

THE TOWN OF GREAT BARRINGTON, MASSACHUSETTS

The Town of Great Barrington is located in western Massachusetts, in the southern portion of Berkshire County, approximately 135 miles west of Boston and 135 miles north of New York City. The Town is bordered by the Towns of Stockbridge, West Stockbridge and Lee on the north; Alford and Egremont on the west; Sheffield on the south; New Marlborough on the southeast; and Tyringham and Monterey on the east.

Great Barrington occupies a land area of 45.86 square miles and has a population of 6,705 according to the 2012 Town census. Incorporated as a Town in 1761, Great Barrington is governed by a town manager / open town meeting form of government.

CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT

Massachusetts cities and towns are subject to the plenary legislative power of the Commonwealth. As stated by the Supreme Judicial Court:

A town is not an independent sovereignty. It is merely a subordinate agency of the State government. It is a creature of the Commonwealth, from which are derived all its powers and those of its voters and officers.

Cities and towns provide general governmental services at the local level. Municipalities were traditionally authorized to exercise only those powers granted by the State legislature, but Massachusetts adopted a Home Rule Amendment to its Constitution in 1966, under which a city or town may exercise by ordinance or by-law any power which the State legislature could confer upon it, provided that the ordinance or by-law is consistent with the laws enacted by the State legislature. Certain powers are excluded from home rule and may still be exercised only when authorized by State law; these powers include the power to levy taxes, the power to borrow money, and the power to enact private or civil law governing civil relationships except as an incident to the exercise of an independent municipal power. Under the Home Rule Amendment the State legislature may enact general laws relating to a class of two or more municipalities but (except in limited circumstances) may enact a special law relating to a particular city or town only on request of the city or town or on recommendation of the governor and passage by a two-thirds vote of both houses of the legislature.

An amendment to the State Constitution provides that any law imposing additional costs on two or more cities or towns by regulating aspects of municipal employment will not be effective within a city or town until the city council or town meeting accepts the law. Local acceptance will not be required if the legislature has either passed the law by a two-thirds vote or provided that the additional costs would be assumed by the State.

Cities and towns may change their form of government by adopting home rule charters or amending existing charters. A town of less than 12,000 population may not change to a city form of government and a town of less than 6,000 inhabitants may not change from the open town meeting form of government to a limited or representative town meeting form.

Cities are generally governed by a city council and an elected mayor who has the power to veto council actions; the council may override a mayoral veto by a two-thirds vote of the councillors. Some cities are governed by a city council and an appointed city manager who has no power to veto council actions; some municipalities, although still called "towns," have adopted a similar city form of government with a town council and town manager or administrator. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

Most towns are governed by open town meetings in which any voter may participate. Others have an elected representative town meeting, often with public officers serving as ex officio members of the town meeting. Provision is usually made for a referendum on actions of the representative town meeting upon petition of a sufficient number of voters. Administrative affairs are generally managed by a board of three or more selectmen, sometimes with the assistance of a town manager or executive secretary.

School affairs of cities and towns are administered by an elected school committee, except in those towns whose educational functions are carried out entirely through a regional school district.

GOVERNING BODIES AND OFFICERS

Local legislative decisions in the Town are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of five selectmen, elected on an at-large basis for staggered three-year terms, assisted by a Town Manager.

Local school affairs are administered by a regional school committee, including six members from the Town elected for staggered three-year terms. Local taxes are assessed by a principal assessor and a board of three assessors, appointed by the Town Manager, for staggered three-year terms.

The following is a list of the principal executive officers:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Selectmen	Sean Stanton, Chairman	Elected / 3 years	2015
	Deborah Phillips, Vice Chairman	Elected / 3 years	2015
	Stephen C. Bannon	Elected / 3 years	2013
	Alana Chernila	Elected / 3 years	2013
	Andrew D. Blechman	Elected / 3 years	2014
Town Manager (1)	Kevin O'Donnell	Appointed / 3 years	2013
Treasurer/Collector	Sandra C. Larkin	Appointed /	-
Town Accountant/Town Financial Coordinator	Lauren M. Sartori	Appointed / 3 years	2015
Town Clerk	Marie Ryan	Appointed / Indefinite term	-
Town Counsel	Kopelman and Paige	Appointed by the Board of Selectmen / Annually	2013

(1) *The current Town Manager will be leaving the position before the end of fiscal 2013. The Town has not yet begun a search for a new Town Manager.*

SERVICES

The Town provides general governmental services for the territory within its boundaries, including police and fire protection (by a volunteer fire service), disposal of recyclable items, sewer service (on an enterprise fund basis) to the developed areas of the Town, street maintenance and recreational facilities. Areas of the Town not served by the sewer enterprise are served by individual on-site septic systems. The Town does not provide any municipal solid waste collection and disposal services. All such services are provided by private contractors to individual homeowners and businesses in the Town.

Water services are provided by the Great Barrington Fire District to the centrally located development in and abutting the downtown. Water services are also provided by the Housatonic Water Company to the village of Housatonic (which is located in the northern portion of the Town). Otherwise, water is provided by individual wells.

Public education in the grades kindergarten through twelve is provided by the Berkshire Hills Regional School District. The Town is one of three member communities; the other two are the Towns of Stockbridge and West Stockbridge. On average, the enrollment from Great Barrington approximates 68 percent of the students attending.

Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex counties as of June 15, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for abolishment of county government in all the other counties.

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the Treasurer with the approval of the Selectmen.

DEBT LIMITS

General Debt Limit. The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It

can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financings; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" herein). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

TYPES OF OBLIGATIONS

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds or notes issued for certain purposes, including self-supporting enterprise purposes, certain state-aided school projects, and certain community preservation and open space projects, as well as for those projects for which debt service has been exempted from property tax limitations. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes.

Serial bonds may be issued as "qualified bonds" with the approval of the State Municipal Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. The Town does not have an electric department.

DEBT (1)

The following shows the direct debt to be outstanding as of February 15, 2013:

General Obligation Bonds:

Within General Debt Limit (2)		
Sewers and Drains (3)	\$ 145,000	
Other Building	7,743,180	
Streets, Sidewalks & Drainage	173,200	
Departmental Equipment	<u>568,600</u>	
Total Within the General Debt Limit		\$ 8,629,980
Outside General Debt Limit		
Sewers (3)	\$ 400,020	
Other Outside General	<u>0</u>	
Total Outside the General Debt Limit		<u>400,020</u>
Total Outstanding General Obligation Bonds		\$ 9,030,000
Temporary Loans in Anticipation of:		
Revenue	\$ 0	
Bonds	1,850,000	
Grants	<u>0</u>	
Total Temporary Loans		<u>1,850,000</u>
Total Direct Debt (4)		<u>\$10,880,000</u>

(Footnotes are presented on the following page.)

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post employment benefits liability.
- (2) Currently the normal general debt limit is \$69,367,755 and the double general debt limit is \$138,735,510.
- (3) **\$7,433,220 has been exempted from the provisions of Proposition 2½.**
- (4) \$545,020 is self-supporting

AUTHORIZED UNISSUED DEBT AND PROSPECTIVE FINANCING

The Town has \$6,635,000 authorized unissued debt, of which \$1,850,000 is currently outstanding as Bond Anticipation Notes, for road, sidewalk and drainage improvements; for engineering design purposes; and for the purchase of departmental equipment. The Town is expecting to issue bonds to refund the Notes prior to the end of fiscal 2013.

FIVE YEARS OUTSTANDING DEBT (1)

	As of June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Long- Term Indebtedness:					
Sewers and Drains	\$ 165,000	\$ 190,000	\$ 210,000	\$ 231,123	\$ 251,835
Departmental Equipment	568,600	624,900	681,000	0	115,000
Streets, Sidewalks & Parking	173,200	259,800	346,400	0	0
Other Building	<u>7,809,850</u>	<u>8,618,620</u>	<u>9,427,390</u>	<u>9,386,660</u>	<u>10,168,330</u>
Total Within the General Debt Limit	<u>\$8,716,650</u>	<u>\$ 9,693,320</u>	<u>\$10,664,990</u>	<u>\$ 9,617,783</u>	<u>\$10,535,165</u>
Outside the General Debt Limit:					
Sewers	\$ 533,350	\$ 666,680	\$ 800,100	\$ 933,340	\$ 1,066,670
Other Outside General	<u>0</u>	<u>135,000</u>	<u>275,000</u>	<u>415,000</u>	<u>555,000</u>
Total Outside the General Debt Limit	<u>533,350</u>	<u>801,680</u>	<u>1,075,010</u>	<u>\$ 1,348,340</u>	<u>\$ 1,621,670</u>
Total Long-Term Indebtedness	<u>\$9,250,000</u>	<u>\$10,495,000</u>	<u>\$11,740,000</u>	<u>\$10,966,123</u>	<u>\$12,156,835</u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post employment benefits liability.

BOND DEBT vs. POPULATION, VALUATIONS AND INCOME

	As of June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Amount (1)(000 omitted)	\$9,250	\$10,495	\$11,740	\$10,966	\$12,157
Per Capita (2)	1,309	1,477	1,596	1,486	1,647
Percent of Assessed Valuation (3)	0.68%	0.75%	0.81%	0.77%	0.90%
Percent of Equalized Valuation (4)	0.67%	0.70%	0.82%	0.77%	1.09%
Per Capita (2) as a percent of Personal Income per Capita	3.79%	4.30%	4.78%	4.31%	4.76%

- (1) Outstanding principal on general obligation bonds. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post employment benefits liability.
- (2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.
- (3) The assessed valuation used here is the assessed valuation for that fiscal year.
- (4) The equalized valuation used here is the equalized valuation in effect for that fiscal year.

ANNUAL DEBT SERVICE (1)

The following table presents the debt service payable on the Town's outstanding debt as of February 15, 2013.

<u>Fiscal Year</u>	<u>Outstanding 02/15/13 (2)</u>		<u>Total Debt Service</u>	<u>Cumulative % Principal Retired</u>
	<u>Principal</u>	<u>Interest</u>		
2013	\$ 890,000	\$ 169,552	\$ 1,059,552	9.9%
2014	1,010,000	336,464	1,346,464	21.0
2015	935,000	295,099	1,230,099	31.4
2016	755,000	255,353	1,010,353	39.8
2017	555,000	222,060	777,060	45.9
2018	555,000	196,693	751,693	52.0
2019	530,000	175,425	705,425	57.9
2020	530,000	154,573	684,573	63.8
2021	510,000	134,110	644,110	69.4
2022	510,000	113,890	623,890	75.1
2023	510,000	93,545	603,545	80.7
2024	510,000	73,075	583,075	86.4
2025	410,000	52,275	462,275	90.9
2026	410,000	34,850	444,850	95.5
2027	410,000	17,425	427,425	100.0%
	<u>\$9,030,000</u>	<u>\$2,324,388</u>	<u>\$11,354,388</u>	

(1) *Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post employment benefits liability.*

(2) **Principal amount of \$7,433,220 and the interest thereon has been exempted from the provisions of Proposition 2½.**

REVENUE ANTICIPATION NOTE BORROWING

The Town has not issued revenue anticipation notes in any of the last ten fiscal years.

CONTRACTS

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department.

Cities and towns are authorized to lease (as lessee) off-street parking facilities, school buildings, hospital equipment, data processing equipment, energy conservation equipment and educational equipment for periods ranging up to 10 years. They may also lease equipment, with options to purchase, for a period up to 10 years. Contracts may also be made for the installment purchase of energy conservation equipment over a period up to 10 years. Cities and towns may also lease various properties as lessor. The Town has not entered into any lease or installment purchase contracts of a substantial nature.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, (see Constitutional Status and Form of Government herein), cities and towns may also be empowered to make other contracts and leases.

The Town has no significant contractual obligations.

OVERLAPPING DEBT (1)

The following table sets forth the portion of overlapping debt assessed to the Town as of February 15, 2013:

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Estimated Share of the Town</u>	<u>Assessment for Operations and Debt Service FY 2013</u>
Berkshire Hills Regional School District (2)	\$12,275,000	\$0	67.60%	\$11,598,719
Berkshire Regional Transit Authority (3)	0	0	7.9%	\$62,132

(1) Principal amount only. Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Berkshire Hills Regional School District. Debt is as of February 15, 2013. The shares of the member municipalities vary from year to year according to pupil enrollment. The share shown here has been estimated by the District based on present circumstances, which are subject to change. The other members of the District are the Towns of Stockbridge and West Stockbridge. In fiscal 2013, the District expects to receive \$1,418,259 from the Massachusetts School Building Authority towards the approved project cost of the District's recent school construction project. With the completion of the school project construction audit, it expects to receive thereafter an amount of approximately 61 percent of the approved costs. Approximately 68% of the cost of the debt service on the related bonds will be assessed to the Town, less the Town's allocable share of any such expected reimbursements. The Town has exempted its share of such debt service from the tax limitations of Proposition 2½.

(3) Source: Berkshire Regional Transit Authority, as of February 15, 2013. Assessment and estimated share of the Town are estimated figures provided by the Authority.

The Berkshire Hills Regional School District completed a \$28,900,000 school construction project in 2005, consisting of new elementary and middle schools. The District issued bonds for the project dated January 1, 2004. **The Town's share of the school district's debt service for this purpose has been excluded by the Town from the limits of Proposition 2½.**

RETIREMENT PLAN

The Massachusetts General Laws (Chapter 32, Sections 1-28) provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to the separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees.

The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2028, with annual increases in the scheduled payment amounts of not more than 4.5 percent. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Under legislation enacted in 2003, cities and towns that accepted its provisions and that obtained certain state approvals therefore were allowed, within limits, to reduce the amount of their scheduled appropriations for fiscal year 2004 and fiscal year 2005 for the unfunded portion of their pension liability to offset recent reductions in state aid. Cities and towns that reduced such appropriations were required to revise their retirement system funding schedule for eliminating their unfunded pension liability and were allowed to extend such schedule by one year, provided that in no event could such funding schedule extend beyond June 30, 2028.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and

shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Town has no such non-contributory system.

The Town participates in the Berkshire Regional Retirement System (the contributory retirement system of the former Berkshire County). The annual contributions of the Town to the retirement system for the most recent fiscal years and the amount budgeted for fiscal 2013 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013 (budgeted)	\$658,047
2012	586,847
2011	565,411
2010	502,777
2009	464,874

As of January 1, 2011, the Berkshire Regional Retirement System had assets valued at \$150,244,994 to support an actuarial accrued liability of \$179,954,870 leaving an estimated unfunded actuarial liability in the amount of \$29,709,876. The valuation was performed by the Public Employee Retirement Administration Commission.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approved by the local legislative body, which acceptance may not be revoked.

The foregoing data do not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

In addition to the assets attributed to the Town held by the Berkshire Regional Retirement System, the Town has funded a Pension Reserve Trust Fund. The balance in that fund as of June 30, 2012, was \$1,162,326 (of which \$100,000 has been appropriated for use as a portion of the payment due to the Regional Retirement System for fiscal 2013).

OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits, cities and towns may provide retired employees with payments for a portion of their health care and life insurance benefits. These benefit payments are generally provided on a pay-as-you-go basis. In 2006, the Town adopted Massachusetts General Laws, Chapter 32B, Section 18 which requires all retirees and their spouses, once eligible, to be enrolled in Medicare extension plans.

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts

General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Berkshire Region Group Purchasing Program, the group health insurance purchaser for member communities in Berkshire County, has contracted with The Segal Group to prepare a valuation and review of the Other Post Employment Benefits of its members as of June 30, 2010. The actuarial accrued liability for the Town, assuming pay-as-you-go funding of the benefits provided, was \$11,278,360. The Town has established an OPEB and expects to make its first payment into that trust in fiscal 2014.

PROPERTY TAXATION

Tax Rate and Valuation - General. Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 per cent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 per cent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 percent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. Under legislation recently enacted for fiscal years 2008 and thereafter, the share of the annual levy to be borne by residential real property must be at least 50 percent of its share of the total taxable valuation; the effective rate for open space must be at least 75 percent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years. The Town does not impose different tax rates on different classes of property.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See Debt Limits herein.

VALUATIONS

The following shows the assessed and equalized valuations for the current and most recent fiscal years:

	For Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010 (1)</u>	<u>2009</u>
Real Property	\$1,323,945,906	\$1,314,227,027	\$1,355,182,074	\$1,414,527,310	\$1,392,438,325
Personal Property	<u>36,937,621</u>	<u>37,394,783</u>	<u>36,838,772</u>	<u>36,538,285</u>	<u>34,919,098</u>
Total (2)	<u>\$1,360,883,527</u>	<u>\$1,351,621,807</u>	<u>\$1,392,020,846</u>	<u>\$1,451,065,595</u>	<u>\$1,427,357,423</u>
Equalized Value (3)	\$1,387,355,100	\$1,490,513,900	\$1,490,513,900	\$1,431,386,500	\$1,431,386,500
Percent of Total Assessed to Equalized Valuation	98.1%	90.7%	93.4%	101.4%	99.7%

(1) Revaluation years.

(2) As of January 1, 2013, 2012, 2011, 2010, and 2009 respectively.

(3) Based on equalized valuation in effect for each year.

The following table shows the breakdown of the total assessed valuation for fiscal years 2013, 2012, and 2011 by classification:

<u>Class</u>	<u>2013 Assessed Valuation</u>	<u>% Of Total</u>	<u>2012 Assessed Valuation</u>	<u>% Of Total</u>	<u>2011 Assessed Valuation</u>	<u>% Of Total</u>
Residential	\$1,078,673,891	79.3%	\$1,070,876,282	79.2%	\$1,110,132,706	79.7%
Commercial	235,289,215	17.3	233,296,342	17.3	234,655,868	16.9
Industrial	9,982,800	0.7	10,054,400	0.7	10,393,500	0.8
Personal	<u>36,937,621</u>	<u>2.7</u>	<u>37,394,783</u>	<u>2.8</u>	<u>36,838,772</u>	<u>2.6</u>
Total	<u>\$1,360,883,527</u>	<u>100.0%</u>	<u>\$1,351,621,807</u>	<u>100.0%</u>	<u>\$1,392,020,846</u>	<u>100.0%</u>

TAX RATES

The following shows the actual tax rates per \$1,000 of assessed valuation and the estimated full value rate based on the equalized valuations for the current and most recent fiscal years:

<u>Fiscal Year</u>	<u>Actual Tax Rate</u>	<u>Full Value Rate</u>
2013	\$13.14	\$12.89
2012	13.12	11.90
2011	12.16	11.83
2010	11.52	11.68
2009	11.36	11.33

LARGEST TAXPAYERS (1)

The following is a list of the largest taxpayers for fiscal 2013:

<u>Taxpayer</u>	<u>Purpose</u>	<u>Assessed Value</u>	<u>Amount of Tax</u>	<u>Percent of total</u>
Pinewood Realty Trust	Retail Center	\$11,282,850	\$148,257	0.83%
Massachusetts Electric Company	Utility	9,401,604	123,537	0.69
Berkshire Bank	Financial Institution	7,984,400	104,915	0.59
Kimco Great Barrington	Retail Center	7,635,100	100,325	0.56
Educational Consultants	Private School	7,617,000	100,087	0.56
Verizon New England	Utility	6,402,000	84,122	0.47
Individual	Private Residence	5,518,668	72,515	0.41
Butternut Basin	Ski Resort	4,580,869	60,193	0.34
KSNS Stockbridge Rd Realty Trust	Realty	3,888,400	51,094	0.29
Stockbridge Road Realty LLC	Realty	<u>3,651,500</u>	<u>47,981</u>	<u>0.27</u>
Total		<u>\$67,962,391</u>	<u>\$893,026</u>	<u>4.99%</u>

(1) All of the largest taxpayers listed above are current on their real estate and personal property taxes.

TAX LEVIES

Levy-General. The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Tax Limitations" below. As to the inclusion of debt service and final judgments, see Security and Remedies herein.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" herein).

Taxation to Meet Deficits. As noted elsewhere (see "Abatements and Overlay" herein) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations. Chapter 59, Section 21C of the General Laws, also known as "Proposition 2½", imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund. The applicable tax limits may also be reduced in any year by a majority of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculations of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. **As noted above, debt service on \$7,433,220 principal amount of currently outstanding bonds is exempt from the limitations of Proposition 2½.** It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a

pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance. Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA, and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veteran's districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Pledged Taxes. Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes.

Initiative Petitions. Various other proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

CALCULATION OF TAX LEVIES AND LEVY LIMITS

The following table shows the details of the calculation of the tax levies for the current and most recent fiscal years:

	<u>For Fiscal Year (000 omitted)</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gross Amount to be Raised:					
Appropriations	\$24,143	\$23,677	\$22,993	\$22,118	\$22,179
Other Local Expenditures	13	125	89	180	14
State and County Charges	69	77	72	74	70
Overlay Reserve	<u>161</u>	<u>166</u>	<u>152</u>	<u>148</u>	<u>220</u>
Total Gross Amount to be Raised	<u>24,386</u>	<u>24,045</u>	<u>23,306</u>	<u>22,521</u>	<u>22,483</u>
Less Estimated Receipts & Other Revenue					
Estimated Receipts from State	976	901	932	830	1,112
Estimated Receipts – Local	3,075	2,966	2,843	2,667	2,848
Available Funds Appropriated:					
Free Cash	0	0	0	0	12
Other Available Funds	214	382	390	156	220
Free Cash & Other Revenue Used to Reduce the Tax Rate	<u>2,239</u>	<u>2,064</u>	<u>2,214</u>	<u>2,151</u>	<u>2,076</u>
Total Estimated Receipts & Revenue	<u>6,504</u>	<u>6,312</u>	<u>6,379</u>	<u>5,804</u>	<u>6,268</u>
Net Amount to Be Raised (Tax Levy)	<u>\$17,882</u>	<u>\$17,733</u>	<u>\$16,927</u>	<u>\$16,716</u>	<u>\$16,215</u>

The following table shows the calculation of levy limits for the current and most recent fiscal years.

	<u>For Fiscal Year (000 omitted)</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Primary Levy Limit (1)	\$34,022	\$33,791	\$34,801	\$36,277	\$35,684
Prior Fiscal Year Levy Limit	17,071	16,530	15,975	15,434	14,754
2.5% Levy Growth	427	413	400	386	369
New Growth (2)	220	128	155	156	311
Overrides	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Growth Levy Limit	17,718	17,071	16,530	15,975	15,434
Debt Exclusions	1,372	1,500	1,451	1,606	1,511
Capital Expenditure Exclusions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Levy Limit	19,090	18,571	17,981	17,581	16,945
Tax Levy	<u>17,882</u>	<u>17,733</u>	<u>16,927</u>	<u>16,716</u>	<u>16,215</u>
Unused Levy Capacity (3)	<u>\$ 1,208</u>	<u>\$ 838</u>	<u>\$ 1,054</u>	<u>\$ 865</u>	<u>\$ 730</u>
Unused Primary Levy Capacity (4)	<u>\$16,304</u>	<u>\$16,719</u>	<u>\$18,270</u>	<u>\$20,301</u>	<u>\$20,250</u>

(1) 2.5% of assessed valuation.

(2) Allowed increase for new valuations - certified by the Department of Revenue.

(3) Tax Levy Limit less Tax Levy. The additional amount which may be levied without voter approval.

(4) Primary Levy Limit less Growth Levy Limit.

TAX COLLECTIONS AND ABATEMENTS

Payment Dates. The taxes for each fiscal year are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1. The Town has never deferred the payment date of its November tax bill. There is statutory provision providing quarterly tax payments for cities and town; the Town has not accepted that legislation.

Lien. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

Personal Liability. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described in "Taking and Sale" below.

The following shows the total tax levy, the reserve for abatements, the net levy and the percents collected during each fiscal year and as of a more recent date for the current and most recent fiscal years:

	For Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Tax Levy	\$17,882,010	\$17,733,278	\$16,926,973	\$16,716,276	\$16,214,780
Overlay Reserve for Abatements	<u>160,683</u>	<u>166,031</u>	<u>151,907</u>	<u>148,165</u>	<u>220,158</u>
Net Tax Levy (1)	<u>\$17,721,327</u>	<u>\$17,567,247</u>	<u>\$16,775,067</u>	<u>\$16,568,111</u>	<u>\$15,994,622</u>
Amount Collected During					
Fiscal Year Payable (2)	n.a.	\$17,007,370	\$16,126,509	\$15,877,986	\$15,597,506
Percent of Net Tax Levy		96.8%	96.1%	95.8%	97.5%
Amount Collected					
Through 12/31/12 (2)(3)	\$8,182,499	\$17,310,607	\$16,462,147	\$16,176,270	\$15,747,378
Percent of Net Tax Levy	46.0%	98.5%	98.1%	97.6%	98.5%

(1) Net after deduction of overlay reserve for abatements.

(2) Actual collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributed to such levy or other non-cash credits.

(3) Beginning in fiscal 2006, the Town places all prior year levies in tax title at the end of each fiscal year to perfect the Town's lien. Thus, commencing in fiscal 2006, no additional collections are recorded.

Abatements and Overlay. A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following shows the abatements granted during the current fiscal year as well as through a more recent date for the most recent fiscal years:

	For Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Levy	\$17,882,010	\$17,733,278	\$16,926,973	\$16,716,276	\$16,214,780
Overlay Reserve for Abatements	160,683	166,031	151,907	148,165	220,158
Percent of Tax Levy	0.9%	0.9%	0.9%	0.9%	1.4%
Abatements Granted:					
During Fiscal Year of Levy	n.a.	\$102,901	\$126,617	\$161,949	\$102,288
Through 12/31/12	\$82,648	\$102,901	130,446	175,409	158,245

Taking and Sale. Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

Sales of Tax Receivables. Cities and town are authorized to sell delinquent property tax receivables by public sale or auction either individually or in bulk.

Taxes Outstanding

<u>Date</u>	<u>Aggregate</u>	<u>For Current Year</u>	<u>Tax Titles and Possessions</u>
06/30/12	\$581,715	\$574,931	\$743,750
06/30/11	617,338	612,792	469,462
06/30/10	530,587	529,361	697,937
06/30/09	468,312	466,109	530,393
06/30/08	437,095	435,010	402,485

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual meeting which takes place in May. Appropriations may also be voted at special meetings. The Town has a Town Manager and a Finance Committee which submit reports and recommendations on proposed expenditures at town meetings.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs and may affect the level of State aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. From fiscal 1994 through budgeted 2010, the net school spending for the regional school district exceeded the minimum required local contribution.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See Property Taxation herein.)

BUDGET COMPARISON

The following table sets forth the actual budgets for fiscal years 2009-2013:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government	\$ 1,259,504	\$ 1,216,655	\$ 1,214,021	\$ 1,189,057	\$ 1,165,910
Public Safety	1,870,682	1,809,154	1,781,333	1,737,858	1,765,427
Public Health	72,641	71,555	69,443	67,153	65,671
Public Works	1,992,967	1,997,806	1,946,474	2,001,664	1,975,050
Education	11,598,719	11,313,439	10,947,474	10,586,338	10,328,135
Libraries	490,196	467,366	460,349	458,917	436,588
Parks and Recreation	73,700	74,200	75,000	79,000	79,000
Veterans	113,641	90,521	51,720	46,738	43,131
Miscellaneous	7,433	7,433	7,433	17,433	7,433
Debt and Interest	1,824,100	1,824,100	1,764,524	1,581,842	1,672,319
Insurance	1,825,469	1,865,469	1,780,836	1,638,192	1,560,673
Retirement	703,047	640,608	606,611	542,777	500,874
Council on Aging	130,729	111,444	107,671	73,742	85,471
Capital	5,646,000	1,927,000	1,188,000	941,100	1,236,900
Funds Transfers	30,500	30,500	30,500	30,500	66,710
Human Services	26,300	30,940	31,600	61,860	68,650
Total	<u>\$27,665,628</u>	<u>\$23,478,190</u>	<u>\$22,063,236</u>	<u>\$21,054,171</u>	<u>\$21,057,942</u>

STATE AID

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. None of the programs have a termination date under existing law, and while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limits the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining measure could restrict the amount of state revenues available for state aid to local communities.

The following table sets forth the actual State aid received in each of the most recent fiscal years and the amount budgeted to be received in fiscal 2013.

<u>Fiscal Year</u>	<u>Total From the State</u>
2013 (budgeted)	\$968,205
2012	911,642
2011	922,856
2010	820,049
2009	1,101,061

STATE SCHOOL BUILDING ASSISTANCE PROGRAM

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law.

The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality. In most cases, the receipt of these progress payments from the Authority eliminates the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs.

Grant applications for new projects could be submitted to the Authority beginning July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. The Authority recently promulgated new regulations with respect to the application and approval process for new projects. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

MOTOR VEHICLE EXCISE

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. The following table shows the actual receipts in each of the most recent fiscal years and the amount budgeted to be received in fiscal 2013:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2013 (budgeted)	\$420,000
2012	676,351
2011	674,869
2010	670,153
2009	749,098

(1) Net after refunds. Includes receipts for prior years.

OTHER TAXES

Three additional sources of revenue for local governments are the room occupancy excise tax, local meals excise tax, and the aviation fuel tax. All taxes take effect only where accepted by individual municipalities. Under the room occupancy excise tax, local governments may tax the provision of hotel, motel, lodging house and bed and breakfast rooms at a rate not to exceed six percent of the cost of renting such rooms. The tax is paid by the owner of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located.

The local meals excise tax, effective for sales of restaurant meals on or after October 1, 2009, is a three-fourths percent tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold.

The Town has voted to impose the room occupancy excise tax and the meals tax. The following table shows the amount budgeted to be received in fiscal 2013 and the actual receipts of the room occupancy tax for the most recent fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2013 (budgeted)	\$130,000
2012	395,060
2011	361,832
2010	225,049
2009	229,103

In addition, the Town voted to impose the meals excise tax for implementation in fiscal 2011. The following table shows the amount budgeted to be received in fiscal 2013 and the actual receipts of the meals tax for the most recent fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2013 (budgeted)	\$100,000
2012	237,474
2011	171,132

COMMUNITY PRESERVATION ACT

Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in

cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “*Tax Limitations*” under “PROPERTY TAX” herein). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund, the dedication of revenue. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town voted to accept the Community Preservation Act in May 2012, effective July 1, 2013. The Town approved a 3.00 percent CPA surcharge and exempted low income housing, lower and moderate income senior housing, and \$100,000 of each taxable residential parcel.

TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town’s development program for the district. This includes pledging such “tax increments” for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½. The Town has not voted to establish any development districts.

UNDESIGNATED GENERAL FUND BALANCE AND FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the undesignated general fund balance and certified free cash for the most recent fiscal years:

<u>June 30/July 1,</u>	<u>Unassigned General Fund Balance</u>	<u>Free Cash</u>
2012	\$3,475,232 (1)	\$3,403,217
2011	3,136,689 (1)	3,046,578
2010	3,006,904	2,743,137
2009	2,930,411	2,744,089
2008	2,860,036	2,607,254

(1) Beginning in fiscal 2011, the figure includes the Stabilization Fund.

SEWER ENTERPRISE FUND

The Town manages and accounts for its wastewater collection, treatment and disposal services on an enterprise fund basis. Charges are set to cover all costs of operation and all debt service.

The following presents the ending retained earnings (Free Cash) for the Sewer Enterprise Fund for the last five fiscal years.

<u>Fiscal Year</u>	<u>Retained Earnings</u>
2012	\$2,034,636
2011	1,758,210
2010	1,729,354
2009	1,797,173
2008	1,658,141

STABILIZATION FUND

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes, funds may be appropriated from the Fund for any municipal purpose.

The following table presents the balance in the fund at the end of the most recent fiscal years.

<u>Fiscal Year</u>	<u>Balance</u>
2012	\$450,195
2011	447,807
2010	516,656
2009	585,773
2008	690,227

Of the June 30, 2012, balance, \$80,000 has been appropriated for use in fiscal 2013.

INVESTMENTS

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, s.55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust (“MMDT”), or in shares of SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization. MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer’s office. According to the State Treasurer, the Trust’s investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems. (See pages 22 and 26 of the audited financial statements for 2012 in Appendix B for additional information regarding the Town’s investments.)

COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. The Town has approximately 175 full and part time employees of which approximately 23 percent belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of People</u>	<u>Contract Expiration Date</u>
AFL-CIO	Public Works	20	June 30, 2014
AFL-CIO	Library	7	June 30, 2014
Massachusetts Coalition of Police, Local 350	Police	14	June 30, 2014

PHYSICAL AND ECONOMIC CHARACTERISTICS

The Town of Great Barrington is located in southwestern Massachusetts in the southern region of the Berkshires. It is the major commercial center for the abutting communities that are located south of the Massachusetts Turnpike. It is also an active center of tourism for the region, attracting significant numbers of visitors from both the eastern portion of Massachusetts and the greater metropolitan New York City area. The Town is served by State Routes 7 and 41 and has ready access to the Massachusetts Turnpike at entrances in the Towns of West Stockbridge and Lee. The Town is the boyhood home of William Edward Burghardt DuBois (1868-1963), a historian, educator, sociologist, pioneer civil rights leader and founder of the N.A.A.C.P.

PRINCIPAL EMPLOYERS

The following are the principal employers, excluding the Town, located in the Town, and the approximate number of employees as of January 2013.

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Current Employees</u>
Butternut Ski Area and Shop	Ski facility	300 (1)
Fairview Hospital	Hospital	270
Berkshire Hills RSD	School District	230
URJ Eisner Camp	Summer camp facility	200 (2)
Simon's Rock College	College	175
Berkshire Meadows	Residential care facility	170
Big Y	Supermarket	160
Price Chopper	Supermarket	150 (3)
Fairview Commons	Nursing home	130
Brookside / ITU Campus	Educational facility	120
Timberlyn Heights	Healthcare	90
Berkshire Cooperative Market	Food store	70
Berkshire Bank	Commercial bank	40

(1) Winter season employees; summer employment is approximate 25.

(2) Summer season employees.

(3) As estimated by the Town.

EMPLOYMENT AND PAYROLLS

	Calendar Year Average				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Construction & Natural Resources	129	139	156	193	197
Manufacturing	188	200	269	303	406
Trade, Transportation & Utilities	1,274	1,255	1,162	1,260	1,241
Financial Activities	140	145	160	171	178
Professional & Business Services	266	260	269	290	309
Education & Health Services	1,712	1,697	1,625	1,928	1,609
Leisure & Hospitality	494	642	625	644	622
Information & Other Services	365	393	410	428	423
Public Administration	<u>93</u>	<u>89</u>	<u>87</u>	<u>87</u>	<u>81</u>
Total Employment	4,887	4,842	4,922	5,304	5,066
Number of Establishments	511	516	515	521	509
Total Annual Wage (\$000)	\$172,729	\$168,636	\$171,232	\$192,682	\$172,546
Average Weekly Wage	\$680	\$670	\$669	\$676	\$635

Source: Massachusetts Department of Employment and Training.

BUILDING PERMITS

The following table presents the number of building permits issued in the current and each of the past four fiscal years and the approximate construction value permitted.

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>Estimated Value</u>
2012	515	\$19,116,740
2011	486	8,779,937
2010	482	12,132,617
2009 (1)	444	17,687,222
2008	373	13,194,724

(1) Includes \$4,743,000 for the new Town Fire Station

SCHOOL ENROLLMENTS

The following table presents the school enrollment of students from the member towns at the Berkshire Hills Regional School District as of October 1, 2008, through October 1, 2012.

	Actual				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Great Barrington	669	670	655	651	682
Stockbridge	159	155	151	143	145
West Stockbridge	<u>161</u>	<u>160</u>	<u>159</u>	<u>169</u>	<u>149</u>
Total	<u>989</u>	<u>985</u>	<u>965</u>	<u>963</u>	<u>976</u>

With the completion of the District school construction project, the total capacity of District facilities is approximately 1,600 students.

OTHER DATA

Unemployment (1)

<u>Year</u>	<u>Great Barrington</u>	<u>Massachusetts</u>	<u>United States</u>
2012 (November)	5.1%	6.1%	7.4%
2011	6.3	6.8	8.9
2010	7.0	8.5	9.6
2009	7.1	8.4	9.3
2008	4.6	5.3	5.8

(1) Source: Massachusetts Department of Employment and Training. Full year annual averages except for 2010 which is for the month indicated.

Population (1)

<u>Year</u>	<u>Great Barrington</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2011 (Estimate)	7,131	0.4%	131,221	0.0%	6,512,227	(0.5)%
2010	7,104	(5.6)	131,219	(2.8)	6,547,629	3.1
2000	7,527	(2.6)	134,953	(3.2)	6,349,097	5.5
1990	7,725	4.3	139,352	(4.0)	6,016,425	4.9
1980	7,405		145,110		5,737,037	

(1) Source: U.S. Department of Commerce for actuals and estimates, Massachusetts Institute for Social & Economic Research for projections.

Population Density (1)

<u>Year</u>	<u>Great Barrington</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Density (2)</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2011 (5-yr est.)	7,131	157.8	131,221	140.9	6,512,227	830.9
2010	7,104	157.2	131,219	140.9	5,547,629	835.4
2000	7,527	166.6	134,953	144.9	6,349,097	810.0
1990	7,725	170.9	139,352	149.6	6,016,425	767.6
1980	7,405	163.9	145,110	155.8	5,737,037	732.0

(1) Source: U. S. Department of Commerce for actuals and estimates, Massachusetts Institute for Social & Economic Research for projections.

(2) Based on 45.2 square miles.

Population Composition 2011 5-year estimate (1)

<u>Age</u>	<u>Great Barrington</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years	174	2.4%	6,055	4.6%	367,252	5.6%
5 Years to 19 Years	1,294	18.1	23,699	18.1	1,262,333	19.4
20 Years to 64 Years	4,286	60.1	77,143	58.8	3,991,339	61.3
65 Years & Over	<u>1,377</u>	<u>19.3</u>	<u>24,324</u>	<u>18.5</u>	<u>891,303</u>	<u>13.7</u>
Total	<u>7,131</u>	<u>100.0%</u>	<u>131,221</u>	<u>100.0%</u>	<u>6,512,227</u>	<u>100.0%</u>

Median Age

Median Age (1990)

(1) Source: U. S. Department of Commerce.

Income Levels (1)

<u>Year</u>	<u>Great Barrington</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>
2011 (5yr est)	\$34,585	52.7%	\$29,387	34.8%	\$35,051	35.1%
1999	22,655	59.5	21,807	46.8	25,952	50.7
1989	14,206		14,857		17,224	

Median Family

Income (2011) \$73,369 \$64,393 \$83,371

Median Household

Income (2011) \$48,561 \$48,705 \$65,981

% Below Poverty

Level (2011) 12.1% 11.8% 10.7%

(1) Source: U.S. Department of Commerce.

Family Income Distribution 2011 5-year estimate (1)

<u>Income for Families</u>	<u>Great Barrington</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	76	5.0%	1,339	4.1%	57,867	3.6%
\$10,000 - \$24,999	140	9.1	3,607	10.9	133,136	8.3
\$25,000 - \$49,999	320	2.8	7,252	22.0	264,129	16.5
\$50,000 - \$74,999	285	18.6	7,389	22.4	261,052	16.3
\$75,000 - \$99,999	243	15.8	4,942	15.0	242,747	15.1
\$100,000 - \$149,999	236	15.4	5,167	15.7	330,690	20.6
\$150,000 or more	<u>235</u>	<u>15.3</u>	<u>3,285</u>	<u>10.0</u>	<u>314,319</u>	<u>19.6</u>
Total	<u>1,535</u>	<u>100.0%</u>	<u>32,981</u>	<u>100.0%</u>	<u>1,603,940</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Household Income Distribution 2011 5-year estimate (1)

Income for Households	Great Barrington		Berkshire County		Massachusetts	
	Households	Percent	Households	Percent	Households	Percent
Less than \$10,000	189	6.8%	4,103	7.4%	164,071	6.5%
\$10,000 - \$24,999	501	17.9	10,421	18.7	341,431	13.5
\$25,000 - \$49,999	767	27.5	13,919	24.9	477,788	18.9
\$50,000 - \$74,999	439	15.7	10,723	19.2	416,286	16.5
\$75,000 - \$99,999	268	9.6	6,675	12.0	337,712	13.4
\$100,000 - \$149,999	322	11.5	6,019	10.8	418,394	16.6
\$150,000 or more	306	11.0	3,933	7.0	366,727	14.5
Total	<u>2,792</u>	<u>100.0%</u>	<u>55,793</u>	<u>100.0%</u>	<u>2,522,409</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Value Distribution Of Specified Owner-Occupied Housing Units 2011 5-year estimate (1)

Units	Great Barrington		Berkshire County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than \$100,000	37	2.1%	4,029	10.5%	49,369	3.1%
\$100,000 - \$199,999	212	12.2	14,391	37.4	189,878	11.8
\$200,000 - \$299,999	493	28.4	8,862	23.0	389,385	24.3
\$300,000 - \$499,999	582	33.5	7,428	19.3	627,185	39.1
\$500,000 - \$999,999	354	20.4	2,912	7.6	291,521	18.2
\$1,000,000 or more	60	3.5	849	2.2	57,135	3.6
Total	<u>1,738</u>	<u>100.0%</u>	<u>38,471</u>	<u>100.0%</u>	<u>1,604,473</u>	<u>100.0%</u>
Median Value	\$331,800		208,100		\$343,500	

(1) Source: U.S. Department of Commerce.

Age Distribution of Housing Units 2011 5-year estimate (1)

Year Built	Great Barrington		Berkshire County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
2000 or later	123	3.7%	2,939	4.3%	187,003	6.7%
1980 to 1999	583	17.7	10,466	15.3	508,434	18.2
1940 to 1979	879	26.7	28,246	41.3	1,111,838	39.7
1939 or Earlier	<u>1,703</u>	<u>51.8</u>	<u>26,764</u>	<u>39.1</u>	<u>992,082</u>	<u>35.4</u>
Total	<u>3,288</u>	<u>100.0%</u>	<u>68,415</u>	<u>100.0%</u>	<u>2,799,357</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Housing Unit Inventory 2011 5-year estimate (1)

<u>Units in Structure</u>	<u>Great Barrington</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1, Detached	1,928	58.6%	44,150	64.5%	1,467,290	52.4%
1, Attached	149	4.5	1,930	2.8	137,591	4.9
2 to 4	804	24.5	12,917	18.9	600,848	21.5
5 to 9	199	6.1	2,662	3.9	169,877	6.1
10 to 19	19	0.6	1,933	2.8	120,421	4.3
20 or More	189	5.7	3,106	4.5	278,777	10.0
Mobil Home, Trailer, or Other	0	0.0	1,717	2.5	24,553	0.9
Total	<u>3,288</u>	<u>100.0%</u>	<u>68,415</u>	<u>100.0%</u>	<u>2,799,357</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Educational Attainment 2011 5-year estimate (1)

<u>Years of School Completed</u>	<u>Great Barrington</u>		<u>Berkshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th Grade	91	1.8%	2,421	2.6%	215,977	4.9
9th to 12th Grade	387	7.6	6,258	6.7	274,938	6.2
High School Graduate	1,307	25.7	31,014	33.3	1,161,382	26.3
Some College, No Degree	988	19.4	17,994	19.3	718,047	16.2
Associate's Degree	358	7.0	7,430	8.0	337,921	7.6
Bachelor's Degree	1,207	23.7	16,161	17.3	977,354	22.1
Graduate or Professional Degree	<u>752</u>	<u>14.8</u>	<u>11,963</u>	<u>12.8</u>	<u>733,672</u>	<u>16.6</u>
Total	<u>5,090</u>	<u>100.0%</u>	<u>93,241</u>	<u>100.0%</u>	<u>4,419,291</u>	<u>100.0%</u>
High School Graduate or Higher	4,612	90.6%	84,562	90.7%	3,928,376	88.9%
Bachelor's Degree or Higher	1,959	38.5%	28,124	30.2%	1,711,026	38.7%

(1) Source: U.S. Department of Commerce.

LITIGATION

In the opinion of the Town, no pending litigation is considered likely to result, either individually or in the aggregate, in final judgments which would materially affect the Town's financial position.

TOWN OF GREAT BARRINGTON
Massachusetts

By: /s/ Lauren M. Sartori
Financial Coordinator

Dated: February 15, 2013

APPENDIX A

The following Balance Sheets for June 30, 2007 through 2012, and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years 2008 through 2012 are taken from the audited financial statements prepared by Melanson Heath & Company, Certified Public Accountant, Greenfield, Massachusetts.

There follows in Appendix B the audited financial statements for the Town for fiscal year ended June 30, 2012.

TOWN OF GREAT BARRINGTON
Massachusetts
Balance Sheet
GENERAL FUND (1)

	<u>June 30</u>
<u>Assets</u>	<u>2012</u>
Cash and cash equivalents	\$7,387,458
Receivables:	
Property taxes	1,325,465
Excises	127,905
Departmental & Other	102,872
Due from other funds	<u>43,907</u>
Total Assets	<u>\$8,987,607</u>
 <u>Liabilities and Fund Equity</u>	
Liabilities:	
Warrants payable	\$ 295,296
Accrued payroll withholdings	86,999
Tax refunds payable	52,478
Deffered revenues	1,556,243
Other liabilities	<u>8,810</u>
Total Liabilities	\$1,999,826
 Fund Balances:	
Restricted	\$ 0
Committed	370,195
Assigned	3,142,354
Unassigned	<u>3,475,232</u>
Total Fund Equity	<u>6,987,781</u>
 Total Liabilities and Fund Equity	<u>\$8,987,607</u>

(1) Excerpted from audits prepared by Melanson Heath & Company, PC.

TOWN OF GREAT BARRINGTON
Massachusetts
Balance Sheet
GENERAL FUND (1)

	June 30				
<u>Assets</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents	\$6,926,942	\$6,365,630	\$7,429,651	\$6,408,700	\$6,014,018
Receivables:					
Property Taxes	1,197,789	1,228,524	998,704	839,580	754,419
Excises	117,632	109,791	126,815	167,767	121,239
Departmental	74,786	59,970	53,903	32,991	28,826
Due from Other Funds	<u>475</u>	<u>72,859</u>	<u>209,655</u>	<u>51,859</u>	<u>0</u>
Total Assets	<u>\$8,317,624</u>	<u>\$7,836,774</u>	<u>\$8,818,728</u>	<u>\$7,500,897</u>	<u>\$6,918,502</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Warrants Payable	\$ 209,027	\$ 224,605	\$ 262,615	\$ 151,864	\$ 204,713
Deferred Revenue	1,390,205	1,398,284	1,179,423	1,040,338	904,484
Other Liabilities	0	0	1,171,410	8,890	9,120
Accrued Payroll and Withholdings	<u>74,343</u>	<u>41,875</u>	<u>31,650</u>	<u>24,554</u>	<u>164,700</u>
Total Liabilities	<u>\$1,673,575</u>	<u>\$1,664,764</u>	<u>\$2,645,098</u>	<u>\$1,225,646</u>	<u>\$1,283,017</u>
Fund Equity:					
Reserve for Encumbrances	\$ 522,658	\$ 949,653	\$1,093,073	\$1,347,940	\$1,127,140
Reserve for Expenditures	2,984,702	2,055,300	2,055,560	1,962,350	2,000,000
Reserve for Other Purposes	0	160,153	94,586	104,925	116,182
Unreserved, Undesignated	<u>3,136,689</u>	<u>3,006,904</u>	<u>2,930,411</u>	<u>2,860,036</u>	<u>2,392,163</u>
Total Fund Equity	<u>\$6,644,049</u>	<u>\$6,172,010</u>	<u>\$6,173,630</u>	<u>\$6,275,251</u>	<u>\$5,635,485</u>
Total Liabilities and Fund Equity	<u>\$8,317,624</u>	<u>\$7,836,774</u>	<u>\$8,818,728</u>	<u>\$7,500,897</u>	<u>\$6,918,502</u>

(1) Excerpted from audits prepared by Melanson Heath & Company, PC.

TOWN OF GREAT BARRINGTON
Massachusetts
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
GENERAL FUND (1)

	June 30				
<u>Revenues</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Property Taxes	\$17,508,683	\$16,803,193	\$16,300,222	\$16,027,204	\$15,087,959
Excises	1,309,671	1,036,702	671,623	755,645	720,214
Penalties, Interest and Other Taxes	204,319	168,985	159,063	138,733	120,889
Intergovernmental	911,642	1,082,134	1,032,149	1,233,378	1,352,481
Charges for Services	513,869	473,207	493,439	560,817	408,751
Licenses and Permits	55,344	51,351	53,370	55,789	56,816
Fines and Forfeits	39,946	49,295	44,627	49,239	59,294
Investment Income	38,748	50,964	101,505	241,753	564,255
Miscellaneous	127,239	131,014	85,311	58,513	61,287
Total Revenues	<u>\$20,709,461</u>	<u>\$19,846,845</u>	<u>\$18,941,309</u>	<u>\$19,121,071</u>	<u>\$18,431,946</u>
<u>Expenditures</u>					
General Government	\$ 1,467,376	\$ 1,412,688	\$ 1,480,204	\$ 1,443,851	\$ 1,397,429
Public Safety	2,026,183	1,835,716	2,428,866	1,696,014	1,663,476
Education	11,313,439	10,947,473	10,586,339	10,328,135	9,779,495
Public Works	1,636,967	2,386,492	2,028,876	2,269,096	1,645,850
Human Services	300,790	296,649	258,394	259,695	224,192
Culture & Recreation	540,534	525,285	506,233	491,724	456,506
Employee Benefits	766,732	811,405	742,699	751,804	682,459
Insurance	171,574	178,152	202,509	184,298	183,416
Retirement	606,550	584,530	514,486	475,938	458,904
Debt Service	1,730,797	1,622,130	1,541,389	1,493,928	1,614,033
Intergovernmental	75,487	72,992	72,681	69,669	70,444
	<u>\$20,636,429</u>	<u>\$20,673,512</u>	<u>\$20,362,676</u>	<u>\$19,464,152</u>	<u>\$18,176,204</u>
Excess of Revenues Over/Under Expenditures	\$ 73,032	\$ (826,667)	\$ (1,421,367)	\$ (343,081)	\$ 255,742
Other Financing Sources (Uses):					
Bond Proceeds	\$ 115,000	\$ 650,000	\$ 1,165,000	\$ 0	\$ 0
Transfers In	186,200	162,550	285,247	308,170	414,524
Transfers Out	<u>(30,500)</u>	<u>(30,500)</u>	<u>(30,500)</u>	<u>(66,710)</u>	<u>(30,500)</u>
Total Financing Sources (Uses)	<u>\$ 270,700</u>	<u>\$ 782,050</u>	<u>\$ 1,419,747</u>	<u>\$ 241,460</u>	<u>\$ 384,024</u>
Excess of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ 343,732	\$ (44,617)	\$ (1,620)	\$ (101,621)	\$ 639,766
Fund Balance, Beginning of Year (2)	<u>6,644,049</u>	<u>6,688,666</u>	<u>6,173,630</u>	<u>6,275,251</u>	<u>5,635,485</u>
Fund Balance, End of Year	<u>\$ 6,987,781</u>	<u>\$ 6,644,049</u>	<u>\$ 6,172,010</u>	<u>\$ 6,173,630</u>	<u>\$ 6,275,251</u>

(1) Excerpted from audits prepared by Melanson, Heath & Company, PC.

(2) Beginning Fund Balance for fiscal 2012 is restated to include the Stabilization Fund, in accordance with GASB 54.

APPENDIX B

There follows in this Appendix audited financial statements for the fiscal year ended June 30, 2012, together with the report of the certified public accountant, Melanson Heath & Company, PC, Greenfield, Massachusetts.

**TOWN OF GREAT BARRINGTON,
MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2012

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Melanson Heath & Company, PC

Certified Public Accountants
Management Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Great Barrington, Massachusetts

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

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

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

Additional Offices:

Andover, MA • Manchester, NH • Nashua, NH • Ellsworth, ME

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

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

Melanson Heath + Company P.C.

Greenfield, Massachusetts
October 24, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

B. FINANCIAL HIGHLIGHTS

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

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

CHANGES IN NET ASSETS

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

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

The largest portion of net assets, \$ 20,338,970, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, and sewer infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets, \$ 2,134,594, represents resources that are subject to external and statutory restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 9,456,310, may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

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

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

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

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

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

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

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

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

REQUESTS FOR INFORMATION

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

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

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

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

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

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

ASSETS	General	Pension Trust	Governmental Capital	Special Revenue Revolving	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 7,387,458	\$ 1,162,326	\$ 994,194	\$ 320,140	\$ 1,495,978	\$ 11,360,096
Receivables:						
Property taxes	1,325,465	-	-	-	-	1,325,465
Excises	127,905	-	-	-	-	127,905
Departmental and other	102,872	-	-	43,876	-	146,748
Intergovernmental	-	-	-	-	152,218	152,218
Deposits held by others	-	-	-	11,261	-	11,261
Note receivable	-	-	-	640,000	-	640,000
Due from other funds	43,907	-	-	-	-	43,907
TOTAL ASSETS	\$ 8,987,607	\$ 1,162,326	\$ 994,194	\$ 1,015,277	\$ 1,648,196	\$ 13,807,600

LIABILITIES AND FUND BALANCES

Liabilities:						
Warrants payable	\$ 295,296	\$ -	\$ -	\$ 710	\$ 121,478	\$ 417,484
Accrued payroll withholdings	86,999	-	-	22,313	-	109,312
Tax refunds payable	52,478	-	-	-	-	52,478
Notes payable	-	-	1,442,000	-	290,000	1,732,000
Deferred revenues	1,556,243	-	-	683,876	-	2,240,119
Other liabilities	8,810	-	-	-	-	8,810
Due to other funds	-	-	-	-	43,907	43,907
TOTAL LIABILITIES	1,999,826	-	1,442,000	706,899	455,385	4,604,110
Fund Balances:						
Reserved for:						
Nonspendable	-	-	-	-	280,615	280,615
Restricted	-	1,062,326	-	308,378	226,784	1,597,488
Committed	370,195	-	-	-	685,412	1,055,607
Assigned	3,142,354	100,000	-	-	-	3,242,354
Unassigned	3,475,232	-	(447,806)	-	-	3,027,426
TOTAL FUND BALANCES	6,987,781	1,162,326	(447,806)	308,378	1,192,811	9,203,490
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,987,607	\$ 1,162,326	\$ 994,194	\$ 1,015,277	\$ 1,648,196	\$ 13,807,600

See notes to financial statements

TOWN OF GREAT BARRINGTON, MASSACHUSETTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total Governmental Fund Balances	\$ 9,203,490
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,698,316
• Revenues are reported on the accrual basis of accounting, are not deferred until collection and are presented net of an allowance for uncollectible accounts and the transfer of foreclosure receivables to capital assets.	1,420,714
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(16,919)
• Long-term liabilities, including bonds payable, landfill closure, compensated absences and OPEB, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(10,855,576)</u>
Net Assets of Governmental Activities	\$ <u>25,450,025</u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

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

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2012

Net Changes in Fund Balances - Total Governmental Funds	\$ (512,694)
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay purchases	1,664,570
Dispositions, net	(13,839)
Depreciation	(1,286,910)
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue, net of allowance for uncollectibles. 	
	38,073
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: 	
Issuance of long term note	(115,000)
Repayments of debt	1,321,670
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	2,699
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as landfill closure, compensated absences and OPEB liability, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
	<u>(370,355)</u>
Change in Net Assets of Governmental Activities	\$ <u>728,214</u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

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

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business- Type Activities Enterprise Funds
	Sewer Fund
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 2,718,734
User fees receivable	<u>248,653</u>
Total current assets	2,967,387
Noncurrent:	
Property taxes receivable	31,276
Intergovernmental receivables	47,173
Land and construction in progress	14,137
Capital assets, net of accumulated depreciation	<u>4,570,048</u>
Total noncurrent assets	<u>4,662,634</u>
TOTAL ASSETS	7,630,021
<u>LIABILITIES</u>	
Current:	
Warrants payable	46,498
Accounts payable	78,069
Accrued payroll	6,986
Accrued interest payable	9,172
Current portion of long-term liabilities:	
Bonds payable	<u>158,330</u>
Total current liabilities	299,055
Noncurrent:	
Bonds payable, net of current portion	540,020
Net OPEB obligation	274,457
Compensated absences	<u>36,640</u>
Total noncurrent liabilities	<u>851,117</u>
TOTAL LIABILITIES	1,150,172
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	3,885,835
Restricted for debt service	47,173
Unrestricted:	
Reserved for encumbrance	512,545
Reserved for expenditure	40,000
Unrestricted	<u>1,994,296</u>
TOTAL NET ASSETS	<u>\$ 6,479,849</u>

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

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

See notes to financial statements.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

Business-
Type Activities
Enterprise Funds

Sewer Fund

Cash Flows From Operating Activities:

Receipts from customers and users	\$ 1,597,502
Payments to vendors and employees	<u>(1,188,844)</u>
Net Cash Provided By Operating Activities	408,658

Cash Flows From Non-Capital Financing Activities:

Receipts from governments	5,086
Transfers out	<u>(70,300)</u>
Net Cash (Used For) Non-Capital Financing Activities	(65,214)

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(68,482)
Principal payments on bonds	(158,330)
Interest expense paid	<u>(35,612)</u>
Net Cash (Used For) Capital and Related Financing Activities	(262,424)

Cash Flows From Investing Activities:

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

**Reconciliation of Operating Income to Net Cash
Provided by (Used For) Operating Activities:**

Operating income	\$ (28,637)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	360,586
Changes in assets and liabilities:	
User fee receivables	(33,779)
Warrants and accounts payable	32,378
Other liabilities	<u>78,110</u>
Net Cash Provided By Operating Activities	<u><u>\$ 408,658</u></u>

See notes to financial statements.

Great Barrington, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. All revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Pension trust fund* is a Town trust fund reflecting cumulative Town-appropriated funds requiring State (PERAC) approval to use.
- The Governmental capital fund is used to account for capital projects of a duration longer than a year.
- The Special revenue revolving fund is used to account for revolving fund activities.

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

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

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

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

E. Property Tax Limitations

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

F. Interfund Receivables and Payables

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

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

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

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

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

K. Use of Estimates

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

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

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

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

D. Excess of Expenditures Over Appropriations

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

Veterans benefits \$ (4,999)

E. Deficit Fund Equity

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

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

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

3. Cash and Short-Term Investments

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

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

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

4. Taxes Receivable

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

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

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

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

5. Allowance for Doubtful Accounts

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

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

6. Intergovernmental Receivables

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

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

7. Interfund Fund Receivables/Payables

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

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

8. Note Receivable and Deposit Held By Others

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

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

9. Capital Assets

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

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

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

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

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

10. Warrants and Accounts Payable

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

11. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2012 receivable balances.

12. Tax Refunds Payable

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

13. Anticipation Notes Payable

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

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

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

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

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

14. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

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

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

B. State Revolving Loan

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

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

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

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

C. Future Debt Service

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

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

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

D. Changes in General Long-Term Liabilities

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

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

E. Authorized and Unissued Debt

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

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

15. Landfill Closure and Post-Closure Care Costs

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

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

16. Restricted Net Assets

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

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

17. Governmental Funds - Balances

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

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

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

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

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

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

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

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

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

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

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

18. Commitments and Contingencies

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

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

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

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

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

19. Post-Employment Health Care and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

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

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

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

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

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

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

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

E. Funded Status and Funding Progress

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

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

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

F. Actuarial Methods and Assumptions

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

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

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

20. Pension Plan

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

A. Plan Description

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

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010, were \$ 586,847, \$ 565,411, and \$ 502,777, respectively, which were equal to its annual required contributions for each of these years.

21. Risk Management

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

22. Implementation of New GASB Standards

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

(Unaudited)

(amounts expressed in thousands)

Other Post-Employment Benefits

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

See Independent Auditor's Report