance - \$4,952,153 (51%)

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$7,412,203 increasing \$732,675 (11%) from the prior year. Of the \$7,412,203, the unassigned amount is \$5,376,364 and the assigned amount is \$2,035,839. General fund revenues were \$17,613,215 and expenditures were \$16,662,082. Other activity in the General Fund was net transfers to the nonmajor governmental funds of \$218,458.

Increases in general fund revenues as compared to the prior year were as follows:

- Property taxes \$387,149 (5%)
- Excise taxes \$28,120 (5%)
- Interest on taxes \$14,595 (28%)
- On behalf payments \$135,839 (9%).

Decreases in general fund revenues as compared to the prior year were as follows:

- Intergovernmental \$298,000 (5%)
- Licenses, permits and fees \$185,291 (14%)
- Interest on investments \$47,872 (38%)

Increases in general fund expenditures as compared to the prior year were as follows:

- General government \$91,633 (11%)
- Public safety \$91,469 (8%)
- Public works \$97,235 (18%)
- Culture and recreation \$32,933 (37%)
- Employees benefits and insurance \$141,923 (4%)
- Principal on debt service \$54,640 (33%)

Decreases in general fund expenditures as compared to the prior year were as follows:

- Education \$58,171 (1%)
- Health and human services \$450,326 (74%)
(In the prior fiscal year land was purchased for the senior center for \$439,388)
- State assessments \$33,239 (5%)
- Interest on debt service \$858 (2%)

The *Sewer Fund* has accumulated a fund balance of \$360,900 that represents 2% of total general fund revenues and other sources and 2% of expenditures and other uses.

The fund balance of the sewer fund decreased by \$55,770. This was attributed to user fees of \$158,339, interest on investments of \$2,691, intergovernmental of \$37,655, and expenditures of \$254,455 (including debt service of \$137,852).

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2011 was \$15,538,810. This was a decrease of \$567,422 (4%) over the previous year's budget.

There was an increase of \$240,877 between the original budget and the final amended budget.

The change is attributed to the Town amending specific budget line items of the final budget as follows:

- General government was decreased \$69,617.
- Public safety was increased \$76,201.
- Public works was increased \$20,063.
- Education was increased \$210,000.
- Health and human services was increased \$233.
- Employee benefits and insurance was decreased \$3,997.

Of the \$540,091 variance between the budget and actual (which includes a positive variance of \$231,706) \$308,385 has been carried over to fiscal year 2012.

There were negative variances in property taxes of \$58,637, intergovernmental of \$4,991 and interest on investments of \$42,540. The negative variance in property taxes is the result of a lag in collections. The negative variance in intergovernmental is lower state assistance. The negative variance in interest on investments is the result of a drop in interest rates. Overall the revenues had a surplus of \$988,504.

Negative variances exist in public safety of \$71,637 and state assessments of \$2,921.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2011 amounts to \$14,580,699.

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

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

- Foreclosure property for \$117,885.
- Kellogg hall improvements for \$1,350.
- Public safety complex for \$180,050.
- Police vehicle for \$28,125.

- Fire Department vehicles for \$323,162.
- Highway Department vehicles and equipment for \$308,685.
- Road improvements for \$617,715.
- Telephone and intercom systems in two schools \$29,820.
- Library improvements for \$26,880.
- Senior Center renovations for \$35,615.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2011, totaled \$2,426,842; of which \$813,000 is for school roofs, \$800,000 is for the Five Corners sewer, \$564,360 is for refunding notes, \$25,000 for guardrails and \$224,482 is for sewer projects financed by the Massachusetts Water Pollution Abatement Trust.

Please refer to notes 4C and 4E for further discussion of the major capital and debt activity.

Town Meeting – Fiscal Year 2012

The Town of Granby operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2011 do not reflect the fiscal year 2012 Town Meeting action. The Annual Town Meeting on May 9, 2011 authorized a fiscal year 2012 operating and capital budget as follows:

From the tax levy	\$ 14,174,648
From ambulance fees	183,188
From solid waste receipts	75,000
From sewer receipts	226,645
From offset receipts	191,450
From state aid to highway	281,703
From other Available Funds:	
Free cash	1,200,454
Continuing appropriations	4,236
Municipal Building Stabilization	470,000
Capital needs stablization fund	57,000
Sewer fund	49,355
Ambulance fund	192,130
	<u>\$ 17,105,809</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Granby's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, Granby, Massachusetts.

BASIC FINANCIAL STATEMENTS

**TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Primary Government Governmental Activities
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 10,668,589
Receivables, net of allowance for uncollectibles:	
Property Taxes	399,269
Tax Liens	68,743
Excise Taxes	107,560
User Charges	9,832
Departmental	52,603
Special Assessments	14,507
Due from Other Governments	474,116
Total current assets	<u>11,795,219</u>
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Special Assessments	31,919
Capital Assets, net of accumulated Depreciation:	
Nondepreciable	1,156,328
Depreciable	13,424,341
Total noncurrent assets	<u>14,612,588</u>
Total Assets	<u><u>26,407,807</u></u>
LIABILITIES	
CURRENT:	
Warrants Payable	587,815
Accrued Payroll	649,147
Employee Withholdings	84,672
Taxes Paid in Advance	2,449
Tax Refund Payable	5,600
Accrued Interest	11,970
Compensated Absences	112,898
Other	46,284
Bonds Payable	773,904
Total current liabilities	<u>2,274,739</u>
NONCURRENT:	
Compensated Absences	451,592
Bonds Payable	1,652,938
Total noncurrent liabilities	<u>2,104,530</u>
Total Liabilities	<u><u>4,379,269</u></u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	11,753,827
Restricted for:	
Federal & State Grants	443,049
Capital Projects	297,335
Permanent Funds	253,894
Other Purposes	1,565,624
Unrestricted	7,714,809
Total Net Assets	<u><u>\$ 22,028,538</u></u>

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

**TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	Program Revenues				Net (Expenses) Revenues and and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 890,149	\$ 100,796	\$ 6,626	\$ -	\$ (782,727)
Public Safety (including ambulance)	2,082,460	414,395	77,944	-	(1,590,121)
Public Works (including sewer)	891,898	1,129,086	45,321	216,095	498,604
Education	11,391,204	436,102	6,415,813	279,014	(4,260,275)
Health and Human Services	201,207	18,244	75,688	-	(107,275)
Culture and Recreation	166,882	43,767	14,839	-	(108,276)
Employee Benefits and Insurance	3,788,955	-	1,683,255	-	(2,105,700)
State Assessments	669,647	-	-	-	(669,647)
Interest	75,723	-	-	-	(75,723)
Total Governmental Activities	20,158,125	2,142,390	8,319,486	495,109	(9,201,140)
Total Primary Government	\$ 20,158,125	\$ 2,142,390	\$ 8,319,486	\$ 495,109	(9,201,140)
General Revenues:					
Property Taxes					8,585,144
Motor vehicle excise and other taxes					633,810
Penalties & Interest on Taxes					66,121
Grants & Contributions not restricted to specific programs					820,396
Unrestricted Investment Income					76,926
Total General Revenues and Contributions					10,182,397
Change in Net Assets					981,257
Net Assets:					
Beginning of year					21,047,281
End of year					\$ 22,028,538

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

**TOWN OF GRANBY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 8,392,209	\$ 361,232	\$ 1,915,148	\$ 10,668,589
Receivables, net of allowance for uncollectibles:				
Property Taxes	399,269	-	-	399,269
Tax Liens	68,743	-	-	68,743
Excise Taxes	107,560	-	-	107,560
User Charges	-	9,832	-	9,832
Departmental	-	-	52,603	52,603
Special Assessments	-	46,426	-	46,426
Due from Other Governments	31,487	-	442,629	474,116
Total Assets	\$ 8,999,268	\$ 417,490	\$ 2,410,380	\$ 11,827,138
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Warrants Payable	\$ 346,282	\$ 332	\$ 241,201	\$ 587,815
Accrued Payroll	635,693	-	13,454	649,147
Employee Withholdings	84,672	-	-	84,672
Taxes Paid in Advance	2,449	-	-	2,449
Tax Refund Payable	5,600	-	-	5,600
Other	46,284	-	-	46,284
Deferred Revenue:				
Property Taxes	264,269	-	-	264,269
Other	201,816	56,258	171,434	429,508
Total Liabilities	1,587,065	56,590	426,089	2,069,744
Fund Balances:				
Restricted	-	360,900	1,995,522	2,356,422
Committed	-	-	412,980	412,980
Assigned	2,035,839	-	-	2,035,839
Unassigned	5,376,364	-	(424,211)	4,952,153
Total Fund Balance	7,412,203	360,900	1,984,291	9,757,394
Total Liabilities and Fund Balance	\$ 8,999,268	\$ 417,490	\$ 2,410,380	\$ 11,827,138

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

TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 8,711,167	\$ -	\$ -	\$ 8,711,167
Intergovernmental	5,319,695	37,655	2,900,778	8,258,128
Excise and Other Taxes	626,036	-	-	626,036
Charges for services	-	158,339	875,995	1,034,334
Licenses, Permits, Fees	1,130,015	-	-	1,130,015
Interest on Taxes	66,121	-	-	66,121
Interest on Investments	76,926	2,691	11,906	91,523
Gifts and Donations	-	-	26,450	26,450
Other	-	-	19,250	19,250
Intergovernmental - "On-behalf" Payments	1,683,255	-	-	1,683,255
Total Revenues	17,613,215	198,685	3,834,379	21,646,279
Expenditures:				
Current:				
General Government	934,444	-	60,220	994,664
Public Safety (including ambulance)	1,263,694	-	1,059,265	2,322,959
Public Works	634,095	116,603	731,566	1,482,264
Education	8,831,606	-	2,473,208	11,304,814
Health and Human Services	161,083	-	50,024	211,107
Culture and Recreation	120,934	-	66,715	187,649
Employee Benefits and Insurance	3,788,955	-	-	3,788,955
State Assessments	669,647	-	-	669,647
Debt Service:				
Principal	222,640	93,364	-	316,004
Interest	34,984	44,488	-	79,472
Total Expenditures	16,662,082	254,455	4,440,998	21,357,535
Excess of Revenues Over (Under) Expenditures	951,133	(55,770)	(606,619)	288,744
Other Financing Sources (Uses):				
Operating Transfers In	-	-	218,458	218,458
Operating Transfers Out	(218,458)	-	-	(218,458)
Proceeds from Notes and Bonds	-	-	295,000	295,000
Total Other Financing Sources (Uses)	(218,458)	-	513,458	295,000
Net Change in Fund Balances	732,675	(55,770)	(93,161)	583,744
Fund Balances, Beginning of Year	6,679,528	416,670	2,077,452	9,173,650
Fund Balances, End of Year	\$ 7,412,203	\$ 360,900	\$ 1,984,291	\$ 9,757,394

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

TOWN OF GRANBY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2011

Total Governmental Fund Balances		\$ 9,757,394
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		14,580,669
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		693,777
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (2,426,842)	
Compensated Absences	<u>(564,490)</u>	(2,991,332)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(11,970)</u>
Net Assets of Governmental Activities		<u><u>\$ 22,028,538</u></u>

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

TOWN OF GRANBY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	583,744
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 1,669,287	
Depreciation	<u>(758,367)</u>	910,920

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

(506,897)

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:

Proceeds from Bonds and Notes	(295,000)	
Repayment of Debt	<u>316,004</u>	21,004

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	(31,263)	
Net Change in Accrued Interest on Long-Term Debt	<u>3,749</u>	(27,514)

Change in Net Assets of Governmental Activities	\$	<u>981,257</u>
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The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 8,746,904	\$ 8,746,904	\$ 8,688,267	\$ -	\$ (58,637)
Intergovernmental	5,324,686	5,324,686	5,319,695	-	(4,991)
Excise and Other Taxes	557,000	557,000	626,036	-	69,036
Licenses, Permits, Fees	135,500	135,500	1,130,015	-	994,515
Interest on Taxes	35,000	35,000	66,121	-	31,121
Interest on Investments	82,000	82,000	39,460	-	(42,540)
Total Revenues	14,881,090	14,881,090	15,869,594	-	988,504
Expenditures:					
Current:					
General Government	1,211,039	1,141,422	934,444	124,690	82,288
Public Safety	1,187,494	1,263,695	1,263,694	71,638	(71,637)
Public Works	644,608	664,671	634,095	3,713	26,863
Education	8,751,623	8,961,623	8,851,498	74,705	35,420
Health and Human Services	182,595	182,828	161,083	3,639	18,106
Culture and Recreation	151,766	151,766	120,934	30,000	832
Employee Benefits and Insurance	2,232,790	2,236,787	2,105,700	-	131,087
State Assessments	666,726	666,726	669,647	-	(2,921)
Debt Service:					
Principal	222,640	222,640	222,640	-	-
Interest	46,652	46,652	34,984	-	11,668
Total Expenditures	15,297,933	15,538,810	14,998,719	308,385	231,706
Excess of Revenues Over					
(Under) Expenditures	(416,843)	(657,720)	870,875	(308,385)	1,220,210
Other Financing Sources (Uses):					
Operating Transfers In (Out)	(176,230)	(218,458)	(218,458)	-	-
Total Other Financing Sources (Uses)	(176,230)	(218,458)	(218,458)	-	-
Excess (Deficiency) of Revenues and Other					
Financing Sources Over Expenditures and					
Other Financing Uses	(593,073)	(876,178)	652,417	(308,385)	1,220,210
Budgetary Fund Balance - Beginning of Year	2,675,307	2,675,307	2,675,307	-	-
Budgetary Fund Balance - End of Year	\$ 2,082,234	\$ 1,799,129	\$ 3,327,724	\$ (308,385)	\$ 1,220,210

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

TOWN OF GRANBY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2011

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 15,869,594	\$ 14,998,719
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	37,466	-
Net Increase in Revenue from recording Refund Taxes Payable	(3,100)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	1,683,255	-
Recognition of Expenditures - "on behalf payments"	-	1,683,255
Net Decrease in Expenditures - Teachers' Deferral	-	(19,892)
Net Increase in Revenue from Recording 60-Day Receipts	26,000	-
Reported on a GAAP Basis	<u><u>\$ 17,613,215</u></u>	<u><u>\$ 16,662,082</u></u>

**TOWN OF GRANBY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 209,722	\$ 139,903
Total Assets	209,722	139,903
LIABILITIES		
Due to Others	-	577
Due to Student Groups	-	124,054
Escrows & Deposits	-	15,272
Total Liabilities	-	139,903
NET ASSETS:		
Held in Trust for Other Purposes	\$ 209,722	\$ -

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

**TOWN OF GRANBY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust Funds</u>
Additions	
Investment Income:	
Interest & Dividends	\$ 7,397
Total Investment Earnings	<u>7,397</u>
Total Additions	<u>7,397</u>
Deductions:	
Educational Scholarships	<u>2,900</u>
Total Deductions	<u>5,925</u>
Change in Net Assets	<u>1,472</u>
Net Assets at Beginning of Year	<u>208,250</u>
Net Assets at End of Year	<u><u>\$ 209,722</u></u>

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

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Granby 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 of Granby, Massachusetts (the Town) was incorporated in 1768 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Selectboard.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In Fiscal Year 2011, it was determined that no entities met the required GASB-14 and GASB-39 criteria of component units.

The Town is responsible for electing the governing boards of the Granby Housing Authority and the Pathfinder Regional Vocational – Technical High School District. These are autonomous entities in the Town. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board. Audited financial statements are available from the respective organizations. A description of the related organizations are as follows:

Granby Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Pathfinder Regional Vocational - Technical High School District - A regional school district made up of eight communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects one district committee member for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Implementation of New Accounting Principle

In fiscal year 2011, the Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Town to classify and report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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 fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),
- and
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

The government reports the following major governmental funds:

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

The *sewer fund* is a special revenue fund used to account for sewer operations.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

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

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

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

Additionally, the government reports the following fund types:

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

The *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.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

**TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

F. Investments

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

All investments are carried at fair value.

G. Accounts Receivables

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

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2010 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2011 on June 30, 2010, that were due on August 2, 2010 and November 1, 2010 and actual bills on December 30, 2010 that were due on February 1, 2011 and May 2, 2011.

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

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2011 is as follows:

**TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2011	\$ 8,649,764
Add: Debt Exclusion	96,673
	<u>\$ 8,746,437</u>

The total amount raised by taxation was \$8,745,226.

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

Excise Taxes

Excise taxes consist of motor vehicle excise taxes. Excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation for motor vehicle excise is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

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

User Charges

User charges consist of sewer that is levied semi-annually based on individual meter readings and usage and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed each year and are included as a lien on the property owner's tax bill. Liens are recorded as receivables in the fiscal year of the levy.

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

Special Assessments

Special assessments consist of sewer betterments.

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

Departmental

Departmental consists of ambulance and police off-duty

The ambulance allowance for uncollectibles is estimated and based on historical trends and specific account analysis. The police off-duty receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

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

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

H. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

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

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

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

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

I. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

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

J. Deferred Revenue

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

K. Net Assets and Fund Balances

In the Governmental-Wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Net assets have been "restricted for" the following:

"Capital projects" - represents amounts restricted for capital purposes.

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

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

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

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

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

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

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

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

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

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

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

L. Long-term Debt

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

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

**TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

M. Compensated Absences

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

N. Post-Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid.

O. Use of Estimates

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

2. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

- The finance committee submits a budget at the annual Town meeting for adoption.

**TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

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

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

For fiscal year 2011, the Town incurred a final budget deficit of \$876,178 for the General Fund.

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

General Fund:

Unreserved fund balance - free cash	\$ 416,542
Prior year's encumbrances	459,636
	<u>\$ 876,178</u>

B. Deficit Fund Balance

The following funds had deficits at June 30, 2011 as measured by the fund balances of the individual projects.

- The comprehensive wastewater management plan capital project fund has a deficit fund balance of \$379,700. The deficit will be eliminated upon the issuance of permanent debt.
- The school lunch special revenue fund has a deficit fund balance of \$44,511. The deficit will need to be eliminated through operations or upon the issuance of an appropriation.

4. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government has a deposit policy for custodial credit risk. Deposits at June 30, 2011 were \$11,294,274. Of these, \$7,581 were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

The Town does not have a formal investment policy.

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of June 30, 2011, the Town did not have any investments.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

There is no exposure to credit risk as of June 30, 2011.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer.

B. Receivables

At June 30, 2011, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 399,269	\$ -	\$ 399,269
Tax liens	68,743	-	68,743
Excise taxes	121,560	(14,000)	107,560
User Charges	12,247	(2,415)	9,832
Departmental	132,052	(79,449)	52,603
Special assessments	46,426	-	46,426
Due from other governments	474,116	-	474,116
	<u>\$ 1,254,413</u>	<u>\$ (95,864)</u>	<u>\$ 1,158,549</u>

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

The composition of amounts due from other governments as of June 30, 2011 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits	\$	31,487
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Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch	\$	7,615
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Commonwealth of Massachusetts:

U. S. Department of Education:

School title grants	56,839
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Commonwealth of Massachusetts:

Massachusetts Department of Elementary
and Secondary Education:

School grants	4,333
School lunch	415

Massachusetts Department of Transportation:

Highway Department; Chapter 90 funded projects	370,475	
Private Grant	2,952	442,629
	\$	474,116

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance of the general fund deferred revenues account is equal to all of June 30, 2011 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections. At the end of the current fiscal year, the deferred revenue for property taxes is \$264,269.

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

General Fund:

Tax liens	\$	69,009
Excise taxes		107,560
Due from other governments	25,247	\$ 201,816

Major Fund:

Sewer fund:

User charges	9,832	
Special assessemnts	46,426	56,258

Nonmajor Governmental Fund:

Departmental	52,603	
Due from other governments	118,831	171,434
	\$	429,508

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

C. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 740,420	\$ 117,885	\$ -	\$ 858,305
Construction in progress	6,649,258	460,455	(6,811,690)	298,023
Total capital assets not being depreciated	7,389,678	578,340	(6,811,690)	1,156,328
Capital assets being depreciated:				
Buildings and Renovations	10,610,139	6,841,510	-	17,451,649
Machinery, equipment and other	2,878,168	659,972	(127,276)	3,410,864
Infrastructure	5,286,985	401,155	-	5,688,140
Total capital assets being depreciated	18,775,292	7,902,637	(127,276)	26,550,653
Less accumulated depreciation for:				
Buildings and Renovations	7,727,734	313,496	-	8,041,230
Machinery, equipment and other	2,125,217	267,186	(127,276)	2,265,127
Infrastructure	2,642,270	177,685	-	2,819,955
Total accumulated depreciation	12,495,221	758,367	(127,276)	13,126,312
Total capital assets being depreciated, net	6,280,071	7,144,270	-	13,424,341
Total governmental activities capital assets, net	\$ 13,669,749	\$ 7,722,610	\$ (6,811,690)	\$ 14,580,669

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

Governmental Activities:

General government	\$ 25,586
Public safety	246,766
Public works	315,174
Education	144,254
Health and Human Services	23,301
Culture and recreation	3,286
Total depreciation expense - governmental activities	<u>\$ 758,367</u>

**TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

	Transfers In:
	Nonmajor governmental funds
Transfers Out:	
General fund	\$ 218,458

E. Long Term Debt

General Obligation Bonds

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

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2011
Inside Debt:					
School Roof	4.66%	01/02/02	08/01/11	580,000	\$ 58,000
Guardrails	3.30%	07/02/08	07/02/11	80,000	25,000
Five Corners Sewer	2.25-4.00%	12/15/09	12/15/29	830,000	800,000
West Street School Roof	2.25-4.00%	12/15/09	12/15/29	801,000	755,000
Refunding Notes:					
Departmental Equipment	1.10%	11/12/10	11/10/11	130,000	130,000
Sewer Improvement	1.13%	12/10/10	12/09/11	52,800	52,800
Renovations and Repairs	1.00%	03/15/11	03/15/12	54,560	54,560
SCADA System	1.00%	03/15/11	03/15/12	32,000	32,000
Vacuum Tanker Truck	1.00%	02/22/11	02/22/12	295,000	295,000
Massachusetts Water Pollution Abatement Trust:					
Sewer Project		06/01/95	02/01/15	312,271	90,608
Sewer Project		06/01/95	02/01/15	68,892	19,990
Sewer Project		05/01/97	02/01/15	364,264	113,884
Total Inside Debt					\$ 2,426,842

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2011, are as follows:

Governmental	Principal	Interest	Total
2012	\$ 773,904	\$ 71,548	\$ 845,452
2013	129,482	58,976	188,458
2014	132,587	54,356	186,943
2015	140,869	49,295	190,164
2016	80,000	44,250	124,250
2017-2021	400,000	184,350	584,350
2022-2026	430,000	110,262	540,262
2027-2030	340,000	25,400	365,400
	<u>\$ 2,426,842</u>	<u>\$ 598,437</u>	<u>\$ 3,025,279</u>

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

	Balance			Balance	Amounts Due
	June 30, 2010	Additions	Reductions	June 30, 2011	within One
					Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 1,797,000	\$ -	\$ 159,000	\$ 1,638,000	\$ 158,000
Refunding notes	377,600	564,360	377,600	564,360	564,360
Massachusetts Water Pollution Abatement Trust	273,246	-	48,764	224,482	51,544
Compensated absences	533,227	97,210	65,947	564,490	112,898
Governmental activity					
Long-term liabilities	<u>\$ 2,981,073</u>	<u>\$ 661,570</u>	<u>\$ 651,311</u>	<u>\$ 2,991,332</u>	<u>\$ 886,802</u>

Massachusetts Water Pollution Abatement Trust (MWPAT)

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$745,427 and interest costs of \$469,514 for three loans which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2011 for principal and interest combined for the loans are \$255,393. The net repayments, including interest, are scheduled to be \$124,301. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2011 principal and interest subsidies totaled \$37,655.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2011 totaled \$2,426,841.

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

**TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

The following is a computation of the legal debt limit as of June 30, 2011:

Equalized Valuation-Real Estate and Personal Property (2010)		\$ 633,273,000
Debt Limit: 5 % of Equalized value		<u>\$ 31,663,650</u>
Total Debt Outstanding	\$ 2,426,841	
Less: Debt Outside Debt Limit	<u>-</u>	<u>2,426,841</u>
Inside Debt Excess Borrowing Capacity at June 30, 2011		<u>\$ 29,236,809</u>

Loans Authorized and Unissued - Memorandum Only

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

Loan authorizations that have not been issued as of June 30, 2011 and are not reflected in the Town's financial statements are as follows:

Description	Date of Town Meeting	Amount
Comprehensive Wastewater Management Plan	4/28/2008	\$ 400,000
Dufresne Pond Dam Repairs	5/10/2010	99,000
Purchase Department of Public Works Truck	5/10/2010	65,000
Elevator for Council on Aging Building	5/9/2011	50,000
Self Contained Breathing Apparatuses	5/9/2011	130,000
Protective Equipment for the Fire Department	5/9/2011	<u>10,000</u>
		<u>\$ 754,000</u>

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

F. Fund Balances

The following is a summary of the Town's Governmental Fund fund balances at the year ended June 30, 2011:

	General Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Federal and state grants	\$ -	\$ -	\$ 82,141	\$ 82,141
School federal and state grants	-	-	286,589	286,589
Town revolving funds	-	-	232,597	232,597
School revolving funds	-	-	738,423	738,423
Donations and gifts	-	-	35,103	35,103
Sewer fund	-	360,900	-	360,900
Capital projects	-	-	277,035	277,035
Permanent funds	-	-	253,894	253,894
Other	-	-	89,740	89,740
	-	360,900	1,995,522	2,356,422
Committed:				
Ambulance services	-	-	412,980	412,980
	-	-	412,980	412,980
Assigned:				
General government	124,690	-	-	124,690
Public safety	71,638	-	-	71,638
Public works	3,713	-	-	3,713
Education	74,705	-	-	74,705
Health and human services	3,639	-	-	3,639
Culture and recreation	30,000	-	-	30,000
Fiscal year 2012 budget	1,727,454	-	-	1,727,454
	2,035,839	-	-	2,035,839
Unassigned:				
General Fund	5,376,364	-	-	5,376,364
School lunch fund deficit	-	-	(44,511)	(44,511)
Deficit capital project:				
Comprehensive wastewater management plan	-	-	(379,700)	(379,700)
	5,376,364	-	(424,211)	4,952,153
Total Governmental fund balances	\$ 7,412,203	\$ 360,900	\$ 1,984,291	\$ 9,757,394

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

G. Special Trust Funds

Stabilization Funds

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

At June 30, 2011 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 793,143
Capital equipment needs stabilization fund	622,198
Municipal buildings construction/renovation stablization fund	<u>2,467,737</u>
	<u><u>\$ 3,883,078</u></u>

5. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies that passes the risk of loss listed above to independent third parties.

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

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

Federal Financial Assistance

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

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

**TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

C. Pension Plan

Plan Description

The Town, as a member of the Hampshire County Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Hampshire County Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$1,683,255 for the fiscal year ending June 30, 2011, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The System and the teachers' retirement system provide retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Hampshire County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 99 Industrial Drive, Northampton, Massachusetts.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2011, 2010 and 2009 is shown below, which equaled its required contribution for each fiscal year.

Fiscal Year Ended June 30	Town's Contribution
2011	\$ 584,020
2010	575,476
2009	565,674

The last actuarial valuation was prepared by the Segal Company as of January 1, 2010.

The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.00% compounded annually, (b) projected salary, including longevity, increases of 4.75% to 5.25% per year per member, (c) cost of living increase of 3% of the first \$12,000 of retirement income.

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

The unfunded actuarial liability for the entire county is \$133,017,109. The Town's portion of such liability is approximately 4.16% or \$5,533,512.

Reporting Policies

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

Investments are reported in accordance with PERAC requirements.

6. RESTATEMENT

As required by GASB Statement No. 54, fund balances as of June 30, 2010, have been restated. The beginning fund balance of the General fund increased by \$3,917,611 to \$6,679,528 to reflect the stabilization fund in the General fund and the beginning fund balance of the stabilization fund (a prior major fund) was decreased by \$787,416, the balance of the municipal buildings construction/renovation stabilization fund (a prior major fund) was decreased by \$2,441,049; and the capital equipment needs stabilization fund (a non-major governmental fund) was decreased by \$689,147.

SUPPLEMENTARY SCHEDULES

TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Fund Balances		Revenues		Expenditures		Other Financing Sources (Uses)		Fund Balances
	July 1, 2010								June 30, 2011
Special Revenue:									
Federal and State Grants:									
School Grants	\$	123,572	\$	870,096	\$	876,701	\$	-	\$ 116,967
Arts Lottery Council Grants		2,423		3,875		3,563		-	2,735
Council on Aging Grants		4,302		10,816		11,437		-	3,681
Emergency Management Agency Grant		2,700		-		2,700		-	-
Health Grants		1,360		8,253		6,396		-	3,217
Highway Grants		-		577,867		577,867		-	-
Library Grants		8,167		8,913		6,870		-	10,210
Public Safety Grants		38,290		54,434		53,426		-	39,298
Tourism Grant		23,000		-		-		-	23,000
Schools:									
School Lunch Revolving		(28,348)		375,237		391,402		-	(44,513)
School Lunch Commodities		-		11,353		11,353		-	-
School Choice Program		443,185		786,314		559,848		-	669,651
Revolving Accounts		64,470		161,763		157,460		-	68,773
State Special Education Reimbursement Fund		2,301		182,316		14,995		-	169,622
Other:									
Ambulance Fund		371,171		232,065		398,199		207,942	412,979
Agricultural Commission		164		-		-		-	164
Cable Advisory Committee		5,684		942		-		-	6,626
Charter Day Revolving		43,519		23,298		33,095		-	33,722
Conservation Commission Fees		2,970		2,000		4,710		-	260
DARE Revolving		13,932		13,059		17,382		-	9,609
Dog Revolving		8,384		11,777		11,013		-	9,148
Dufresne Park Revolving		15,734		19,844		20,358		-	15,220
Forest Warden Offset Receipts Fund		3,113		1,610		1,400		-	3,323
Gifts and Donations		40,643		9,984		15,522		-	35,105
Inspections Revolving		1,515		41,400		50,246		6,571	(760)
Insurance Reimbursements		3,302		5,012		2,405		-	5,909
Landfill Waste Management Grants		119		-		-		-	119
Library Revolving		-		-		-		1,200	1,200
Planning Board Revolving		22,805		5,613		20,304		-	8,114
Police Auction Revolving		25		-		-		-	25
Police and Fire Outside Duty		9,289		75,124		81,270		-	3,143
Recreation Revolving		7,918		-		2,830		-	5,088
Total Special Revenue Funds Page 40	\$	1,235,709	\$	3,492,965	\$	3,332,752	\$	215,713	\$ 1,611,635

TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Fund Balances July 1, 2010	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2011
Continued from Page 40					
Special Revenue (continued):					
Other (continued):					
Right to Know	421	-	-	-	421
Road Machinery Earnings	12,706	150	-	-	12,856
Sale of Cemetery Lots	2,265	500	-	-	2,765
Septic System Repair Fund	119,704	-	-	-	119,704
Tax Collector Fees	495	28,273	28,248	-	520
Town Clerk Fees	1,270	1,328	1,270	-	1,328
Conservation Fund	38,912	1,415	2,473	-	37,854
Hatch Fund	40,136	4,485	1,865	-	42,756
Law Enforcement Fund	5,596	-	2,373	-	3,223
Total Special Revenue Funds	1,457,214	3,529,116	3,368,981	215,713	1,833,062
Capital Projects:					
Fire Department Truck	-	1,001	295,356	295,000	645
Highway Equipment	1,372	-	-	-	1,372
Highway Guardrail Installations	6,775	-	-	-	6,775
High School Feasibility Study	272,061	279,014	462,596	-	88,479
Keillogg Hall Improvements	122,531	-	1,348	-	121,183
Library Improvements	10,933	-	-	-	10,933
Comprehensive Wastewater Management Plan	(228,700)	-	151,000	-	(379,700)
Public Safety Complex	139,375	2,952	146,196	3,945	76
Supervisory Control And Data Acquisition (SCADA) System	36,500	-	-	-	36,500
West Street School Roof Replacement	11,072	-	-	-	11,072
Total Capital Projects	371,919	282,967	1,056,496	298,945	(102,665)
Permanent Funds:					
Cemetery Perpetual Care Funds	204,580	20,244	15,521	-	209,303
Library Funds	27,647	1,479	-	(1,200)	27,926
Marie Quirk Dufresne Park Fund	16,092	573	-	-	16,665
Total Permanent Funds	248,319	22,296	15,521	(1,200)	253,894
Total - Non-Major Governmental Funds	\$ 2,077,452	\$ 3,834,379	\$ 4,440,998	\$ 513,458	\$ 1,984,291

TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2010 TO JUNE 30, 2011

	Uncollected Taxes July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2011	Uncollected Taxes Per Detail June 30, 2011
Real Estate Taxes:						
Levy of 2011	\$ -	\$ 8,547,192	\$ 63,104	\$ 8,182,487	\$ 301,601	\$ 301,601
Levy of 2010	295,258	195	29,792	215,049	50,612	50,612
Levy of 2009	73,232	182	5,780	43,602	24,032	24,032
Levy of 2008	16,102	172	5,167	6,152	4,955	4,955
Levy of 2007	10,458	167	3,676	6,949	-	-
Prior Years	26,666	22	889	8,181	17,618	17,618
	<u>421,716</u>	<u>8,547,930</u>	<u>108,408</u>	<u>8,462,420</u>	<u>398,818</u>	<u>398,818</u>
Personal Property Taxes:						
Levy of 2011	-	212,411	188	211,772	451	451
Levy of 2010	637	-	91	546	-	-
	<u>637</u>	<u>212,411</u>	<u>279</u>	<u>212,318</u>	<u>451</u>	<u>451</u>
Total Real Estate and Personal Property Taxes	\$ 422,353	\$ 8,760,341	\$ 108,687	\$ 8,674,738	\$ 399,269	\$ 399,269

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE
JULY 1, 2010 TO JUNE 30, 2011**

	Uncollected Taxes July 1, 2010	Commitments	Abate- ments and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2011	Uncollected Taxes Per Detail June 30, 2011
\$	-	\$ 595,489	\$ 9,312	\$ 500,139	\$ 86,038	\$ 86,038
Levy of 2011	75,894	61,083	7,858	117,180	11,939	11,939
Levy of 2010	12,060	939	342	7,196	5,461	5,461
Levy of 2009	6,192	18	-	1,977	4,233	4,233
Levy of 2008	4,500	-	-	619	3,881	3,881
Levy of 2007	11,140	-	27	1,105	10,008	10,008
Prior Years						
Total Motor Vehicle Excise	\$ 109,786	\$ 657,529	\$ 17,539	\$ 628,216	\$ 121,560	\$ 121,560

Motor Vehicle Excise Taxes:

Levy of 2011
Levy of 2010
Levy of 2009
Levy of 2008
Levy of 2007
Prior Years

Total Motor Vehicle Excise

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2010 TO JUNE 30, 2011**

	Uncollected Accounts July 1, 2010	Commitments	Abate- ments and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2011	Uncollected Accounts Per Detail June 30, 2011
Tax Liens	\$ 146,040	\$ 54,469	\$ 117,885	\$ 13,881	\$ 68,743	\$ 68,743

TOWN OF GRANBY, MASSACHUSETTS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND INDEPENDENT AUDITORS' REPORTS REQUIRED
UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996**

FOR THE YEAR ENDED JUNE 30, 2011

<p style="text-align: center;">TOWN OF GRANBY, MASSACHUSETTS SINGLE AUDIT TABLE OF CONTENTS</p>
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Selectboard
Town of Granby, Massachusetts

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Granby, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the Town of Granby, Massachusetts' basic financial statements and have issued our report thereon dated May 4, 2012. The report on the Town of Granby, Massachusetts was qualified because management has not recorded a liability for other post employment benefits (OPEB) in governmental activities and, accordingly, has not recorded an expense for the current period change in the OPEB liability. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Granby, Massachusetts in a separate letter dated May 4, 2012.

This report is intended solely for the information and use of management, the Selectboard, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Scanlon & Associates, LLC
South Deerfield, Massachusetts

May 4, 2012

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Agriculture			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
School Breakfast Program	08-111	10.553	\$ 10,032
National School Lunch Program	08-111	10.555	84,686
Total Child Nutrition Cluster			<u>94,718</u>
Food Distribution-School Lunch Commodities	08-111	10.565	11,353
Total U. S. Department of Agriculture			<u>106,071</u>
U. S. Department of Justice			
Direct Program:			
Bureau of Justice Assistance			
Bullet Proof Vests Partnership Program		16.607	3,975
Safe Schools		16.738	14,910
Total U. S. Department of Justice			<u>18,885</u>
U. S. Department of Transportation			
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety and Homeland Security:			
State and Community Highway Safety:			
Highway Safety		20.600	3,600
Total U. S. Department of Transportation			<u>3,600</u>
U. S. Department of Health and Human Services			
Passed Through Westmass Elder Services, Inc.:			
Title III-B - Outreach Program		93.044	4,690
Passed Through City of Easthampton, Massachusetts:			
Public Health Emergency Preparedness - H1N1		93.069	6,395
Total U. S. Department of Health and Human Services			<u>11,085</u>
TOTAL PAGE 1 OF 2			<u>\$ 139,641</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Education			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Title I, Part A Cluster:			
Title I - 2010	305-018-0-0111-K	84.010	\$ 10,807
Title I - 2011	305-106-1-0111-L	84.010	35,689
Title I - 2011	305-365-1-0111-L	84.010	56
ARRA Title I - 2010	770-034-0-0111-K	84.389	5,445
ARRA Title I - 2011	770-131-1-0111-L	84.389	20,480
Total Title I, Part A Cluster			<u>72,477</u>
Special Education Cluster:			
Special Education 94-142 Allocation - 2010	240-094-0-0111-K	84.027	25,319
Special Education 94-142 Allocation - 2011	240-018-1-0111-L	84.027	247,413
ARRA IDEA - 2010	760-055-0-0111-K	84.391	1,452
ARRA IDEA - 2011	760-047-1-0111-L	84.391	169,845
Total Special Education Cluster, Elementary and Secondary Education			<u>444,029</u>
Safe and Drug Free Schools and Communities State Grants:			
Drug Free Schools - 2010	331-001-0-0111-K	84.186	36
Educational Technology State Grants:			
Enhanced Education Through Technology - 2010	160-019-0-0111-K	84.318	500
Improving Teacher Quality State Grants:			
Teacher Quality - 2010	140-024-0-0111-K	84.367	3,748
Teacher Quality - 2011	140-037-1-0111-L	84.367	19,720
Total Improving Teacher Quality State Grants			<u>23,468</u>
Education Jobs Fund:			
Education Jobs - 2011	206-133-1-0111-L	84.410	263,561
Passed Through Commonwealth of Massachusetts			
Department of Early Education and Care:			
Special Education Cluster:			
Special Education Early Childhood Allocation - 2010	EEC-262	84.173	758
Special Education Early Childhood Allocation - 2011	EEC-262	84.173	10,787
ARRA Early Childhood - 2011	EEC-762	84.392	6,619
Total Special Education Cluster, Early Education and Care			<u>18,164</u>
Total U. S. Department of Education			<u>822,235</u>
TOTAL PAGE 2 OF 2			<u>822,235</u>
TOTAL PAGE 1 OF 2			<u>139,641</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 961,876</u></u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Town of Granby, Massachusetts, under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Granby, Massachusetts, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Granby, Massachusetts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Selectboard
Town of Granby, Massachusetts

Compliance

We have audited the Town of Granby, Massachusetts' compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Granby, Massachusetts' major federal programs for the year ended June 30, 2011. The Town of Granby, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Granby, Massachusetts' management. Our responsibility is to express an opinion on the Town of Granby, Massachusetts' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Granby, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Granby, Massachusetts' compliance with those requirements.

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the Town of Granby, Massachusetts did not comply with requirements regarding reporting that are applicable to its Special Education cluster of programs and its Education Jobs Fund program. Compliance with such requirements is necessary, in our opinion for the Town of Granby, Massachusetts to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Granby, Massachusetts complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Town of Granby, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Granby, Massachusetts' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Granby, Massachusetts' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Granby, Massachusetts as of and for the year ended June 30, 2011, and have issued our report thereon dated May 4, 2012, which contained a qualified opinion on those financial statements because management has not recorded a liability for other post employment benefits (OPEB) and, accordingly, has not recorded an expense for the current period change in the OPEB liability. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Town of Granby, Massachusetts' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Town of Granby, Massachusetts' response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Selectboard, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Scanlon & Associates, LLC
South Deerfield, Massachusetts
May 4, 2012

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.410	U. S. Department of Education - Education Jobs Fund
Special Education Cluster:	
84.027	U. S. Department of Education - Special Education Grants to States
84.173	U. S. Department of Education - Special Education Preschool Grants
84.391	U. S. Department of Education - Special Education Grants to States, Recovery Act
84.392	U. S. Department of Education - Special Education Preschool Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings noted.

Section III - Federal Award Findings and Questioned Costs

Noncompliance/significant deficiency in internal control over compliance is reported as Finding 2011-1 on page 9.

Section IV - Prior Audit Findings

Status of prior year audit finding is reported on page 10.

**TOWN OF GRANBY, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2011-1

**Noncompliance/Significant Deficiency in Internal Control Over Compliance –
Reporting Requirements – U. S. Department of Education Grants – Final Financial
Reports**

***Passed Through Commonwealth of Massachusetts Department of
Elementary and Secondary Education***

Criteria:

The Massachusetts Department of Elementary and Secondary Education requires Final Financial Reports to be filed for all grants within 60 days after the end of the grant period.

Condition:

Federal grants for Fiscal Year 2011 had a grant period ending date of August 31, 2011. The Final Financial Reports were due by October 31, 2011. The Final Financial Reports for the Fiscal Year 2011 grants were all filed between December 27, 2011 and January 30, 2012, two to three months late.

Questioned Costs:

None noted.

Cause:

The reports were filed late due to pending amendments that had to be approved prior to closeout and a transition in responsibility for completing and filing the reports.

Effect:

The School Department did not comply with the time requirements for filing Final Financial Reports to close out the grants. The Massachusetts Department of Elementary and Secondary Education could withhold future grant payments from the Town if Final Financial Reports are not filed by the deadline. This could have a negative effect on the Town's cash flow.

Recommendation:

The School Department should monitor reporting of grants to assure more timely requests for amendments and that all Final Financial Reports are filed by the deadline.

Management's Response:

The district reconciled grant activity with all program directors. The filing of the report was late due to amendments and transition in responsibility of completing the reports. A procedure has been put in place to ensure the timely filing of all final financial reports.

**TOWN OF GRANBY, MASSACHUSETTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2010-1: Noncompliance/Significant Deficiency in Internal Control Over Compliance – Allowable Costs/Cost Principles – U. S. Department of Education Grants – Time and Effort Certification

Prior Year Comment:

The finding indicated that the Granby School Department did not obtain the required time and effort certifications from employees whose salaries were paid from Federal grants.

Status:

Time and effort certifications were obtained as required from employees whose salaries were paid from Federal grants during Fiscal Year 2011.

**TOWN OF GRANBY, MASSACHUSETTS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2011-1

The district reconciled grant activity with all program directors. The filing of the report was late due to amendments and transition in responsibility of completing the reports. A procedure has been put in place to ensure the timely filing of all final financial reports.