

**TOWN OF GREAT BARRINGTON,
MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Great Barrington, Massachusetts

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, Massachusetts, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 infor-

mation because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Melanson Heath + Company P.C.

Greenfield, Massachusetts
November 14, 2013

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, 2013.

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 position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 bet-

ter 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 \$31,836,690 (i.e., net position), an increase of \$1,069,142 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,445,595 a decrease of \$(595,569) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,335,600, a decrease of \$(589,827) 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 \$8,370,000, a decrease of \$(1,310,000) 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	
	2013	2012 Restated	2013	2012	2013	2012 Restated
Current and other assets	\$ 11,029,988	\$ 11,149,201	\$ 3,442,328	\$ 3,045,836	\$ 14,472,316	\$ 14,195,037
Capital assets	26,009,538	26,331,077	4,702,782	4,584,185	30,712,320	30,915,262
Total assets	37,039,526	37,480,278	8,145,110	7,630,021	45,184,636	45,110,299
Long-term liabilities outstanding	10,042,905	10,855,576	902,024	1,009,447	10,944,929	11,865,023
Other liabilities	2,052,776	2,337,003	350,241	140,725	2,403,017	2,477,728
Total liabilities and deferred inflows	12,095,681	13,192,579	1,252,265	1,150,172	13,347,946	14,342,751
Net assets:						
Net investment in capital assets	17,266,602	16,453,135	4,162,762	3,885,835	21,429,364	20,338,970
Restricted	861,121	925,095	-	47,173	861,121	972,268
Unrestricted	6,816,122	6,909,469	2,730,083	2,546,841	9,546,205	9,456,310
Total net position	\$ 24,943,845	\$ 24,287,699	\$ 6,892,845	\$ 6,479,849	\$ 31,836,690	\$ 30,767,548

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012 Restated	2013	2012	2013	2012 Restated
Revenues:						
Program revenues:						
Charges for services	\$ 969,952	\$ 1,010,561	\$ 1,972,790	\$ 1,631,281	\$ 2,942,742	\$ 2,641,842
Operating grants and contributions	153,993	269,017	5,184	5,086	159,177	274,103
Capital grants and contributions	612,810	424,546	-	-	612,810	424,546
General revenues:						
Property taxes	17,883,923	17,481,278	-	-	17,883,923	17,481,278
Excises	1,353,656	1,315,281	-	-	1,353,656	1,315,281
Penalties and interest on taxes	254,726	204,319	-	-	254,726	204,319
Grants and contributions not restricted to specific programs	899,525	913,442	-	-	899,525	913,442
Investment income	27,622	43,519	24,791	26,946	52,413	70,465
Other	82,296	127,239	-	-	82,296	127,239
Total revenues	22,238,503	21,789,202	2,002,765	1,663,313	24,241,268	23,452,515
Expenses:						
General government	1,779,211	1,557,558	-	-	1,779,211	1,557,558
Public safety	2,666,185	2,675,560	-	-	2,666,185	2,675,560
Education	11,598,719	11,313,439	-	-	11,598,719	11,313,439
Public works	1,999,049	2,061,010	-	-	1,999,049	2,061,010
Human services	386,653	333,059	-	-	386,653	333,059
Culture and recreation	797,713	782,865	-	-	797,713	782,865
Employee benefits	1,190,101	1,143,399	-	-	1,190,101	1,143,399
Retirement	678,833	606,550	-	-	678,833	606,550
Insurance	220,272	171,574	-	-	220,272	171,574
Interest on long-term debt	367,230	406,428	-	-	367,230	406,428
Intergovernmental	69,991	75,487	-	-	69,991	75,487
Miscellaneous	-	13,839	-	-	-	13,839
Sewer operations	-	-	1,518,169	1,693,378	1,518,169	1,693,378
Total expenses	21,753,957	21,140,768	1,518,169	1,693,378	23,272,126	22,834,146
Change in net position before transfers	484,546	648,434	484,596	(30,065)	969,142	618,369
Transfers in (out)	171,600	170,300	(71,600)	(70,300)	100,000	100,000
Change in net position	656,146	818,734	412,996	(100,365)	1,069,142	718,369
Net position - beginning of year (as restated)	24,287,699	23,468,965	6,479,849	6,580,214	30,767,548	30,049,179
Net position - end of year	\$ 24,943,845	\$ 24,287,699	\$ 6,892,845	\$ 6,479,849	\$ 31,836,690	\$ 30,767,548

As noted earlier, net position 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 position were \$31,836,690, an increase of \$1,069,142 from the prior year.

The largest portion of net position, \$21,429,364, 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 position, \$861,121, represents resources that are subject to external and statutory restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,546,205, 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 position of \$656,146. Key elements of this change are as follows:

- Capital additions of \$1,611,203 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 \$81,688.
- Note proceeds of \$(230,000) are a funding source to governmental funds but are an increase to liabilities in the governmental activities.
- General fund increase of \$30,363 further discussed in Section D.
- Governmental capital expenditures in excess of transfers in of \$(651,069).
- Revolving fund revenues and transfers in in excess of expenditures of \$2,586.
- Other funds revenues and transfers in in excess of expenditures and transfers out of \$22,551.
- Other post-employment benefits (OPEB) liability increase of \$(389,794).
- Other revenue/expense accruals resulting in an increase of \$178,618.

Business-type activities. Business-type activities (sewer operations) for the year resulted in an increase in net position of \$412,996. Key elements of this change are as follows:

Use of surplus to fund budget	\$ (40,000)
Revenues more than budget	203,016
Expenditures, on a budgetary basis, under expended	223,990
Prior year encumbrances expended in the current year	(512,545)
Current year encumbrances to be expended in a subsequent year	316,522
Depreciation expense (not budgeted for) more than unreimbursed debt principal (included in the budget)	(203,948)
Capital additions, budgeted as expenses	485,852
Current year increase in OPEB liability	(58,907)
Other	(984)
Total	<u>\$ 412,996</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 \$7,445,595, a decrease of \$(595,569) in comparison with the prior year.

General fund revenues and transfers in in excess of expenditures and transfers out	\$ 30,363
Special revenue fund expenditures over revenues	(13,200)
Capital project fund expenditures over revenues	(651,525)
Trust fund revenues over expenditures	<u>38,793</u>
Total	<u>\$ (595,569)</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 \$3,335,600, while total fund balance was \$7,018,144. 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>2013</u>	<u>2012</u>	<u>Change</u>	<u>% of Total 2013 General Fund Expenditures</u>
General fund unassigned	\$ 2,964,227	\$ 3,475,232	\$ (511,005)	13%
Stabilization	<u>371,373</u>	<u>450,195</u>	<u>(78,822)</u>	2%
Total unassigned fund balance	3,335,600	3,925,427	(589,827)	15%
Total fund balance	7,018,144	6,987,781	30,363	33%

The fund balance of the general fund increased by \$30,363 (Town general fund increase of \$109,185 and stabilization fund decrease of \$(78,822)) during the current fiscal year. Key factors in this change are as follows:

- Free cash, overlay surplus and bond premium used to fund the current year budget of \$(2,198,476), and prior year encumbrances used in the current year budget of \$(65,000).
- Non-property tax revenue, on a budgetary basis, was in excess of amounts estimated by \$1,027,469, 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 more than current year budget of \$52,770.
- Actual expenditures, on a budgetary basis, were less than amounts appropriated of \$1,158,640.
- Actual expenditures in the current year that were funded by a prior year budget were \$(741,912). Conversely, current year expenditure carry forwards that will be expended in a subsequent year were \$860,080.
- Stabilization revenues of \$1,178 and transfer to general fund of \$(80,000).
- Other adjustments of \$15,614.

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 position of the enterprise funds at the end of the year was \$2,730,063 and total net position amounted to \$6,892,845, an increase of \$412,996 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 \$30,712,320 (net of accumulated depreciation), an increase of \$429,818 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 \$(1,299,982) (governmental activities) and \$(362,278) (business-type activities).
- Library books purchases of \$73,648 and computer system purchases of \$62,202.
- Sewer equipment and vehicle purchases of \$83,185 and construction in progress costs of \$402,667. In addition, \$114,049 of construction in progress costs was capitalized.
- DPW equipment and vehicle purchases of \$140,000, roadway improvements/sidewalks \$581,322, and construction in progress costs of \$697,277. In addition, \$384,300 of construction in progress costs was capitalized.
- Police vehicle purchase of \$32,000 and surveillance camera purchase of \$24,754.
- Disposal of assets of \$(658,268) (governmental activities), net of accumulated depreciation of \$658,268 and \$(109,341) (sewer) net of accumulated depreciation of \$104,364.

Long-term debt. At the end of the current fiscal year, total bonded debt and long term notes outstanding was \$8,370,000, 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 POSITION

JUNE 30, 2013

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 9,084,859	\$ 3,090,562	\$ 12,175,421
Receivables, net of allowance for uncollectibles:			
Property taxes	666,519	-	666,519
Excises	69,800	-	69,800
User fees	-	272,558	272,558
Departmental and other	128,955	-	128,955
Intergovernmental	393,840	-	393,840
Deposit held by others	1,780	-	1,780
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	44,235	37,595	81,830
Intergovernmental	-	41,613	41,613
Note receivable	640,000	-	640,000
Land and construction in progress	6,671,612	302,755	6,974,367
Capital assets, net of accumulated depreciation	<u>19,337,926</u>	<u>4,400,027</u>	<u>23,737,953</u>
TOTAL ASSETS	37,039,526	8,145,110	45,184,636
LIABILITIES			
Current:			
Warrants and accounts payable	370,778	46,483	417,261
Accrued payroll and payroll withholdings	96,140	6,138	102,278
Accrued interest payable	17,891	7,620	25,511
Notes payable	1,567,967	290,000	1,857,967
Current portion of long-term liabilities:			
Notes payable	230,000	-	230,000
Bonds payable	856,660	153,340	1,010,000
Landfill liabilities	15,000	-	15,000
Noncurrent:			
Bonds payable, net of current portion	6,743,320	386,680	7,130,000
Landfill liabilities, net of current portion	195,000	-	195,000
Net OPEB obligation	1,817,711	333,364	2,151,075
Compensated absences	<u>185,214</u>	<u>28,640</u>	<u>213,854</u>
TOTAL LIABILITIES	12,095,681	1,252,265	13,347,946
NET POSITION			
Net investment in capital assets	17,266,602	4,162,762	21,429,364
Restricted for:			
State grants and other legislatively separate funds	493,685	-	493,685
Permanent funds:			
Nonexpendable	281,915	-	281,915
Expendable	85,521	-	85,521
Unrestricted	<u>6,816,122</u>	<u>2,730,083</u>	<u>9,546,205</u>
TOTAL NET POSITION	\$ <u>24,943,845</u>	\$ <u>6,892,845</u>	\$ <u>31,836,690</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Type Activities	
Governmental Activities:							
General government	\$ 1,779,211	\$ 291,067	\$ -	\$ -	\$ (1,488,144)	\$ -	\$ (1,488,144)
Public safety	2,666,185	443,348	14,358	-	(2,208,479)	-	(2,208,479)
Education	11,598,719	-	-	-	(11,598,719)	-	(11,598,719)
Public works	1,999,049	62,915	83,197	612,810	(1,240,127)	-	(1,240,127)
Health and human services	386,653	145,567	41,563	-	(199,523)	-	(199,523)
Culture and recreation	797,713	27,055	14,875	-	(755,783)	-	(755,783)
Employee benefits	1,190,101	-	-	-	(1,190,101)	-	(1,190,101)
Retirement	678,833	-	-	-	(678,833)	-	(678,833)
Insurance	220,272	-	-	-	(220,272)	-	(220,272)
Interest	367,230	-	-	-	(367,230)	-	(367,230)
Intergovernmental	69,991	-	-	-	(69,991)	-	(69,991)
Total Governmental Activities	21,753,957	969,952	153,993	612,810	(20,017,202)	-	(20,017,202)
Business-Type Activities:							
Sewer operations	1,518,169	1,972,790	5,184	-	-	459,805	459,805
Total	\$ 23,272,126	\$ 2,942,742	\$ 159,177	\$ 612,810	(20,017,202)	459,805	(19,557,397)
General Revenues:							
Property taxes					17,883,923	-	17,883,923
Excises					1,353,656	-	1,353,656
Penalties, interest and other taxes					254,726	-	254,726
Grants and contributions not restricted to specific programs					899,525	-	899,525
Investment income					27,622	24,791	52,413
Miscellaneous					82,296	-	82,296
Transfers, net					171,600	(71,600)	100,000
Total general revenues and transfers					20,673,348	(46,809)	20,626,539
Change in Net Position					656,146	412,996	1,069,142
Net Position:							
Beginning of year (as restated)					24,287,699	6,479,849	30,767,548
End of year					\$ 24,943,845	\$ 6,892,845	\$ 31,836,690

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</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	\$ 7,314,112	\$ 238,772	\$ 314,795	\$ 1,217,180	\$ 9,084,859
Receivables:					
Property taxes	1,336,645	-	-	-	1,336,645
Excises	154,296	-	-	-	154,296
Departmental and other	113,713	-	15,242	-	128,955
Intergovernmental	-	-	-	393,840	393,840
Deposits held by others	-	-	1,780	-	1,780
Note receivable	-	-	640,000	-	640,000
Due from other funds	22,004	-	-	-	22,004
TOTAL ASSETS	\$ 8,940,770	\$ 238,772	\$ 971,817	\$ 1,611,020	\$ 11,762,379
LIABILITIES					
Liabilities:					
Warrants payable	\$ 227,444	\$ 7,647	\$ -	\$ 135,687	\$ 370,778
Accrued payroll withholdings	90,529	-	5,611	-	96,140
Notes payable	-	1,330,000	-	237,967	1,567,967
Due to other funds	-	-	-	22,004	22,004
TOTAL LIABILITIES	317,973	1,337,647	5,611	395,658	2,056,889
DEFERRED INFLOWS OF RESOURCES	1,604,653	-	655,242	-	2,259,895
FUND BALANCES					
Nonspendable	-	-	-	281,915	281,915
Restricted	-	-	310,964	211,275	522,239
Committed	-	-	-	722,172	722,172
Assigned	3,682,544	-	-	-	3,682,544
Unassigned	3,335,600	(1,098,875)	-	-	2,236,725
TOTAL FUND BALANCES	7,018,144	(1,098,875)	310,964	1,215,362	7,445,595
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,940,770	\$ 238,772	\$ 971,817	\$ 1,611,020	\$ 11,762,379

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

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

JUNE 30, 2013

Total Governmental Fund Balances	\$ 7,445,595
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,009,538
<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.	1,549,508
<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.	(17,891)
<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>(10,042,905)</u>
Net Position of Governmental Activities	\$ <u>24,943,845</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Governmental Capital</u>	<u>Special Revenue Revolving</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 17,774,097	\$ -	\$ -	\$ -	\$ 17,774,097
Excises	1,331,148	-	-	-	1,331,148
Penalties, interest and other taxes	254,726	-	-	-	254,726
Charges for services	534,920	-	313,273	15,770	863,963
Intergovernmental	898,225	-	-	768,103	1,666,328
Licenses and permits	70,631	-	-	-	70,631
Fines and forfeits	38,898	-	-	-	38,898
Investment income	24,818	-	-	2,804	27,622
Miscellaneous	<u>82,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,296</u>
Total Revenues	21,009,759	-	313,273	786,677	22,109,709
Expenditures:					
Current:					
General government	1,763,265	-	32,651	-	1,795,916
Public safety	1,975,044	32,000	276,608	21,153	2,304,805
Education	11,598,719	-	-	-	11,598,719
Public works	1,471,346	731,069	1,324	712,900	2,916,639
Health and human services	339,540	-	-	41,563	381,103
Culture and recreation	568,151	-	104	24,110	592,365
Employee benefits	800,307	-	-	-	800,307
Retirement	678,833	-	-	-	678,833
Insurance	220,272	-	-	-	220,272
Debt service	1,517,928	-	-	-	1,517,928
Intergovernmental	<u>69,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,991</u>
Total Expenditures	<u>21,003,396</u>	<u>763,069</u>	<u>310,687</u>	<u>799,726</u>	<u>22,876,878</u>
Excess (deficiency) of revenues over expenditures	6,363	(763,069)	2,586	(13,049)	(767,169)
Other Financing Sources (Uses):					
Transfers in	166,500	112,000	-	35,600	314,100
Transfers out	<u>(142,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,500)</u>
Total Other Financing Sources (Uses)	<u>24,000</u>	<u>112,000</u>	<u>-</u>	<u>35,600</u>	<u>171,600</u>
Change in fund balance	30,363	(651,069)	2,586	22,551	(595,569)
Fund Equity, at Beginning of Year (as restated)	<u>6,987,781</u>	<u>(447,806)</u>	<u>308,378</u>	<u>1,192,811</u>	<u>8,041,164</u>
Fund Equity, at End of Year	<u>\$ 7,018,144</u>	<u>\$ (1,098,875)</u>	<u>\$ 310,964</u>	<u>\$ 1,215,362</u>	<u>\$ 7,445,595</u>

The accompanying notes are an integral part of these 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, 2013

Net Changes in Fund Balances - Total Governmental Funds	\$ (595,569)														
<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: <table> <tr> <td>Capital outlay purchases</td><td style="text-align: right;">1,611,203</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,299,982)</td></tr> </table> 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. <table> <tr> <td></td><td style="text-align: right;">128,795</td></tr> </table> The issuance of long-term debt (e.g., bonds and long term notes) 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 position: <table> <tr> <td>Issuance of long term note</td><td style="text-align: right;">(230,000)</td></tr> <tr> <td>Repayments of debt</td><td style="text-align: right;">1,381,670</td></tr> </table> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td><td style="text-align: right;">(972)</td></tr> </table> 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. <table> <tr> <td></td><td style="text-align: right;">(338,999)</td></tr> </table> 	Capital outlay purchases	1,611,203	Depreciation	(1,299,982)		128,795	Issuance of long term note	(230,000)	Repayments of debt	1,381,670		(972)		(338,999)	
Capital outlay purchases	1,611,203														
Depreciation	(1,299,982)														
	128,795														
Issuance of long term note	(230,000)														
Repayments of debt	1,381,670														
	(972)														
	(338,999)														
Change in Net Position of Governmental Activities	\$ <u>656,146</u>														

The accompanying notes are an integral part of these 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, 2013

	<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	\$ 17,721,327	\$ 17,721,327	\$ 17,721,327	\$ -
Excise	650,000	650,000	1,331,148	681,148
Penalties, interest and other taxes	42,000	42,000	254,726	212,726
Charges for services	477,228	477,228	534,920	57,692
Intergovernmental	903,977	903,977	898,225	(5,752)
Licenses and permits	50,000	50,000	70,631	20,631
Fines and forfeits	40,000	40,000	38,898	(1,102)
Investment income	35,000	35,000	23,640	(11,360)
Miscellaneous	-	-	73,486	73,486
Transfers in	255,310	255,310	255,310	-
Other sources	<u>2,263,476</u>	<u>2,263,476</u>	<u>2,263,476</u>	<u>-</u>
Total Revenues and Other Sources	22,438,318	22,438,318	23,465,787	1,027,469
Expenditures and Other Uses:				
General government	1,908,142	1,853,142	1,718,092	135,050
Public safety	1,950,682	2,027,293	1,950,582	76,711
Education	11,598,719	11,598,719	11,598,719	-
Public works	1,536,679	1,515,069	1,439,476	75,593
Health and human services	368,311	368,311	362,191	6,120
Culture and recreation	618,979	618,978	591,616	27,362
Employee benefits	1,533,068	1,533,068	790,307	742,761
Retirement	703,047	703,047	678,833	24,214
Insurance	292,401	292,401	220,272	72,129
Debt service	1,712,100	1,712,100	1,712,100	-
Intergovernmental	68,691	68,691	69,991	(1,300)
Transfers out	142,500	142,500	142,500	-
Other uses	<u>4,999</u>	<u>4,999</u>	<u>4,999</u>	<u>-</u>
Total Expenditures and Other Uses	<u>22,438,318</u>	<u>22,438,318</u>	<u>21,279,678</u>	<u>1,158,640</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,186,109</u>	\$ <u>2,186,109</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business- Type Activities <u>Enterprise Funds</u>
	<u>Sewer Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 3,090,562
User fees receivable	<u>272,558</u>
Total current assets	3,363,120
Noncurrent:	
Property taxes receivable	37,595
Intergovernmental receivables	41,613
Land and construction in progress	302,755
Capital assets, net of accumulated depreciation	<u>4,400,027</u>
Total noncurrent assets	<u>4,781,990</u>
TOTAL ASSETS	8,145,110
LIABILITIES	
Current:	
Warrants payable	46,483
Accrued payroll	6,138
Accrued interest payable	7,620
Current portion of long-term liabilities:	
Notes payable	290,000
Bonds payable	<u>153,340</u>
Total current liabilities	503,581
Noncurrent:	
Bonds payable, net of current portion	386,680
Net OPEB obligation	333,364
Compensated absences	<u>28,640</u>
Total noncurrent liabilities	<u>748,684</u>
TOTAL LIABILITIES	1,252,265
NET POSITION	
Net investment in capital assets	4,162,762
Unrestricted:	
Reserved for encumbrance	316,522
Unrestricted	<u>2,413,561</u>
TOTAL NET POSITION	<u>\$ 6,892,845</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business- Type Activities <u>Enterprise Funds</u>
	<u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ <u>1,972,790</u>
Total Operating Revenues	1,972,790
Operating Expenses:	
Salary and wages	377,041
Operating expenses	366,755
Materials and supplies	101,708
Capital outlay	44,449
Depreciation	362,278
Employee benefits	157,467
Retirement	34,047
Insurance	43,172
Other	<u>1,752</u>
Total Operating Expenses	<u>1,488,669</u>
Operating Income	484,121
Nonoperating Revenues (Expenses):	
Intergovernmental revenue	5,184
Investment income	24,791
Interest expense	<u>(29,500)</u>
Total Nonoperating Revenues (Expenses), Net	475
Transfer Out	<u>(71,600)</u>
Change in Net Position	412,996
Net Position at Beginning of Year	<u>6,479,849</u>
Net Position at End of Year	<u><u>\$ 6,892,845</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Business- Type Activities Enterprise Funds
	<u>Sewer Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 1,948,126
Payments to vendors and employees	<u>(1,154,416)</u>
Net Cash Provided By Operating Activities	793,710
<u>Cash Flows From Non-Capital Financing Activities:</u>	
Receipts from governments	5,184
Transfers out	<u>(71,600)</u>
Net Cash (Used For) Non-Capital Financing Activities	(66,416)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(480,875)
Proceeds of anticipation notes	290,000
Principal payments on bonds	(158,330)
Interest expense paid	<u>(31,052)</u>
Net Cash (Used For) Capital and Related Financing Activities	(380,257)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>24,791</u>
Net Change in Cash and Short-Term Investments	371,828
Cash and Short Term Investments, Beginning of Year	<u>2,718,734</u>
Cash and Short Term Investments, End of Year	<u>\$ 3,090,562</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating income	\$ 484,121
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	362,278
Changes in assets and liabilities:	
User fee receivables	(24,664)
Warrants and accounts payable	(78,084)
Other liabilities	<u>50,059</u>
Net Cash Provided By Operating Activities	<u>\$ 793,710</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>1,068,189</u>
Total Assets	1,068,189
<u>NET POSITION</u>	
Total net position held in trust for pension benefits	\$ <u><u>1,068,189</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Fund</u>
Additions:	
Interest income	\$ <u>5,863</u>
Total additions	5,863
Deductions:	
Transfer out	<u>100,000</u>
Total deductions	<u>100,000</u>
Net increase (decrease)	(94,137)
Net position:	
Beginning of year, as restated	<u>1,162,326</u>
End of year	\$ <u><u>1,068,189</u></u>

The accompanying notes are an integral part of these 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 2013, 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 position 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 *governmental capital fund* is used to account for capital projects of a duration longer than one 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.

The *Pension trust fund* is a fiduciary fund reflecting cumulative Town-appropriated funds requiring State (PERAC) approval to use.

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 2013 tax levy reflected an excess capacity of \$1,207,673.

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 \$10,000 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, 2013 is \$450,788.

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 position.

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 position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabili-

ties/deferred inflows. 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 Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists 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 position is 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. The remaining net position is 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>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 21,009,759	\$ 21,003,396
Other financing sources/uses (GAAP basis)	166,500	142,500
Remove effect of stabilization fund activity	78,822	-
Adjust tax revenue to accrual basis	(52,770)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(741,912)
Add end of year appropriation carryforwards to expenditures	-	860,080
Reverse prior year GAAP accrual	-	10,615
Recognize use of fund balance as funding source/use	<u>2,263,476</u>	<u>4,999</u>
Budgetary basis	<u>\$ 23,465,787</u>	<u>\$ 21,279,678</u>

D. Excess of Expenditures Over Appropriations

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

Veterans benefits	\$(11,239)
Overlay deficit	\$(30,399)

E. Deficit Fund Equity

The following fund had a deficit as of June 30, 2013:

Governmental capital project fund	\$(1,098,875)
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The deficit in this fund was eliminated when permanent bonds were issued in August 2013.

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, 2013, \$3,140 of the Town's bank balance of \$13,372,945 was exposed to custodial credit risk as uninsured, uncollateralized, and/or 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, 2013 consist of the following:

Real Estate		
2013		\$ 676,881
Personal Property		
2013	17,670	
2012	8,040	
2011	3,589	
2010	2,365	
2009	<u>589</u>	
		32,253
Tax Liens and Foreclosure		<u>627,511</u>
Total		1,336,645
Less Allowance for Doubtful Accounts		<u>(528,146)</u>
Net Property Tax Receivable		808,499
Less Current Portion		(666,519)
Less Transfer of Foreclosure to Capital Asset		<u>(97,745)</u>
Non-Current Portion (Tax Lien)		<u>\$ 44,235</u>

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	\$ 42,615
Tax title	<u>485,531</u>
Subtotal property taxes	528,146
Excises	84,496

6. Intergovernmental Receivables

The current receivable balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

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, 2013 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 22,004	\$ -
Special Revenue Funds:		
Town grants	<u>-</u>	<u>22,004</u>
Total	\$ <u>22,004</u>	\$ <u>22,004</u>

8. Note Receivable

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 an original term of 36 months. The term has been extended through April 2014. 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. 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 has paid approximately \$75,000 and appropriated an additional \$90,000 at the fiscal year 2014 Annual Town Meeting, which was largely paid out in July 2013. Remediation is ongoing and is expected cost up to an additional \$35,000.

9. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 15,091,709	\$ -	\$ -	\$ -	\$ 15,091,709
Machinery, equipment, and furnishings	2,177,109	160,604	(425,733)	-	1,911,980
Vehicles	4,585,899	172,000	(131,616)	-	4,626,283
Infrastructure	<u>6,634,817</u>	<u>581,322</u>	<u>(100,919)</u>	<u>384,300</u>	<u>7,499,520</u>
Total capital assets, being depreciated	28,489,534	913,926	(658,268)	384,300	29,129,492
Less accumulated depreciation for:					
Buildings and improvements	(3,088,956)	(475,367)	-	-	(3,564,323)
Machinery, equipment, and furnishings	(1,491,707)	(167,101)	425,733	-	(1,233,075)
Vehicle	(2,864,173)	(306,679)	131,616	-	(3,039,236)
Infrastructure	<u>(1,705,016)</u>	<u>(350,835)</u>	<u>100,919</u>	<u>-</u>	<u>(1,954,932)</u>
Total accumulated depreciation	<u>(9,149,852)</u>	<u>(1,299,982)</u>	<u>658,268</u>	<u>-</u>	<u>(9,791,566)</u>
Total capital assets, being depreciated, net	19,339,682	(386,056)	-	384,300	19,337,926
Capital assets, not being depreciated:					
Land	5,562,269	-	-	-	5,562,269
Construction in progress (CIP)	<u>796,366</u>	<u>697,277</u>	<u>-</u>	<u>(384,300)</u>	<u>1,109,343</u>
Total capital assets, not being depreciated	<u>6,358,635</u>	<u>697,277</u>	<u>-</u>	<u>(384,300)</u>	<u>6,671,612</u>
Governmental activities capital assets, net	<u>\$ 25,698,317</u>	<u>\$ 311,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,009,538</u>
Business-Type Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 10,077,690	\$ -	\$ -	\$ -	\$ 10,077,690
Machinery, equipment, and furnishings	989,447	43,358	(70,544)	114,049	1,076,310
Vehicles	267,147	39,827	(38,797)	-	268,177
Infrastructure	<u>549,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,876</u>
Total capital assets, being depreciated	11,884,160	83,185	(109,341)	114,049	11,972,053
Less accumulated depreciation for:					
Buildings and improvements	(6,461,368)	(250,416)	-	-	(6,711,784)
Machinery, equipment, and furnishings	(474,914)	(82,842)	65,567	-	(492,189)
Vehicles	(216,751)	(15,273)	38,797	-	(193,227)
Infrastructure	<u>(161,079)</u>	<u>(13,747)</u>	<u>-</u>	<u>-</u>	<u>(174,826)</u>
Total accumulated depreciation	<u>(7,314,112)</u>	<u>(362,278)</u>	<u>104,364</u>	<u>-</u>	<u>(7,572,026)</u>
Total capital assets, being depreciated, net	4,570,048	(279,093)	(4,977)	114,049	4,400,027
Capital assets, not being depreciated:					
Land	10,655	-	-	-	10,655
Construction in progress	<u>3,482</u>	<u>402,667</u>	<u>-</u>	<u>(114,049)</u>	<u>292,100</u>
Total capital assets, not being depreciated	<u>14,137</u>	<u>402,667</u>	<u>-</u>	<u>(114,049)</u>	<u>302,755</u>
Business-type activities capital assets, net	<u>\$ 4,584,185</u>	<u>\$ 123,574</u>	<u>\$ (4,977)</u>	<u>\$ -</u>	<u>\$ 4,702,782</u>

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

Governmental Activities:	
General government	\$ 45,497
Public safety	439,929
Public works - general	530,009
Human services	5,550
Culture and recreation	<u>278,997</u>
Total depreciation expense	\$ <u>1,299,982</u>
Business-Type Activities:	
Sewer	\$ <u>362,278</u>

10. Warrants and Accounts Payable

Warrants payable represent 2013 expenditures paid by July 15, 2013 as permitted by law. Accounts payable represents 2013 expenditures paid after July 15, 2013.

11. Anticipation Notes Payable

The Town had the following note outstanding at June 30, 2013:

	Interest Rate(s) %	Date of Issue	Date of Maturity	Balance at June 30, 2013
<u>Governmental Activities</u>				
Bond anticipation	0.50%	02/01/13	07/15/13	\$ 1,620,000 *
Grant anticipation	0.50%	06/07/13	12/07/13	237,967

* This balance represents the short term portion of the note issued. The total note includes an additional amount (\$230,000), which is reported as long-term debt.

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning of Year	Issues	Maturities	Balance End of Year
<u>Governmental Activities</u>				
Bond anticipation	\$ 1,732,000	\$ 1,620,000	\$ (1,732,000)	\$ 1,620,000
Grant anticipation	-	237,967	-	237,967
Total	\$ <u>1,732,000</u>	\$ <u>1,857,967</u>	\$ <u>(1,732,000)</u>	\$ <u>1,857,967</u>

12. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The balance of deferred inflows of resources as of June 30, 2013 consists of 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, 2013 receivable balances.

13. 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, 2013
<u>Governmental Activities:</u>			
<u>Bonds Payable:</u>			
Library/equipment	12/15/14	4.00	\$ 360,000
Library addition	02/15/16	4.00	199,980
2009 bonds - general portion	06/15/24	2.0 - 3.375	1,300,000
Fire station	06/15/27	4.125 - 5.0	<u>5,740,000</u>
Total bonds payable			7,599,980
<u>Long term notes payable:</u>			
* Note payable	07/15/13	0.5	<u>230,000</u>
Total long term note payable			<u>230,000</u>
Total Governmental Activities			7,829,980
<u>Business-Type Activities:</u>			
Sewer refunding	02/15/16	4.00%	400,020
Sewer project - MWPAT	08/01/19	1.76%	<u>140,000</u>
Total Business-Type Activities			<u>540,020</u>
Total All Debt			<u>\$ 8,370,000</u>

* The Town intends to pay the balance of this note in fiscal year 2014.

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, 2013</u>	Principal Subsidy <u>Remaining</u>	Net Repayment <u>June 30, 2013</u>
Loan #98-53	\$ <u>140,000</u>	\$ <u>(41,613)</u>	\$ <u>98,387</u>

C. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	535,000	194,285	729,285
2019 - 2023	2,550,000	669,503	3,219,503
2024 - 2027	<u>1,740,000</u>	<u>177,625</u>	<u>1,917,625</u>
Total	\$ <u>7,599,980</u>	\$ <u>2,097,589</u>	\$ <u>9,697,569</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 153,340	\$ 23,061	\$ 176,401
2015	153,340	16,312	169,652
2016	153,340	9,902	163,242
2017	20,000	3,525	23,525
2018	20,000	2,408	22,408
2019 - 2020	<u>40,000</u>	<u>2,040</u>	<u>42,040</u>
Total	\$ <u>540,020</u>	\$ <u>57,248</u>	\$ <u>597,268</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2012	Additions	Reductions	Total Balance June 30, 2013	Less Current Portion	Long-Term Portion June 30, 2013
<u>Governmental Activities</u>						
Notes payable	\$ 430,000	\$ 230,000	\$ (430,000)	\$ 230,000	\$ (230,000)	\$ -
Bonds payable	8,551,650	-	(951,670)	7,599,980	(856,660)	6,743,320
Other:						
Landfill closure	225,000	-	(15,000)	210,000	(15,000)	195,000
Other post-employment benefits	1,427,917	389,794	-	1,817,711	-	1,817,711
Accrued employee benefits	221,009	-	(35,795)	185,214	-	185,214
Totals	<u>\$ 10,855,576</u>	<u>\$ 619,794</u>	<u>\$ (1,432,465)</u>	<u>\$ 10,042,905</u>	<u>\$ (1,101,660)</u>	<u>\$ 8,941,245</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 698,350	\$ -	\$ (158,330)	\$ 540,020	\$ (153,340)	\$ 386,680
Other:						
Other post-employment benefits	274,457	58,907	-	333,364	-	333,364
Accrued employee benefits	36,640	-	(8,000)	28,640	-	28,640
Totals	<u>\$ 1,009,447</u>	<u>\$ 58,907</u>	<u>\$ (166,330)</u>	<u>\$ 902,024</u>	<u>\$ (153,340)</u>	<u>\$ 748,684</u>

E. Authorized and Unissued Debt

The Town had the following authorized but unissued debt as of June 30, 2013:

Road Reconstruction	\$ 500,000
Vehicles	267,100
Fire Truck	1,100,000
Stormwater system	575,000
Building improvement projects	884,500
Sewer Improvements	<u>4,210,000</u>
Total	<u>\$ 7,536,600</u>

14. 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 \$210,000 reported as landfill liability at June 30, 2013 represents the estimated cost of monitoring the landfill for the next 14 years. This amount is based on what it would cost to perform all closure and post-closure care in 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

15. **Restricted Net Position**

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

Permanent fund restricted net position 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.

16. **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, 2013:

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 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 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, funds set aside for future debt service in accordance with State guidelines and surplus voted for use in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods and deficit fund balances.

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General Fund	Governmental Capital Projects	Special Revenue Revolving Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 281,915	\$ 281,915
Total Nonexpendable	-	-	-	281,915	281,915
Restricted					
Special revenue funds	-	-	310,964	125,754	436,718
Expendable permanent funds	-	-	-	85,521	85,521
Total Restricted	-	-	310,964	211,275	522,239
Committed					
Capital reserve funds	-	-	-	-	-
Special revenue (Town set aside) funds	-	-	-	566,253	566,253
Capital project funds	-	-	-	155,919	155,919
Total Committed	-	-	-	722,172	722,172
Assigned					
Encumbrances	860,077	-	-	-	860,077
Designated for other purposes	56,967	-	-	-	56,967
Reserved for expenditures	2,765,500	-	-	-	2,765,500
Total Assigned	3,682,544	-	-	-	3,682,544
Unassigned	2,964,227	-	-	-	2,964,227
Stabilization fund	371,373	(1,098,875)	-	-	(727,502)
Total Unassigned	3,335,600	(1,098,875)	-	-	2,236,725
Total Fund Balance	\$ 7,018,144	\$ (1,098,875)	\$ 310,964	\$ 1,215,362	\$ 7,445,595

17. Subsequent Events

Debt

Subsequent to year end, the Town issued the following long-term debt:

	Amount	Interest Rate	Issue Date	Maturity Date
General obligation bond	\$ 3,550,200	3.50%	08/01/13	06/01/28

Community Preservation Act – Effective in fiscal year 2014, the Town voted to accept Sections 3 to 7, inclusive, of Chapter 44B of the General Laws, otherwise known as the Massachusetts Community Preservation Act, by approving a surcharge on real property for purposes permitted by the Act.

18. Commitments and Contingencies

Outstanding Legal Issues – There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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 2013 on assessment of the property. The Town expects to spend an additional \$20,000 on additional monitoring and remediation costs 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.

Berkshire Health Group – The Town is a member of the Berkshire Health Group (the Group), a Massachusetts Municipal Joint Purchase Health Insurance Trust organized under Chapter 32B Section 12 of the Massachusetts General Laws to purchase and provide health care coverage for its members. As of June 30, 2013, there were 30 participating municipal entities.

Any participating governmental unit may withdraw from the Group at its discretion upon written notification to the Board at least 90 days prior to the anniversary date of health care coverage contracts purchased by the Group. The Board may terminate a participating governmental unit by a two-thirds vote of all Board members if the unit is in arrears for any payment due to the

Group. There is no liability for premiums and expenses following the effective date of the withdrawal or termination of a participating governmental unit except for its (1) proportional share of any deficits in self-funded plans, (2) open premium expense and (3) any subsequent expense to cover its subscribers remaining (where required by law) on plans after withdrawal or termination.

A participating governmental unit's proportionate share of a deficit in the self-funded plans shall be the deficiency certified as of as of June 30 in the fiscal year of withdrawal or termination multiplied by the quotient as defined in the agreement. A withdrawn or terminated participating governmental unit shall not be entitled to any share of any surplus in the Trust. All surpluses or deficits of the Group are shared on a proportional and collective basis by non-terminating members. It is at the sole discretion of the Group's Board whether any surplus is to be distributed to the participating governmental units through rate reduction. In the case of a deficit, additional revenue may be raised from each participating governmental unit.

Based on the unaudited results of operations of the Berkshire Health Group for the fiscal year ended June 30, 2013, the Group has an accumulated surplus of \$10,207,499.

19. Post-Employment Health Care and Life Insurance 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 position 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 Position 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, 2012, the actuarial valuation date, approximately 118 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 2013 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, 2013, 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, 2012.

Annual Required Contribution (ARC)	\$ 752,195
Interest on net OPEB obligation	76,607
Adjustment to ARC	<u>(66,457)</u>
Annual OPEB cost	762,345
Contributions made	<u>(313,644)</u>
Increase in net OPEB obligation	448,701
Net OPEB obligation - beginning of year	<u>1,702,374</u>
Net OPEB obligation - end of year	\$ <u>2,151,075</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>
2013	\$ 762,345	42%	\$ 2,151,075
2012	\$ 802,637	45%	\$ 1,702,374
2011	\$ 765,873	43%	\$ 1,260,969
2010	\$ 791,158	49%	\$ 824,926
2009	\$ 756,629	44%	\$ 420,975

The Town's net OPEB obligation as of June 30, 2013 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, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability	\$ 9,101,024
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>9,101,024</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>N/A</u>
UAAL as a percentage of covered payroll	<u>N/A</u>

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 tech-

niques 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, 2012 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 4.5% discount rate and a 7.75% asset rate of return. Medical and drug cost trend was 0% in 2013 and 7.5% in 2014, decreasing by 0.5% for five years to an ultimate level of 5% per year. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a open 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, 2013, 2012, and 2011, were \$658,047, \$586,847, and \$565,411, 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. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2013, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

<u>Fund Basis Financial Statements</u>	<u>Pension Trust Fund</u>	<u>Total Governmental Funds</u>	<u>Pension Trust Fiduciary Fund</u>
As previously reported	\$ 1,162,326	\$ 9,203,490	\$ -
To reclassify Pension Trust Fund to a fiduciary fund	<u>(1,162,326)</u>	<u>(1,162,326)</u>	<u>1,162,326</u>
As restated	\$ <u>-</u>	\$ <u>8,041,164</u>	\$ <u>1,162,326</u>

23. Beginning Net Position Restatement

The beginning (July 1, 2012) net position of the Town has been restated as follows:

<u>Government-Wide Financial Statements:</u>	<u>Governmental Activities</u>
As previously reported	\$ 25,450,025
To reclassify Pension Trust fund to a fiduciary fund	<u>(1,162,326)</u>
As restated	\$ <u>24,287,699</u>

24. 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 Berkshire County Retirement System's actuarially accrued liability.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013
(Unaudited)

**Berkshire County Retirement System
Employees' Retirement System
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/12	\$ 150,244,944	\$ 179,954,870	\$ 29,709,926	83.5%	\$ 38,491,825	77.2%
01/01/09	\$ 121,882,036	\$ 162,214,802	\$ 40,332,766	75.1%	\$ 37,674,392	107.1%
01/01/07	\$ 116,470,310	\$ 142,102,851	\$ 25,633,541	82.0%	\$ 33,910,423	75.6%

Schedule of Employer Contributions

System Wide				Town of Great Barrington	
Plan Year End	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/2012	\$ 7,390,000	\$ 7,390,000	100%	\$ 586,847	8%
12/31/2011	\$ 7,054,856	\$ 7,054,856	100%	\$ 565,411	8%
12/31/2010	\$ 6,738,945	\$ 6,738,945	100%	\$ 502,777	7%

**Other Post-Employment Benefits
(amounts expressed in thousands)**

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]
06/30/12	\$ -	\$ 9,101	\$ 9,101	-	n/a	n/a
06/30/10	\$ -	\$ 11,278	\$ 11,278	-	n/a	n/a
06/30/08	\$ -	\$ 12,401	\$ 12,401	-	n/a	n/a



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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 Board of Selectmen
Town of Great Barrington, Massachusetts

We have audited, in accordance with the 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, the 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, 2013 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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 a combination of deficiencies, in internal con-

trol, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melanson Heath + Company P.C.

Greenfield, Massachusetts
November 14, 2013