

**TOWN OF GREAT BARRINGTON,
MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Proprietary Funds:	
Statement of Net Assets	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Statement of Cash Flows	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	42



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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Great Barrington, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Great Barrington, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Great Barrington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Great Barrington, as of June 30, 2012, and the respective

Additional Offices:

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changes in financial position and cash flow, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Melanson Heath + Company P.C.

Greenfield, Massachusetts
October 24, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Great Barrington, we offer readers this narrative overview and analysis of the financial activities of the Town of Great Barrington for the fiscal year ended June 30, 2012.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Great Barrington's basic financial statements. The 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 our finances in a manner similar to a 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.

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer operations.

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 Town's funds can be divided into two categories: governmental funds and proprietary 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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operations, which is considered to be a major fund.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total assets exceeded liabilities by \$ 31,929,874 (i.e., net assets), an increase of \$ 627,849 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,203,490 a decrease of \$ (512,694) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 3,475,232, an increase of \$ 338,543 in comparison with the prior year.
- Total long-term debt (i.e., bonds and long term notes payable) at the close of the current fiscal year was \$ 9,680,000, a decrease of \$ (1,365,000) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 12,944,288	\$ 11,444,924	\$ 3,045,836	\$ 2,904,091	\$ 15,990,124	\$ 14,349,015
Capital assets	<u>25,698,316</u>	<u>25,334,495</u>	<u>4,584,185</u>	<u>4,876,289</u>	<u>30,282,501</u>	<u>30,210,784</u>
Total assets	38,642,604	36,779,419	7,630,021	7,780,380	46,272,625	44,559,799
Long-term liabilities outstanding	10,855,576	11,691,892	1,009,447	1,091,287	11,865,023	12,783,179
Other liabilities	<u>2,337,003</u>	<u>365,716</u>	<u>140,725</u>	<u>108,879</u>	<u>2,477,728</u>	<u>474,595</u>
Total liabilities	13,192,579	12,057,608	1,150,172	1,200,166	14,342,751	13,257,774
Net assets:						
Invested in capital assets, net	16,453,135	15,651,083	3,885,835	4,019,609	20,338,970	19,670,692
Restricted	2,087,421	2,311,200	47,173	53,155	2,134,594	2,364,355
Unrestricted	<u>6,909,469</u>	<u>6,759,528</u>	<u>2,546,841</u>	<u>2,507,450</u>	<u>9,456,310</u>	<u>9,266,978</u>
Total net assets	<u>\$ 25,450,025</u>	<u>\$ 24,721,811</u>	<u>\$ 6,479,849</u>	<u>\$ 6,580,214</u>	<u>\$ 31,929,874</u>	<u>\$ 31,302,025</u>

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,010,561	\$ 1,025,580	\$ 1,631,281	\$ 1,609,746	\$ 2,641,842	\$ 2,635,326
Operating grants and contributions	269,017	51,411	5,086	5,705	274,103	57,116
Capital grants and contributions	424,546	518,052	-	-	424,546	518,052
General revenues:						
Property taxes	17,481,278	16,877,358	-	-	17,481,278	16,877,358
Excises	1,315,281	1,040,607	-	-	1,315,281	1,040,607
Penalties and interest on taxes	204,319	168,985	-	-	204,319	168,985
Grants and contributions not restricted to specific programs	913,442	1,084,834	-	-	913,442	1,084,834
Investment income	52,999	71,651	26,946	28,064	79,945	99,715
Sale of real estate	-	790,000	-	-	-	790,000
Other	<u>127,239</u>	<u>131,014</u>	<u>-</u>	<u>-</u>	<u>127,239</u>	<u>131,014</u>
Total revenues	21,798,682	21,759,492	1,663,313	1,643,515	23,461,995	23,403,007
Expenses:						
General government	1,557,558	1,511,809	-	-	1,557,558	1,511,809
Public safety	2,675,560	2,626,455	-	-	2,675,560	2,626,455
Education	11,313,439	10,947,473	-	-	11,313,439	10,947,473
Public works	2,061,010	1,972,212	-	-	2,061,010	1,972,212
Human services	333,059	340,082	-	-	333,059	340,082
Culture and recreation	782,865	686,921	-	-	782,865	686,921
Employee benefits	1,143,399	1,182,798	-	-	1,143,399	1,182,798
Retirement	606,550	584,530	-	-	606,550	584,530
Insurance	171,574	178,152	-	-	171,574	178,152
Interest on long-term debt	406,428	427,746	-	-	406,428	427,746
Intergovernmental	75,487	72,992	-	-	75,487	72,992
Miscellaneous	13,839	-	-	-	13,839	-
Sewer operations	<u>-</u>	<u>-</u>	<u>1,693,378</u>	<u>1,614,183</u>	<u>1,693,378</u>	<u>1,614,183</u>
Total expenses	<u>21,140,768</u>	<u>20,531,170</u>	<u>1,693,378</u>	<u>1,614,183</u>	<u>22,834,146</u>	<u>22,145,353</u>
Change in net assets before transfers	657,914	1,228,322	(30,065)	29,332	627,849	1,257,654
Transfers in (out)	<u>70,300</u>	<u>67,650</u>	<u>(70,300)</u>	<u>(67,650)</u>	<u>-</u>	<u>-</u>
Increase in net assets	728,214	1,295,972	(100,365)	(38,318)	627,849	1,257,654
Net assets - beginning of year	<u>24,721,811</u>	<u>23,425,839</u>	<u>6,580,214</u>	<u>6,618,532</u>	<u>31,302,025</u>	<u>30,044,371</u>
Net assets - end of year	<u>\$ 25,450,025</u>	<u>\$ 24,721,811</u>	<u>\$ 6,479,849</u>	<u>\$ 6,580,214</u>	<u>\$ 31,929,874</u>	<u>\$ 31,302,025</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 31,929,874, an increase of \$ 627,849 from the prior year.

The largest portion of net assets, \$ 20,338,970, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, and sewer infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of 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 net assets, \$ 2,134,594, represents resources that are subject to external and statutory restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 9,456,310, may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 728,214. Key elements of this change are as follows:

- Capital additions of \$ 1,664,570 were budgeted as expenses, primarily in the general, capital project and special revenue funds. On the government-wide basis, this results in revenue being generated in excess of expenditures, since the "expenses" are actually being added to capital assets.
- Depreciation expense (not appropriated for) was less than principal debt expense (included in appropriations) by \$ 34,760.
- General fund increase of \$ 343,732 further discussed in Section D.
- Pension Fund expenditures and transfers out in excess of revenues of \$ (90,520).
- Capital expenditures paid from long term notes of \$ (447,806).
- Revolving Fund expenditures and transfers out in excess of revenues and transfers in of \$ (99,562).
- Other funds expenditures and transfers out in excess of revenues and transfers in of \$ (218,538).
- Other Post-Employment Benefits (OPEB) liability increase of \$ (374,915).
- Other revenue/expense accruals resulting in a decrease of \$ (83,507).

Business-type activities. Business-type activities (sewer operations) for the year resulted in a decrease in net assets of \$ (100,365). Key elements of this change are as follows:

Use of surplus to fund budget	\$ (305,000)
Revenues more than budget	208,300
Expenditures, on a budgetary basis, under expended	147,887
Prior year encumbrances expended in the current year	(450,004)
Current year encumbrances to be expended in a subsequent year	512,545
Depreciation expense (not budgeted for) more than unreimbursed debt principal (included in the budget)	(202,256)
Capital additions, budgeted as expenses	68,482
Current year increase in OPEB liability	(66,490)
Other	<u>(13,829)</u>
Total	<u>\$ (100,365)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,203,490, a decrease of \$ (512,694) in comparison with the prior year.

General fund revenues and transfers in in excess of expenditures and transfers out	\$ 343,732
Special revenue fund expenditures over revenues	(119,371)
Trust fund revenues over expenditures	(75,716)
Excess of current year capital expenditures over current year bond proceeds	<u>(661,339)</u>
Total	<u>\$ (512,694)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 3,475,232, while total fund balance was \$ 6,987,781. As a measure of the general fund's liquidity, it maybe be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>		<u>2012</u>		<u>2011</u>		<u>Change</u>	<u>% of Total 2012 General Fund Expenditures</u>
Unassigned fund balance	\$	3,475,232	\$	3,136,689	\$	338,543	17.0%
Total fund balance ¹		6,987,781		6,644,049		343,732	34.0%

¹ Includes Stabilization Fund balances of \$ 450,195 and \$ 447,807 as of year-end June 30, 2012 and 2011, respectively.

Unassigned fund balance represents 17 percent of total general fund expenditures, while total fund balance represents 34 percent of that same amount.

The fund balance of the general fund increased by \$ 343,732 (Town general fund increase of \$ 341,344 and stabilization fund increase of \$ 2,388) during the current fiscal year. Key factors in this change are as follows:

- Free cash and bond premium used to fund the current year budget of \$ (2,063,748), prior year encumbrances used in the current year budget of \$ (30,500) and other uses raised in the current year budget of \$ 113,546.
- Non-property tax revenue, on a budgetary basis, was in excess of amounts estimated by \$ 1,108,902, primarily due to local option taxes, motor vehicle excise commitments, rentals, and penalties, interest and payments in lieu of taxes.
- Actual property tax collections were less than current year budget of \$ (58,564).
- Actual expenditures, on a budgetary basis, were less than amounts appropriated of \$ 1,374,973.
- Actual expenditures in the current year that were funded by a prior year budget were \$ (899,562). Conversely, current year expenditure carry forwards that will be expended in a subsequent year were \$ 806,912.
- Stabilization revenues of \$ 2,388.
- Other GAAP accrual of \$ (10,615).

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year was \$ 2,546,841 and total net assets amounted to \$ 6,479,849, a decrease of \$ (100,365) in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the total original and final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 30,282,501 (net of accumulated depreciation), a decrease of \$ (71,717) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, vehicles and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Depreciation expense of \$ (1,286,910) (governmental activities) and \$ (360,586) (business-type activities).
- Library books purchases of \$ 68,834 and computer purchases of \$ 159,531.
- Sewer improvement and vehicle purchases of \$ 68,482, which includes construction in progress costs of \$ 3,482.
- DPW equipment purchases of \$ 22,953 and roadway improvements/sidewalks \$ 931,214, which includes construction in progress costs of \$ 355,638.
- Police vehicle purchases of \$ 62,038 and fire truck purchase of \$ 420,000.
- Disposal of assets of \$ (497,409), net of accumulated depreciation of \$ 483,570.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 9,250,000, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Great Barrington'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:

Ms. Lauren Sartori
Town Accountant/Financial Coordinator
Town of Great Barrington
334 Main Street
Great Barrington, MA 01230

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 11,360,096	\$ 2,718,734	\$ 14,078,830
Receivables, net of allowance for uncollectibles:			
Property taxes	549,716	-	549,716
Excises	47,292	-	47,292
User fees	-	248,653	248,653
Departmental and other	132,495	-	132,495
Intergovernmental	152,218	-	152,218
Deposit held by others	11,261	-	11,261
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	51,210	31,276	82,486
Intergovernmental	-	47,173	47,173
Note receivable	640,000	-	640,000
Land and construction in progress	6,358,634	14,137	6,372,771
Capital assets, net of accumulated depreciation	<u>19,339,682</u>	<u>4,570,048</u>	<u>23,909,730</u>
TOTAL ASSETS	38,642,604	7,630,021	46,272,625
LIABILITIES			
Current:			
Warrants and accounts payable	417,484	124,567	542,051
Accrued payroll and payroll withholdings	109,312	6,986	116,298
Tax refund payable	52,478	-	52,478
Accrued interest payable	16,919	9,172	26,091
Notes payable	1,732,000	-	1,732,000
Other liabilities	8,810	-	8,810
Current portion of long-term liabilities:			
Notes payable	430,000	-	430,000
Bonds payable	951,670	158,330	1,110,000
Landfill liabilities	15,000	-	15,000
Noncurrent:			
Bonds payable, net of current portion	7,599,980	540,020	8,140,000
Landfill liabilities, net of current portion	210,000	-	210,000
Net OPEB obligation	1,427,917	274,457	1,702,374
Compensated absences	<u>221,009</u>	<u>36,640</u>	<u>257,649</u>
TOTAL LIABILITIES	13,192,579	1,150,172	14,342,751
NET ASSETS			
Invested in capital assets, net of related debt	16,453,135	3,885,835	20,338,970
Restricted for:			
State grants and other legislatively separate funds	1,721,562	-	1,721,562
Permanent funds:			
Nonexpendable	280,615	-	280,615
Expendable	85,244	-	85,244
Debt service	-	47,173	47,173
Unrestricted	<u>6,909,469</u>	<u>2,546,841</u>	<u>9,456,310</u>
TOTAL NET ASSETS	\$ <u>25,450,025</u>	\$ <u>6,479,849</u>	\$ <u>31,929,874</u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,557,558	\$ 254,068	\$ 4,500	\$ -	\$ (1,298,990)	\$ -	\$ (1,298,990)
Public safety	2,675,560	593,479	20,313	-	(2,061,768)	-	(2,061,768)
Education	11,313,439	-	-	-	(11,313,439)	-	(11,313,439)
Public works	2,061,010	33,441	205,048	424,446	(1,398,075)	-	(1,398,075)
Health and human services	333,059	96,168	26,719	-	(210,172)	-	(210,172)
Culture and recreation	782,865	33,405	12,437	100	(736,923)	-	(736,923)
Employee benefits	1,143,399	-	-	-	(1,143,399)	-	(1,143,399)
Retirement	606,550	-	-	-	(606,550)	-	(606,550)
Insurance	171,574	-	-	-	(171,574)	-	(171,574)
Interest	406,428	-	-	-	(406,428)	-	(406,428)
Intergovernmental	75,487	-	-	-	(75,487)	-	(75,487)
Miscellaneous	13,839	-	-	-	(13,839)	-	(13,839)
Total Governmental Activities	21,140,768	1,010,561	269,017	424,546	(19,436,644)	-	(19,436,644)
Business-Type Activities:							
Sewer operations	<u>1,693,378</u>	<u>1,631,281</u>	<u>5,086</u>	<u>-</u>	<u>-</u>	<u>(57,011)</u>	<u>(57,011)</u>
Total	<u>\$ 22,834,146</u>	<u>\$ 2,641,842</u>	<u>\$ 274,103</u>	<u>\$ 424,546</u>	<u>(19,436,644)</u>	<u>(57,011)</u>	<u>(19,493,655)</u>
General Revenues:							
Property taxes					17,481,278	-	17,481,278
Excises					1,315,281	-	1,315,281
Penalties, interest and other taxes					204,319	-	204,319
Grants and contributions not restricted to specific programs					913,442	-	913,442
Investment income					52,999	26,946	79,945
Miscellaneous					127,239	-	127,239
Transfers, net					<u>70,300</u>	<u>(70,300)</u>	<u>-</u>
Total general revenues and transfers					<u>20,164,858</u>	<u>(43,354)</u>	<u>20,121,504</u>
Change in Net Assets					728,214	(100,365)	627,849
Net Assets:							
Beginning of year					<u>24,721,811</u>	<u>6,580,214</u>	<u>31,302,025</u>
End of year					<u>\$ 25,450,025</u>	<u>\$ 6,479,849</u>	<u>\$ 31,929,874</u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>Pension Trust</u>	<u>Governmental Capital</u>	<u>Special Revenue Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and short-term investments	\$ 7,387,458	\$ 1,162,326	\$ 994,194	\$ 320,140	\$ 1,495,978	\$ 11,360,096
Receivables:						
Property taxes	1,325,465	-	-	-	-	1,325,465
Excises	127,905	-	-	-	-	127,905
Departmental and other	102,872	-	-	43,876	-	146,748
Intergovernmental	-	-	-	-	152,218	152,218
Deposits held by others	-	-	-	11,261	-	11,261
Note receivable	-	-	-	640,000	-	640,000
Due from other funds	43,907	-	-	-	-	43,907
TOTAL ASSETS	\$ 8,987,607	\$ 1,162,326	\$ 994,194	\$ 1,015,277	\$ 1,648,196	\$ 13,807,600
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 295,296	\$ -	\$ -	\$ 710	\$ 121,478	\$ 417,484
Accrued payroll withholdings	86,999	-	-	22,313	-	109,312
Tax refunds payable	52,478	-	-	-	-	52,478
Notes payable	-	-	1,442,000	-	290,000	1,732,000
Deferred revenues	1,556,243	-	-	683,876	-	2,240,119
Other liabilities	8,810	-	-	-	-	8,810
Due to other funds	-	-	-	-	43,907	43,907
TOTAL LIABILITIES	1,999,826	-	1,442,000	706,899	455,385	4,604,110
Fund Balances:						
Reserved for:						
Nonspendable	-	-	-	-	280,615	280,615
Restricted	-	1,062,326	-	308,378	226,784	1,597,488
Committed	370,195	-	-	-	685,412	1,055,607
Assigned	3,142,354	100,000	-	-	-	3,242,354
Unassigned	3,475,232	-	(447,806)	-	-	3,027,426
TOTAL FUND BALANCES	6,987,781	1,162,326	(447,806)	308,378	1,192,811	9,203,490
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,987,607	\$ 1,162,326	\$ 994,194	\$ 1,015,277	\$ 1,648,196	\$ 13,807,600

See notes to financial statements

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total Governmental Fund Balances	\$ 9,203,490
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,698,316
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting, are not deferred until collection and are presented net of an allowance for uncollectible accounts and the transfer of foreclosure receivables to capital assets.	1,420,714
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(16,919)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, landfill closure, compensated absences and OPEB, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(10,855,576)</u>
Net Assets of Governmental Activities	\$ <u><u>25,450,025</u></u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Pension Trust</u>	<u>Governmental Capital</u>	<u>Special Revenue Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 17,508,683	\$ -	\$ -	\$ -	\$ -	\$ 17,508,683
Excises	1,309,671	-	-	-	-	1,309,671
Penalties, interest and other taxes	204,319	-	-	-	-	204,319
Charges for services	513,869	-	-	327,116	14,419	855,404
Intergovernmental	911,642	-	-	-	695,363	1,607,005
Licenses and permits	55,344	-	-	-	-	55,344
Fines and forfeits	39,946	-	-	-	-	39,946
Investment income	38,748	9,480	-	-	4,771	52,999
Miscellaneous	<u>127,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,239</u>
Total Revenues	20,709,461	9,480	-	327,116	714,553	21,760,610
Expenditures:						
Current:						
General government	1,467,376	-	-	38,878	-	1,506,254
Public safety	2,026,183	-	420,000	303,131	27,545	2,776,859
Education	11,313,439	-	-	-	-	11,313,439
Public works	1,636,967	-	257,806	1,669	633,993	2,530,435
Health and human services	300,790	-	-	-	26,719	327,509
Culture and recreation	540,534	-	-	-	110,682	651,216
Employee benefits	766,732	-	-	-	1,752	768,484
Retirement	606,550	-	-	-	-	606,550
Insurance	171,574	-	-	-	-	171,574
Debt service	1,730,797	-	-	-	-	1,730,797
Intergovernmental	<u>75,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,487</u>
Total Expenditures	<u>20,636,429</u>	<u>-</u>	<u>677,806</u>	<u>343,678</u>	<u>800,691</u>	<u>22,458,604</u>
Excess (deficiency) of revenues over expenditures	73,032	9,480	(677,806)	(16,562)	(86,138)	(697,994)
Other Financing Sources (Uses):						
Note proceeds	115,000	-	-	-	-	115,000
Transfers in	186,200	-	230,000	-	35,600	451,800
Transfers out	<u>(30,500)</u>	<u>(100,000)</u>	<u>-</u>	<u>(83,000)</u>	<u>(168,000)</u>	<u>(381,500)</u>
Total Other Financing Sources (Uses)	<u>270,700</u>	<u>(100,000)</u>	<u>230,000</u>	<u>(83,000)</u>	<u>(132,400)</u>	<u>185,300</u>
Change in fund balance	343,732	(90,520)	(447,806)	(99,562)	(218,538)	(512,694)
Fund Equity, at Beginning of Year	<u>6,644,049</u>	<u>1,252,846</u>	<u>-</u>	<u>407,940</u>	<u>1,411,349</u>	<u>9,716,184</u>
Fund Equity, at End of Year	<u>\$ 6,987,781</u>	<u>\$ 1,162,326</u>	<u>\$ (447,806)</u>	<u>\$ 308,378</u>	<u>\$ 1,192,811</u>	<u>\$ 9,203,490</u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2012

Net Changes in Fund Balances - Total Governmental Funds	\$ (512,694)
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases	1,664,570
Dispositions, net	(13,839)
Depreciation	(1,286,910)
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue, net of allowance for uncollectibles. 	38,073
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds) 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: 	
Issuance of long term note	(115,000)
Repayments of debt	1,321,670
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	2,699
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as landfill closure, compensated absences and OPEB liability, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	(370,355)
Change in Net Assets of Governmental Activities	<u><u>\$ 728,214</u></u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 17,567,247	\$ 17,567,247	\$ 17,567,247	\$ -
Excise	620,000	620,000	1,309,671	689,671
Penalties, interest and other taxes	42,000	42,000	204,319	162,319
Charges for services	403,000	403,000	513,869	110,869
Intergovernmental	889,488	889,488	911,642	22,154
Licenses and permits	50,000	50,000	55,344	5,344
Fines and forfeits	40,000	40,000	39,946	(54)
Investment income	45,000	45,000	36,360	(8,640)
Miscellaneous	-	-	127,239	127,239
Transfers in	186,200	186,200	186,200	-
Note proceeds	115,000	115,000	115,000	-
Other sources	<u>2,094,248</u>	<u>2,094,248</u>	<u>2,094,248</u>	<u>-</u>
Total Revenues and Other Sources	22,052,183	22,052,183	23,161,085	1,108,902
Expenditures and Other Uses:				
General government	1,652,875	1,639,525	1,482,925	156,600
Public safety	2,017,154	2,053,231	2,039,401	13,830
Education	11,313,439	11,313,439	11,313,439	-
Public works	1,597,576	1,574,850	1,387,664	187,186
Health and human services	307,320	307,320	305,689	1,631
Culture and recreation	612,149	612,148	563,521	48,627
Employee benefits	1,572,968	1,572,968	766,732	806,236
Retirement	640,608	640,608	606,550	34,058
Insurance	292,501	292,501	171,574	120,927
Debt service	1,824,100	1,824,100	1,820,182	3,918
Intergovernmental	77,447	77,447	75,487	1,960
Transfers out	30,500	30,500	30,500	-
Other uses	<u>113,546</u>	<u>113,546</u>	<u>113,546</u>	<u>-</u>
Total Expenditures and Other Uses	<u>22,052,183</u>	<u>22,052,183</u>	<u>20,677,210</u>	<u>1,374,973</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,483,875</u>	<u>\$ 2,483,875</u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2012

Business-
Type Activities
Enterprise Funds

Sewer
Fund

ASSETS

Current:

Cash and short-term investments	\$ 2,718,734
User fees receivable	248,653
Total current assets	2,967,387

Noncurrent:

Property taxes receivable	31,276
Intergovernmental receivables	47,173
Land and construction in progress	14,137
Capital assets, net of accumulated depreciation	4,570,048
Total noncurrent assets	4,662,634

TOTAL ASSETS

7,630,021

LIABILITIES

Current:

Warrants payable	46,498
Accounts payable	78,069
Accrued payroll	6,986
Accrued interest payable	9,172
Current portion of long-term liabilities:	
Bonds payable	158,330
Total current liabilities	299,055

Noncurrent:

Bonds payable, net of current portion	540,020
Net OPEB obligation	274,457
Compensated absences	36,640
Total noncurrent liabilities	851,117

TOTAL LIABILITIES

1,150,172

NET ASSETS

Invested in capital assets, net of related debt	3,885,835
Restricted for debt service	47,173
Unrestricted:	
Reserved for encumbrance	512,545
Reserved for expenditure	40,000
Unrestricted	1,994,296
TOTAL NET ASSETS	\$ 6,479,849

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business- Type Activities Enterprise Funds
	<u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ <u>1,631,281</u>
Total Operating Revenues	1,631,281
Operating Expenses:	
Salary and wages	377,681
Operating expenses	351,407
Materials and supplies	139,914
Capital outlay	170,976
Depreciation	360,586
Employee benefits	184,125
Retirement	32,518
Insurance	40,473
Other	<u>2,238</u>
Total Operating Expenses	<u>1,659,918</u>
Operating Income	(28,637)
Nonoperating Revenues (Expenses):	
Intergovernmental revenue	5,086
Investment income	26,946
Interest expense	<u>(33,460)</u>
Total Nonoperating Revenues (Expenses), Net	(1,428)
Transfer Out	<u>(70,300)</u>
Change in Net Assets	(100,365)
Net Assets at Beginning of Year	<u>6,580,214</u>
Net Assets at End of Year	\$ <u><u>6,479,849</u></u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

Business-
Type Activities
Enterprise Funds

Sewer Fund

Cash Flows From Operating Activities:

Receipts from customers and users	\$ 1,597,502
Payments to vendors and employees	<u>(1,188,844)</u>

Net Cash Provided By Operating Activities	408,658
---	---------

Cash Flows From Non-Capital Financing Activities:

Receipts from governments	5,086
Transfers out	<u>(70,300)</u>

Net Cash (Used For) Non-Capital Financing Activities	(65,214)
--	----------

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(68,482)
Principal payments on bonds	(158,330)
Interest expense paid	<u>(35,612)</u>

Net Cash (Used For) Capital and Related Financing Activities	(262,424)
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Cash Flows From Investing Activities:

Investment income	<u>26,946</u>
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Net Change in Cash and Short-Term Investments	107,966
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Cash and Short Term Investments, Beginning of Year	<u>2,610,768</u>
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Cash and Short Term Investments, End of Year	<u><u>\$ 2,718,734</u></u>
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Reconciliation of Operating Income to Net Cash

Provided by (Used For) Operating Activities:

Operating income	\$ (28,637)
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	360,586
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Changes in assets and liabilities:

User fee receivables	(33,779)
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Warrants and accounts payable	32,378
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Other liabilities	<u>78,110</u>
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Net Cash Provided By Operating Activities	<u><u>\$ 408,658</u></u>
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See notes to financial statements.

Great Barrington, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Great Barrington (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB-14 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 and proprietary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. All revenue items are considered to be measurable and available only when cash is received by the government. 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.

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 *Pension trust fund* is a Town trust fund reflecting cumulative Town-appropriated funds requiring State (PERAC) approval to use.
- The Governmental capital fund is used to account for capital projects of a duration longer than a year.
- The Special revenue revolving fund is used to account for revolving fund activities.

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 nonoperating revenues and expenses.

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.

The government's major proprietary fund is the sewer fund.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained 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 short-term investments". The interest earnings attributable to each fund type is included under investment income.

E. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of \$ 837,737.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

G. Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 7,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	3 - 15
Office equipment	5 - 10
Computer equipment	5
Sewer infrastructure	40
General infrastructure	20

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits up to certain limits and payable upon retirement. The Town has established a trust fund with Town appropriations (\$ 35,000 annually; \$ 30,000 from the general fund and \$ 5,000 from the sewer fund) to be used to fund accumulated sick leave benefits. The balance in the trust fund at June 30, 2012 is \$ 414,556.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves

those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic

financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the total amount for the department. Certain items may exceed the budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items, special articles and encumbrances, which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance

with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 20,709,461	\$ 20,636,429
Other financing sources/uses (GAAP basis)	301,200	30,500
Remove effect of stabilization fund activity	(2,388)	-
Adjust tax revenue to accrual basis	58,564	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(899,562)
Add end of year appropriation carryforwards to expenditures	-	806,912
Reverse GAAP accrual	-	(10,615)
Recognize use of fund balance as funding source/use	<u>2,094,248</u>	<u>113,546</u>
Budgetary basis	<u>\$ 23,161,085</u>	<u>\$ 20,677,210</u>

D. Excess of Expenditures Over Appropriations

Expenditures and other uses exceeding appropriations during the current fiscal year were as follows:

Veterans benefits \$ (4,999)

E. Deficit Fund Equity

The following fund had a deficit as of June 30, 2012:

Governmental capital project fund \$ (447,806).

The deficit in this fund will be eliminated when permanent bonds or long-term notes are issued.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk, as defined under GASB Statement No. 40, is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2012, none of the Town's bank balance of \$ 14,210,122 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name. The Town has a formal policy for custodial credit risk which requires that the Town only invest funds in accordance with the list of legal investments promulgated by the

Commonwealth. In addition, the Town ensures that virtually all funds are protected by each bank's insurance or through separate collateralization agreements.

Massachusetts General Law Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's deposits are within this limitation.

4. **Taxes Receivable**

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

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consist of the following:

Real Estate		
2012		\$ 559,877
Personal Property		
2012	15,054	
2011	3,767	
2010	2,418	
2009	599	
		21,838
Tax Liens and Foreclosure		743,750
Total		1,325,465
Less Allowance for Doubtful Accounts		(626,794)
Net Property Tax Receivable		698,671
Less Current Portion		(549,716)
Less Transfer of Foreclosure to Capital Asset		(97,745)
Non-Current Portion (Tax Lien)		\$ 51,210

5. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>
Property taxes	\$ 31,999
Tax title	<u>594,795</u>
Subtotal property taxes	626,794
Excises	80,613
Departmental	14,253

6. Intergovernmental Receivables

The current receivable balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

The non-current intergovernmental receivable balance in the sewer fund represents the portion of certain outstanding debt, which is being subsidized through the Massachusetts Water Pollution Abatement Trust.

7. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2012 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 43,907	\$ -
Special Revenue Funds:		
Town grants	<u>-</u>	<u>43,907</u>
Total	<u>\$ 43,907</u>	<u>\$ 43,907</u>

8. Note Receivable and Deposit Held By Others

The Town sold the Searles/Bryant school building in fiscal year 2011 to Riverschool Redevelopment, LLC for \$ 800,000. The terms of the sale included a promissory note for \$ 640,000 at 3.25% with a term of 36 months. The buyer is required to pay monthly interest payments during the term of the note and to pay the principal balance at the end of the term in August 2013. There is no pre-payment penalty.

The property had certain environmental remediation issues that needed to be resolved as a condition of the sale. The Town set aside \$ 75,000 of the proceeds in escrow for this purpose, of which \$ 11,261 remains unspent as of June 30, 2012. Remediation is ongoing and is expected cost an additional \$ 50,000 to \$ 125,000 to complete.

9. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,091,709	\$ -	\$ -	\$ 15,091,709
Machinery, equipment, and furnishings	2,353,200	251,318	(427,409)	2,177,109
Vehicles	4,173,861	482,038	(70,000)	4,585,899
Infrastructure	<u>6,059,241</u>	<u>575,576</u>	<u>-</u>	<u>6,634,817</u>
Total capital assets, being depreciated	27,678,011	1,308,932	(497,409)	28,489,534
Less accumulated depreciation for:				
Buildings and improvements	(2,613,589)	(475,367)	-	(3,088,956)
Machinery, equipment, and furnishings	(1,718,214)	(187,063)	413,570	(1,491,707)
Vehicle	(2,621,127)	(313,046)	70,000	(2,864,173)
Infrastructure	<u>(1,393,582)</u>	<u>(311,434)</u>	<u>-</u>	<u>(1,705,016)</u>
Total accumulated depreciation	<u>(8,346,512)</u>	<u>(1,286,910)</u>	<u>483,570</u>	<u>(9,149,852)</u>
Total capital assets, being depreciated, net	19,331,499	22,022	(13,839)	19,339,682
Capital assets, not being depreciated:				
Land	5,562,269	-	-	5,562,269
Construction in progress (CIP)	<u>440,727</u>	<u>355,638</u>	<u>-</u>	<u>796,365</u>
Total capital assets, not being depreciated	<u>6,002,996</u>	<u>355,638</u>	<u>-</u>	<u>6,358,634</u>
Governmental activities capital assets, net	<u>\$ 25,334,495</u>	<u>\$ 377,660</u>	<u>\$ (13,839)</u>	<u>\$ 25,698,316</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,077,690	\$ -	\$ -	\$ 10,077,690
Machinery, equipment, and furnishings	924,447	65,000	-	989,447
Vehicles	267,147	-	-	267,147
Infrastructure	549,876	-	-	549,876
Total capital assets, being depreciated	11,819,160	65,000	-	11,884,160
Less accumulated depreciation for:				
Buildings and improvements	(6,210,952)	(250,416)	-	(6,461,368)
Machinery, equipment, and furnishings	(393,034)	(81,880)	-	(474,914)
Vehicles	(202,208)	(14,543)	-	(216,751)
Infrastructure	(147,332)	(13,747)	-	(161,079)
Total accumulated depreciation	(6,953,526)	(360,586)	-	(7,314,112)
Total capital assets, being depreciated, net	4,865,634	(295,586)	-	4,570,048
Capital assets, not being depreciated:				
Land	10,655	-	-	10,655
Construction in progress	-	3,482	-	3,482
Total capital assets, not being depreciated	10,655	3,482	-	14,137
Business-type activities capital assets, net	\$ <u>4,876,289</u>	\$ <u>(292,104)</u>	\$ <u>-</u>	\$ <u>4,584,185</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 44,865
Public safety	464,237
Public works - general	489,742
Human services	5,550
Culture and recreation	282,516
Total depreciation expense	\$ <u>1,286,910</u>
Business-Type Activities:	
Sewer	\$ <u>360,586</u>

10. Warrants and Accounts Payable

Warrants payable represent 2012 expenditures paid by July 15, 2012 as permitted by law. Accounts payable represents 2012 expenditures paid after July 15, 2012.

11. Deferred Revenue

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 the total of all June 30, 2012 receivable balances.

12. Tax Refunds Payable

This balance consists of an estimate of a refund due to Verizon for the abatement of 2009 property tax, plus 8% interest, as of June 30, 2012. This case was recently decided in favor of Verizon by the State Appellate Tax Board.

13. Anticipation Notes Payable

The Town had the following note outstanding at June 30, 2012:

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2012</u>
<u>Governmental Activities</u>				
Bond anticipation	0.50%	06/20/12	02/01/13	\$ 1,732,000 *

* This balance represents the short term portion of the note issued. The total note includes an additional amount (\$ 430,000), which is reported as long-term debt.

The following summarizes activity in notes payable during fiscal year 2012:

	<u>Balance Beginning of Year</u>	<u>Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
<u>Governmental Activities</u>				
Bond anticipation	\$ -	\$ 2,267,000	\$ (535,000)	\$ 1,732,000

14. Long-Term Debt

A. 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 both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2012
<u>Governmental Activities:</u>			
<u>Bonds Payable:</u>			
Library/equipment	12/15/14	3.50 - 4	\$ 540,000
Library addition	02/15/16	4.00	266,650
2009 bonds - general portion	06/15/24	2.0 - 3.375	1,595,000
Fire station	06/15/27	4.125 - 5.0	<u>6,150,000</u>
Total bonds payable			8,551,650
<u>Long term notes payable:</u>			
* Note payable	02/01/13	0.5	<u>430,000</u>
Total long term note payable			<u>430,000</u>
Total Governmental Activities			8,981,650
<u>Business-Type Activities:</u>			
2009 bonds	06/15/13	2.00%	5,000
Sewer refunding	02/15/16	4.00%	533,350
Sewer project - MWPAT	08/01/19	1.76%	<u>160,000</u>
Total Business-Type Activities			<u>698,350</u>
Total All Debt			<u>\$ 9,680,000</u>

* The Town intends to convert this note into a long term bond or another long term note during fiscal year 2013.

B. State Revolving Loan

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the States and are used by local communities to improve their sewer systems.

In 1999, the Town was authorized to borrow a total of \$ 340,334 through the Massachusetts Water Pollution Abatement Trust (MWPAT) Revolving Loan Program to improve its sewer infiltration/inflow system. The balance of this loan is included in the Town's long-term debt.

In addition to offering this loan at a reduced interest rate, MWPAT has also subsidized the loan principal as follows:

	Loan Balance <u>June 30, 2012</u>	Principal Subsidy <u>Remaining</u>	Net Repayment <u>June 30, 2012</u>
Loan #98-53	\$ <u>160,000</u>	\$ <u>(47,173)</u>	\$ <u>112,827</u>

C. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 951,670	\$ 349,669	\$ 1,301,339
2014	856,660	313,402	1,170,062
2015	781,660	278,787	1,060,447
2016	601,660	245,451	847,111
2017	535,000	218,536	753,536
2018 - 2022	2,575,000	770,243	3,345,243
2023 - 2027	<u>2,250,000</u>	<u>271,170</u>	<u>2,521,170</u>
Total	<u>\$ 8,551,650</u>	<u>\$ 2,447,258</u>	<u>\$ 10,998,908</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 158,330	\$ 29,253	\$ 187,583
2014	153,340	23,060	176,400
2015	153,340	16,313	169,653
2016	153,340	9,902	163,242
2017	20,000	3,525	23,525
2018 - 2020	<u>60,000</u>	<u>4,448</u>	<u>64,448</u>
Total	<u>\$ 698,350</u>	<u>\$ 86,501</u>	<u>\$ 784,851</u>

D. Changes in General Long-Term Liabilities

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

	<u>Total Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2012</u>	<u>Less Current Portion</u>	<u>Long-Term Portion June 30, 2012</u>
<u>Governmental Activities</u>						
Notes payable	\$ 550,000	\$ 115,000	\$ (235,000)	\$ 430,000	\$ (430,000)	\$ -
Bonds payable	9,638,320	-	(1,086,670)	8,551,650	(951,670)	7,599,980
Other:						
Landfill closure	240,000	-	(15,000)	225,000	(15,000)	210,000
Other post-employment benefits	1,053,002	374,915	-	1,427,917	-	1,427,917
Accrued employee benefits	<u>210,569</u>	<u>10,440</u>	<u>-</u>	<u>221,009</u>	<u>-</u>	<u>221,009</u>
Totals	<u>\$ 11,691,891</u>	<u>\$ 500,355</u>	<u>\$ (1,336,670)</u>	<u>\$ 10,855,576</u>	<u>\$ (1,396,670)</u>	<u>\$ 9,458,906</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 856,680	\$ -	\$ (158,330)	\$ 698,350	\$ (158,330)	\$ 540,020
Other:						
Other post-employment benefits	207,967	66,490	-	274,457	-	274,457
Accrued employee benefits	<u>26,640</u>	<u>10,000</u>	<u>-</u>	<u>36,640</u>	<u>-</u>	<u>36,640</u>
Totals	<u>\$ 1,091,287</u>	<u>\$ 76,490</u>	<u>\$ (158,330)</u>	<u>\$ 1,009,447</u>	<u>\$ (158,330)</u>	<u>\$ 851,117</u>

E. Authorized and Unissued Debt

The Town had the following authorized but unissued debt as of June 30, 2012:

Road Reconstruction	\$ 1,430,000
Vehicles	172,000
Fire Truck	190,000
Stormwater system	605,000
Engineering Bridge Repairs	50,000
Sewer Improvements	<u>4,500,000</u>
Total	<u>\$ 6,947,000</u>

15. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$ 225,000 reported as landfill liability at June 30, 2012 represents the estimated cost of monitoring the landfill for the next 15 years. This amount is based on what it would cost to perform all closure and post-closure care in 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the

usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the unappropriated balance in Town funds set aside for pension costs, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes capital reserve (stabilization) funds set aside by Town Meeting vote for future uses (now reported as part of the general fund per GASB 54), special revenue funds, (Town set asides) and the residual balance of capital funds established through Town appropriation.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and funds set aside for future debt service in accordance with State guidelines.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2012:

	General Fund	Pension Reserve Fund	Governmental Capital Projects	Revolving Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 280,615	\$ 280,615
Total Nonexpendable	\$ -	\$ -	\$ -	\$ -	\$ 280,615	\$ 280,615
Restricted						
Special revenue funds	\$ -	\$ -	\$ -	\$ 308,378	\$ 141,540	\$ 449,918
Expendable permanent funds	-	1,062,326	-	-	85,244	1,147,570
Total Restricted	\$ -	\$ 1,062,326	\$ -	\$ 308,378	\$ 226,784	\$ 1,597,488
Committed						
Capital reserve funds	\$ 370,195	\$ -	\$ -	\$ -	\$ -	\$ 370,195
Special revenue (Town set aside) funds	-	-	-	-	529,037	529,037
Capital project funds	-	-	-	-	156,375	156,375
Total Committed	\$ 370,195	\$ -	\$ -	\$ -	\$ 685,412	\$ 1,055,607
Assigned						
Encumbrances	\$ 806,912	\$ -	\$ -	\$ -	\$ -	\$ 806,912
Designated for other purposes	65,442	-	-	-	-	65,442
Reserved for expenditures	2,270,000	100,000	-	-	-	2,370,000
Total Assigned	\$ 3,142,354	\$ 100,000	\$ -	\$ -	\$ -	\$ 3,242,354
Unassigned	\$ 3,475,232	\$ -	\$ -	\$ -	\$ -	\$ 3,475,232
Total Unassigned	3,475,232	-	(447,806)	-	-	3,027,426
Total Fund Balance	\$ 6,987,781	\$ 1,162,326	\$ (447,806)	\$ 308,378	\$ 1,192,811	\$ 9,203,490

18. Commitments and Contingencies

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Environmental Issues – The Town is under a consent order to perform a site assessment for possible petroleum contamination on Town-owned land. The Town is complying with the consent order. The Town appropriated \$ 75,000 for this project in fiscal year 2011 and has spent this amount through 2012 on assessment of the property. The Town expects to spend an additional \$ 20,000 in fiscal year 2013. Additional monitoring and remediation costs are expected in order to comply with the consent order.

Sale of Building – A sale is currently pending for the former Castle Street Fire Station property. The property contains certain environmental remediation issues that need to be resolved as a condition of the sale. The Town anticipates that it will be required to provide approximately \$ 250,000 of remediation on the site, based on environmental studies. The Town will also

be required to comply with special requirements relating to Town bonds outstanding on this property, the balance of which was \$ 35,000 as of June 30, 2012.

Health Insurance Reform Act – In compliance with the Health Insurance Reform Act set in place for municipalities within the Commonwealth of Massachusetts, the Town is modifying its health insurance plans to comply with new standards. The Town anticipates paying 25% of the savings realized in the first 12 months (fiscal year 2013) due to plan changes. Payments are estimated to cost \$ 27,000 and will be paid in fiscal year 2013.

19. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described in the following footnote, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2010, the actuarial valuation date, approximately 132 retirees and active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 80% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2010.

Annual Required Contribution (ARC)	\$ 793,664
Interest on net OPEB obligation	59,896
Adjustment to ARC	<u>(50,923)</u>
Annual OPEB cost	802,637
Contributions made	<u>(361,232)</u>
Increase in net OPEB obligation	441,405
Net OPEB obligation - beginning of year	<u>1,260,969</u>
Net OPEB obligation - end of year	<u><u>\$ 1,702,374</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 802,637	45%	\$441,405
2011	\$ 765,873	43%	\$436,043
2010	\$ 791,158	49%	\$403,951
2009	\$ 756,629	44%	\$420,975

The Town's net OPEB obligation as of June 30, 2012 is recorded as a long-term liability in both the governmental and business-type activities.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability	\$ 11,278,360
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	11,278,360
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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

F. Actuarial Methods and Assumptions

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

In the June 30, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.75% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on

a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

20. Pension Plan

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers as amended in GASB 50*, with respect to the employees' retirement funds.

A. Plan Description

The Town contributes to the Berkshire County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Berkshire County Retirement System, Superior Court, 76 East Street, Pittsfield, MA 01201.

B. 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 remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010, were \$ 586,847, \$ 565,411, and \$ 502,777, respectively, which were equal to its annual required contributions for each of these years.

21. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

22. Implementation of New GASB Standards

- The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Town of Great Barrington's actuarially accrued liability.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

(Unaudited)

(amounts expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percent- age of Covered Payroll [(b-a)/c]
06/30/08	-	\$ 12,401	\$ 12,401	-	n/a	n/a
06/30/10	-	11,278	11,278	-	n/a	n/a

See Independent Auditor's Report