

**TOWN OF GREAT BARRINGTON,  
MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2014

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	17
<b>Proprietary Funds:</b>	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Fund Net Position	19
Statement of Cash Flows	20
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
<b>Notes to Financial Statements</b>	<b>23</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress	46
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47

**Additional Offices:**

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Great Barrington, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Great Barrington, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Great Barrington, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

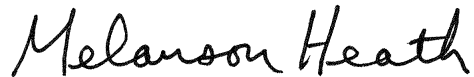
### *Required Supplementary Information*

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

## **Report on Other Legal and Regulatory Requirements**

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

November 13, 2014

## **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, 2014.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing de-

cisions. 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.

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

**Notes to 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 \$32,247,557 (i.e., net position), an increase of \$410,867 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,664,757 an increase of \$4,219,162 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,377,448, an increase of \$41,848 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 \$11,957,280, an increase of \$3,587,280 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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 13,758,087	\$ 11,029,988	\$ 4,010,023	\$ 3,442,328	\$ 17,768,110	\$ 14,472,316
Capital assets	<u>25,642,456</u>	<u>26,009,538</u>	<u>4,534,295</u>	<u>4,702,782</u>	<u>30,176,751</u>	<u>30,712,320</u>
Total assets	39,400,543	37,039,526	8,544,318	8,145,110	47,944,861	45,184,636
Long-term liabilities outstanding	13,924,555	10,042,905	1,064,673	902,024	14,989,228	10,944,929
Other liabilities	<u>541,887</u>	<u>2,052,776</u>	<u>166,189</u>	<u>350,241</u>	<u>708,076</u>	<u>2,403,017</u>
Total liabilities and deferred inflows	14,466,442	12,095,681	1,230,862	1,252,265	15,697,304	13,347,946
Net assets:						
Net investment in capital assets	17,569,589	17,266,602	3,815,133	4,162,762	21,384,722	21,429,364
Restricted	1,321,658	861,121	-	-	1,321,658	861,121
Unrestricted	<u>6,042,854</u>	<u>6,816,122</u>	<u>3,498,323</u>	<u>2,730,083</u>	<u>9,541,177</u>	<u>9,546,205</u>
Total net position	<u>\$ 24,934,101</u>	<u>\$ 24,943,845</u>	<u>\$ 7,313,456</u>	<u>\$ 6,892,845</u>	<u>\$ 32,247,557</u>	<u>\$ 31,836,690</u>

### CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,473,351	\$ 969,952	\$ 1,963,354	\$ 1,972,790	\$ 3,436,705	\$ 2,942,742
Operating grants and contributions	175,458	153,993	4,595	5,184	180,053	159,177
Capital grants and contributions	165,056	612,810	-	-	165,056	612,810
General revenues:						
Property taxes	17,742,867	17,883,923	-	-	17,742,867	17,883,923
Excises	1,397,069	1,353,656	-	-	1,397,069	1,353,656
Penalties and interest on taxes	205,920	254,726	-	-	205,920	254,726
Grants and contributions not restricted to specific programs	958,211	899,525	-	-	958,211	899,525
Investment income	27,012	27,622	25,728	24,791	52,740	52,413
Other	<u>201,670</u>	<u>82,296</u>	<u>7,655</u>	<u>-</u>	<u>209,325</u>	<u>82,296</u>
Total revenues	22,346,614	22,238,503	2,001,332	2,002,765	24,347,946	24,241,268
Expenses:						
General government	1,674,445	1,779,211	-	-	1,674,445	1,779,211
Public safety	2,650,468	2,666,185	-	-	2,650,468	2,666,185
Education	12,065,432	11,598,719	-	-	12,065,432	11,598,719
Public works	2,283,975	1,999,049	-	-	2,283,975	1,999,049
Human services	329,011	386,653	-	-	329,011	386,653
Culture and recreation	918,912	797,713	-	-	918,912	797,713
Employee benefits	1,217,614	1,190,101	-	-	1,217,614	1,190,101
Retirement	688,410	678,833	-	-	688,410	678,833
Insurance	220,739	220,272	-	-	220,739	220,272
Interest on long-term debt	409,079	367,230	-	-	409,079	367,230
Intergovernmental	71,373	69,991	-	-	71,373	69,991
Sewer operations	-	-	1,507,621	1,518,169	1,507,621	1,518,169
Total expenses	<u>22,529,458</u>	<u>21,753,957</u>	<u>1,507,621</u>	<u>1,518,169</u>	<u>24,037,079</u>	<u>23,272,126</u>
Change in net position before transfers	(182,844)	484,546	493,711	484,596	310,867	969,142
Transfers in (out)	<u>173,100</u>	<u>171,600</u>	<u>(73,100)</u>	<u>(71,600)</u>	<u>100,000</u>	<u>100,000</u>
Change in net position	(9,744)	656,146	420,611	412,996	410,867	1,069,142
Net position - beginning of year	<u>24,943,845</u>	<u>24,287,699</u>	<u>6,892,845</u>	<u>6,479,849</u>	<u>31,836,690</u>	<u>30,767,548</u>
Net position - end of year	<u>\$ 24,934,101</u>	<u>\$ 24,943,845</u>	<u>\$ 7,313,456</u>	<u>\$ 6,892,845</u>	<u>\$ 32,247,557</u>	<u>\$ 31,836,690</u>



As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position were \$32,247,557, an increase of \$410,867 from the prior year.

The largest portion of net position, \$21,384,722, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, and sewer infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,321,658, represents resources that are subject to external and statutory restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,541,177, may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a decrease in net position of \$(9,744). Key elements of this change are as follows:

- Capital additions of \$990,049 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 \$119,904.
- The net effect of capital asset dispositions was \$(23,774).
- Bond proceeds of \$(4,938,880) are a funding source to governmental funds but are an increase to liabilities in the governmental activities.
- General fund decrease of \$(496,562) further discussed in Section D.
- Governmental capital expenditures less than bond proceeds of \$4,266,829.
- Revolving fund revenues and transfers in in excess of expenditures of \$62,037.
- Other funds revenues and transfers in in excess of expenditures and transfers out of \$386,858.
- Other post-employment benefits (OPEB) liability increase of \$(409,054).
- Other revenue/expense accruals resulting in an increase of \$32,849.

**Business-type activities.** Business-type activities (sewer operations) for the year resulted in an increase in net position of \$420,611. Key elements of this change are as follows:

Revenues more than budget	\$ 459,798
Expenditures, on a budgetary basis, under expended	384,260
Prior year encumbrances expended in the current year	(316,522)
Current year encumbrances to be expended in a subsequent year	227,867
Depreciation expense (not budgeted for) more than unreimbursed debt principal (included in the budget)	(159,429)
Capital additions, budgeted as expenses	157,882
Bond proceeds, budgeted as revenue	(268,600)
Current year increase in OPEB liability	(60,989)
Other	<u>(3,656)</u>
Total	<u>\$ 420,611</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 \$11,664,757, an increase of \$4,219,162 in comparison with the prior year.

General fund revenues and transfers in less than expenditures and transfers out	\$ (496,562)
Special revenue fund revenues over expenditures	440,260
Capital project fund bond proceeds over expenditures	4,266,829
Trust fund revenues over expenditures	<u>8,635</u>
Total	<u>\$ 4,219,162</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 \$3,377,448, while total fund balance was \$6,521,582. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% of Total 2014 General Fund Expenditures</u>
General fund unassigned	\$ 3,005,199	\$ 2,964,227	\$ 40,972	13%
Stabilization	<u>372,249</u>	<u>371,373</u>	<u>876</u>	2%
Total unassigned fund balance	3,377,448	3,335,600	41,848	15%
Total fund balance	6,521,582	7,018,144	(496,562)	30%

The fund balance of the general fund decreased by \$(496,562) (Town general fund decrease of \$(497,438) and stabilization fund increase of \$876 during the current fiscal year. Key factors in this change are as follows:

- Free cash of \$(2,765,500) and prior year encumbrances of \$(4,000) used in the current year budget. Prior year overlay and appropriation deficits raised in the current year of \$41,638.
- Non-property tax revenue, on a budgetary basis, was in excess of amounts estimated by \$1,222,810, primarily due to local option taxes, motor vehicle excise commitments, rentals, bond premium, and penalties, interest and payments in lieu of taxes.
- Actual property tax collections were more than current year budget of \$23,449.
- Actual expenditures, on a budgetary basis, were less than amounts appropriated of \$1,079,673.
- Actual expenditures in the current year that were funded by a prior year budget were \$(856,077). Conversely, current year expenditure carry forwards that will be expended in a subsequent year were \$760,569.
- Stabilization fund revenues of \$876.

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

Unrestricted net position of the enterprise funds at the end of the year was \$3,498,323 and total net position amounted to \$7,313,456, an increase of \$420,611 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 \$30,176,751 (net of accumulated depreciation), a decrease of \$(535,568) 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 \$(1,333,355) (governmental activities) and \$(326,369) (business-type activities).
- Library books purchases of \$69,188.
- Sewer plant upgrade, construction in progress costs of \$157,882.
- DPW equipment and vehicle purchases of \$200,000, building improvements of \$82,000 and roadway improvements/ drainage upgrades of \$481,743.
- Purchases of police vehicles of \$67,722, fire equipment (in process) of \$36,117, playground equipment of \$39,778 and a mower for the cemetery of \$13,500.
- Disposal of assets of \$(456,731) (governmental activities), net of accumulated depreciation of \$432,957.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$11,957,280, all of which was backed by the full faith and credit of the government.

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

## **REQUESTS FOR INFORMATION**

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

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

## TOWN OF GREAT BARRINGTON, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 12,109,700	\$ 3,615,154	\$ 15,724,854
Receivables, net of allowance for uncollectibles:			
Property taxes	629,714	-	629,714
Excises	63,217	-	63,217
User fees	-	307,573	307,573
Departmental and other	190,226	-	190,226
Intergovernmental	74,748	-	74,748
Note receivable	640,000	-	640,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	50,482	51,469	101,951
Intergovernmental	-	35,827	35,827
Land and construction in progress	7,006,655	460,637	7,467,292
Capital assets, net of accumulated depreciation	<u>18,635,801</u>	<u>4,073,658</u>	<u>22,709,459</u>
<b>TOTAL ASSETS</b>	<b>39,400,543</b>	<b>8,544,318</b>	<b>47,944,861</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	437,588	130,605	568,193
Accrued payroll and payroll withholdings	82,101	8,693	90,794
Accrued interest payable	22,198	5,491	27,689
Notes payable	-	21,400	21,400
Current portion of long-term liabilities:			
Bonds payable	1,323,940	168,340	1,492,280
Landfill liabilities	15,000	-	15,000
Noncurrent:			
Bonds payable, net of current portion	9,991,660	473,340	10,465,000
Landfill liabilities, net of current portion	180,000	-	180,000
Net OPEB obligation	2,226,765	394,353	2,621,118
Compensated absences	<u>187,190</u>	<u>28,640</u>	<u>215,830</u>
<b>TOTAL LIABILITIES</b>	<b>14,466,442</b>	<b>1,230,862</b>	<b>15,697,304</b>
<b>NET POSITION</b>			
Net investment in capital assets	17,569,589	3,815,133	21,384,722
Restricted for:			
State grants and other legislatively separate funds	965,648	-	965,648
Permanent funds:			
Nonexpendable	283,465	-	283,465
Expendable	72,545	-	72,545
Unrestricted	<u>6,042,854</u>	<u>3,498,323</u>	<u>9,541,177</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>24,934,101</u></b>	<b>\$ <u>7,313,456</u></b>	<b>\$ <u>32,247,557</u></b>

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 1,674,445	\$ 764,148	\$ -	\$ -	\$ (910,297)	\$ -	\$ (910,297)
Public safety	2,650,468	444,835	7,594	-	(2,198,039)	-	(2,198,039)
Education	12,065,432	-	-	-	(12,065,432)	-	(12,065,432)
Public works	2,283,975	62,213	114,167	165,056	(1,942,539)	-	(1,942,539)
Health and human services	329,011	173,014	37,459	-	(118,538)	-	(118,538)
Culture and recreation	918,912	29,141	16,238	-	(873,533)	-	(873,533)
Employee benefits	1,217,614	-	-	-	(1,217,614)	-	(1,217,614)
Retirement	688,410	-	-	-	(688,410)	-	(688,410)
Insurance	220,739	-	-	-	(220,739)	-	(220,739)
Interest	409,079	-	-	-	(409,079)	-	(409,079)
Intergovernmental	71,373	-	-	-	(71,373)	-	(71,373)
Total Governmental Activities	22,529,458	1,473,351	175,458	165,056	(20,715,593)	-	(20,715,593)
<b>Business-Type Activities:</b>							
Sewer operations	1,507,621	1,963,354	4,595	-	-	460,328	460,328
Total	\$ 24,037,079	\$ 3,436,705	\$ 180,053	\$ 165,056	(20,715,593)	460,328	(20,255,265)
<b>General Revenues:</b>							
Property taxes					17,742,867	-	17,742,867
Excises					1,397,069	-	1,397,069
Penalties, interest and other taxes					205,920	-	205,920
Grants and contributions not restricted to specific programs					958,211	-	958,211
Investment income					27,012	25,728	52,740
Miscellaneous					201,670	7,655	209,325
Transfers, net					173,100	(73,100)	100,000
Total general revenues and transfers					20,705,849	(39,717)	20,666,132
Change in Net Position					(9,744)	420,611	410,867
<b>Net Position:</b>							
Beginning of year					24,943,845	6,892,845	31,836,690
End of year					\$ 24,934,101	\$ 7,313,456	\$ 32,247,557

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

## TOWN OF GREAT BARRINGTON, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>Governmental Capital</u>	<u>Other Special Revenue Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 6,731,621	\$ 3,373,329	\$ 381,954	\$ 1,622,796	\$ 12,109,700
Receivables:					
Property taxes	1,366,602	-	-	13,712	1,380,314
Excises	150,479	-	-	-	150,479
Departmental and other	157,212	-	33,014	-	190,226
Intergovernmental	-	-	-	74,748	74,748
Note receivable	-	-	640,000	-	640,000
Due from other funds	31,469	-	-	-	31,469
TOTAL ASSETS	<u>\$ 8,437,383</u>	<u>\$ 3,373,329</u>	<u>\$ 1,054,968</u>	<u>\$ 1,711,256</u>	<u>\$ 14,576,936</u>
<b>LIABILITIES</b>					
Liabilities:					
Warrants payable	\$ 165,300	\$ 205,375	\$ 3,058	\$ 63,855	\$ 437,588
Accrued payroll and withholdings	76,206	-	5,895	-	82,101
Due to other funds	-	-	-	31,469	31,469
TOTAL LIABILITIES	241,506	205,375	8,953	95,324	551,158
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,674,295	-	673,014	13,712	2,361,021
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	283,465	283,465
Restricted	-	3,167,954	373,001	196,879	3,737,834
Committed	-	-	-	1,121,876	1,121,876
Assigned	3,144,134	-	-	-	3,144,134
Unassigned	3,377,448	-	-	-	3,377,448
TOTAL FUND BALANCES	<u>6,521,582</u>	<u>3,167,954</u>	<u>373,001</u>	<u>1,602,220</u>	<u>11,664,757</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,437,383</u>	<u>\$ 3,373,329</u>	<u>\$ 1,054,968</u>	<u>\$ 1,711,256</u>	<u>\$ 14,576,936</u>

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

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

JUNE 30, 2014

<b>Total Governmental Fund Balances</b>	<b>\$ 11,664,757</b>
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	25,642,456
<ul style="list-style-type: none"><li>• 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.</li></ul>	1,573,641
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(22,198)
<ul style="list-style-type: none"><li>• 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.</li></ul>	<u>(13,924,555)</u>
<b>Net Position of Governmental Activities</b>	<b>\$ <u>24,934,101</u></b>

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



TOWN OF GREAT BARRINGTON, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Governmental Capital</u>	<u>Other Special Revenue Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 17,787,133	\$ -	\$ -	\$ -	\$ 17,787,133
Excises	1,403,652	-	-	-	1,403,652
Penalties, interest and other taxes	203,608	-	-	-	203,608
Charges for services	591,850	-	311,204	386,851	1,289,905
Intergovernmental	956,661	-	-	342,064	1,298,725
Licenses and permits	64,636	-	-	-	64,636
Fines and forfeits	46,139	-	-	-	46,139
Investment income	24,406	-	-	2,606	27,012
Miscellaneous	<u>201,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,670</u>
Total Revenues	21,279,755	-	311,204	731,521	22,322,480
<b>Expenditures:</b>					
Current:					
General government	1,556,012	30,000	24,578	174	1,610,764
Public safety	1,978,658	103,218	220,844	14,586	2,317,306
Education	11,983,457	81,975	-	-	12,065,432
Public works	1,773,305	456,858	1,585	274,748	2,506,496
Health and human services	394,968	-	-	37,459	432,427
Culture and recreation	607,676	-	1,200	26,885	635,761
Employee benefits	791,649	-	-	16,911	808,560
Retirement	688,410	-	-	-	688,410
Insurance	220,739	-	-	-	220,739
Debt service	1,858,030	-	-	-	1,858,030
Intergovernmental	<u>71,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,373</u>
Total Expenditures	<u>21,924,277</u>	<u>672,051</u>	<u>248,207</u>	<u>370,763</u>	<u>23,215,298</u>
Excess (deficiency) of revenues over expenditures	(644,522)	(672,051)	62,997	360,758	(892,818)
<b>Other Financing Sources (Uses):</b>					
Proceeds of bonds	-	4,938,880	-	-	4,938,880
Transfers in	182,460	-	-	39,600	222,060
Transfers out	<u>(34,500)</u>	<u>-</u>	<u>(960)</u>	<u>(13,500)</u>	<u>(48,960)</u>
Total Other Financing Sources (Uses)	<u>147,960</u>	<u>4,938,880</u>	<u>(960)</u>	<u>26,100</u>	<u>5,111,980</u>
Change in fund balance	(496,562)	4,266,829	62,037	386,858	4,219,162
Fund Equity, at Beginning of Year	<u>7,018,144</u>	<u>(1,098,875)</u>	<u>310,964</u>	<u>1,215,362</u>	<u>7,445,595</u>
Fund Equity, at End of Year	\$ <u>6,521,582</u>	\$ <u>3,167,954</u>	\$ <u>373,001</u>	\$ <u>1,602,220</u>	\$ <u>11,664,757</u>

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 4,219,162</b>								
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases, net of dispositions</td><td style="text-align: right;">966,275</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,333,355)</td></tr> </table> </li> <li>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. <div style="text-align: right;">24,134</div> </li> <li>The issuance of long-term debt (e.g., bonds and long term notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Bond proceeds</td><td style="text-align: right;">(4,938,880)</td></tr> <tr> <td>Repayments of debt</td><td style="text-align: right;">1,453,260</td></tr> </table> </li> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="text-align: right;">(4,310)</div> </li> <li>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. <div style="text-align: right;">(396,030)</div> </li> </ul>	Capital outlay purchases, net of dispositions	966,275	Depreciation	(1,333,355)	Bond proceeds	(4,938,880)	Repayments of debt	1,453,260	
Capital outlay purchases, net of dispositions	966,275								
Depreciation	(1,333,355)								
Bond proceeds	(4,938,880)								
Repayments of debt	1,453,260								
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>(9,744)</u></b>								

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues and Other Sources:</b>				
Taxes	\$ 17,763,684	\$ 17,763,684	\$ 17,763,684	\$ -
Excise	690,000	690,000	1,403,652	713,652
Penalties, interest and other taxes	42,000	42,000	203,608	161,608
Charges for services	428,000	428,000	591,850	163,850
Intergovernmental	991,093	991,093	956,661	(34,432)
Licenses and permits	55,000	55,000	64,636	9,636
Fines and forfeits	35,000	35,000	46,139	11,139
Investment income	20,000	20,000	23,530	3,530
Miscellaneous	7,843	7,843	201,670	193,827
Transfers in	182,460	182,460	182,460	-
Other sources	<u>2,769,500</u>	<u>2,769,500</u>	<u>2,769,500</u>	<u>-</u>
Total Revenues and Other Sources	22,984,580	22,984,580	24,207,390	1,222,810
<b>Expenditures and Other Uses:</b>				
General government	1,669,777	1,651,842	1,516,553	135,289
Public safety	2,013,122	2,018,448	1,980,722	37,726
Education	12,053,039	12,053,039	11,983,457	69,582
Public works	1,949,174	1,961,785	2,038,071	(76,286)
Health and human services	358,069	358,067	375,042	(16,975)
Culture and recreation	629,978	629,978	588,280	41,698
Employee benefits	1,533,068	1,533,068	791,649	741,419
Retirement	714,341	714,341	688,410	25,931
Insurance	292,401	292,401	220,739	71,662
Debt service	1,624,100	1,624,100	1,574,473	49,627
Intergovernmental	71,373	71,373	71,373	-
Transfers out	34,500	34,500	34,500	-
Other uses	<u>41,638</u>	<u>41,638</u>	<u>41,638</u>	<u>-</u>
Total Expenditures and Other Uses	<u>22,984,580</u>	<u>22,984,580</u>	<u>21,904,907</u>	<u>1,079,673</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,302,483</u>	\$ <u>2,302,483</u>

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business- Type Activities <u>Enterprise Funds</u>
	<u>Sewer Fund</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 3,615,154
User fees receivable	<u>307,573</u>
Total current assets	3,922,727
Noncurrent:	
Property taxes receivable	51,469
Intergovernmental receivables	35,827
Land and construction in progress	460,637
Capital assets, net of accumulated depreciation	<u>4,073,658</u>
Total noncurrent assets	<u>4,621,591</u>
<b>TOTAL ASSETS</b>	8,544,318
<b>LIABILITIES</b>	
Current:	
Warrants payable	130,605
Accrued payroll	8,693
Accrued interest payable	5,491
Notes payable	21,400
Current portion of long-term liabilities:	
Bonds payable	<u>168,340</u>
Total current liabilities	334,529
Noncurrent:	
Bonds payable, net of current portion	473,340
Net OPEB obligation	394,353
Compensated absences	<u>28,640</u>
Total noncurrent liabilities	<u>896,333</u>
<b>TOTAL LIABILITIES</b>	1,230,862
<b>NET POSITION</b>	
Net investment in capital assets	3,815,133
Unrestricted:	
Reserved for expenditure	450,000
Reserved for encumbrance	227,867
Unrestricted	<u>2,820,456</u>
<b>TOTAL NET POSITION</b>	<u>\$ 7,313,456</u>

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Business- Type Activities <u>Enterprise Funds</u>
	<u>Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,963,354
Total Operating Revenues	1,963,354
<b>Operating Expenses:</b>	
Salary and wages	374,337
Operating expenses	395,806
Materials and supplies	106,600
Capital outlay	18,605
Depreciation	326,369
Employee benefits	180,653
Retirement	32,605
Insurance	39,933
Other	3,495
Total Operating Expenses	1,478,403
Operating Income	484,951
<b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental revenue	4,595
Investment income	25,728
Bond premium	7,655
Interest expense	(29,218)
Total Nonoperating Revenues (Expenses), Net	8,760
<b>Transfer Out</b>	(73,100)
Change in Net Position	420,611
Net Position at Beginning of Year	6,892,845
Net Position at End of Year	\$ 7,313,456

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	Business- Type Activities <u>Enterprise Funds</u>
	<u>Sewer Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 1,920,251
Payments to vendors and employees	<u>(1,004,368)</u>
Net Cash Provided By Operating Activities	915,883
<b><u>Cash Flows From Non-Capital Financing Activities:</u></b>	
Receipts from governments	12,250
Transfers out	<u>(73,100)</u>
Net Cash (Used For) Non-Capital Financing Activities	(60,850)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and construction of capital assets	(157,882)
Proceeds of bonds	268,600
Principal payments on bonds	(166,940)
Payment of note payable	(268,600)
Interest expense paid	<u>(31,347)</u>
Net Cash (Used For) Capital and Related Financing Activities	(356,169)
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	<u>25,728</u>
Net Change in Cash and Short-Term Investments	524,592
Cash and Short Term Investments, Beginning of Year	<u>3,090,562</u>
Cash and Short Term Investments, End of Year	<u><u>\$ 3,615,154</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>	
Operating income	\$ 484,951
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	326,369
Changes in assets and liabilities:	
User fee receivables	(43,103)
Warrants and accounts payable	84,122
Other liabilities	<u>63,544</u>
Net Cash Provided By Operating Activities	<u><u>\$ 915,883</u></u>

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ <u>973,009</u>
Total Assets	973,009
<b><u>NET POSITION</u></b>	
Total net position held in trust for pension benefits	\$ <u><u>973,009</u></u>

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Pension Trust Fund</u>
<b>Additions:</b>	
Interest income	\$ <u>4,820</u>
Total additions	4,820
<b>Deductions:</b>	
Transfer out	<u>100,000</u>
Total deductions	<u>100,000</u>
Net increase (decrease)	(95,180)
<b>Net position:</b>	
Beginning of year	<u>1,068,189</u>
End of year	\$ <u><u>973,009</u></u>

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



## Great Barrington, Massachusetts

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

##### B. Government-Wide and Fund Financial Statements

###### Government-Wide Financial Statements

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

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

###### Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *governmental capital fund* is used to account for capital projects of a duration longer than one year.
- The other *special revenue funds* is used to account for revolving fund activities and receipts reserved by law such as sale of cemetery lots and wetlands related receipts.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with

a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

**D. Cash and Short-Term Investments**

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

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

**E. Property Tax Limitations**

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of \$1,767,517.

**F. Interfund Receivables and Payables**

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

#### G. Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

#### H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits up to certain limits and payable upon retirement. The Town has established a trust fund with Town appropriations (\$35,000 annually; \$30,000 from the general fund and \$5,000 from the sewer fund) to be used to fund accumulated sick leave benefits. The balance in the trust fund at June 30, 2014 is \$486,877.

#### I. Long-Term Obligations

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

#### J. Fund Equity

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

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

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

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

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates

and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## **2. Stewardship, Compliance and Accountability**

### **A. Budgetary Information**

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

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

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

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

### **B. Budgetary Basis**

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

### C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 21,279,755	\$ 21,924,277
Other financing sources/uses (GAAP basis)	182,460	34,500
Remove effect of stabilization fund activity	(876)	-
Adjust tax revenue to accrual basis	(23,449)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(856,077)
Add end of year appropriation carryforwards to expenditures	-	760,569
Recognize use of fund balance as funding source/use	<u>2,769,500</u>	<u>41,638</u>
Budgetary basis	<u>\$ 24,207,390</u>	<u>\$ 21,904,907</u>

### D. Excess of Expenditures Over Appropriations

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

Snow and ice	\$(93,803)
Veterans benefits	\$(42,313)

## **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, 2014, none of the Town's bank balance of \$16,939,238 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the Town's name. The Town has a formal policy for custodial credit risk which requires that the Town only invest funds in accordance with

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

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

#### 4. **Taxes Receivable**

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

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

Taxes receivable at June 30, 2014 consist of the following:

Real Estate		
2014		\$ 622,851
Personal Property		
2014	22,631	
2013	8,051	
2012	7,215	
2011 and prior	<u>5,525</u>	
		43,422
Community Preservation		11,834
Tax Liens and Foreclosure		<u>702,207</u>
Total		1,380,314
Less Allowance for Doubtful Accounts		<u>(602,373)</u>
Net Property Tax Receivable		777,941
Less Current Portion		(629,714)
Less Transfer of Foreclosure to Capital Asset		<u>(97,745)</u>
Non-Current Portion (Tax Lien)		<u>\$ 50,482</u>



## 5. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 48,393
Tax title	<u>553,980</u>
Subtotal property taxes	602,373
Excises	87,262

## 6. Intergovernmental Receivables

The current receivable balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

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, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 31,469	\$ -
Special Revenue Funds:		
Town grants	<u>-</u>	<u>31,469</u>
Total	<u>\$ 31,469</u>	<u>\$ 31,469</u>

## 8. Note Receivable

The Town sold the Searles/Bryant school building in fiscal year 2011 to Riverschool Redevelopment, LLC for \$800,000. The terms of the sale included a promissory note for \$640,000 at 3.25% with an original term of 36 months. The term was extended to April 2014, during which time the buyer was required to pay monthly interest payments with the full principal balance due at

the end of the term. The note was guaranteed by a co-developer of the property, Iredale Mineral Cosmetics (IMC).

In June 2014, the Town formally notified IMC that Riverschool Redevelopment was in default and that in accordance with the terms of the promissory note, the Town was now seeking payment from IMC as the guarantor. The Town received payment in full from IMC in October 2014.

The property had certain environmental remediation issues that needed to be resolved as a condition of the sale. The Town has paid approximately \$162,000 and expects the remaining costs will be an additional \$15,000.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 15,091,709	\$ -	\$ (49,895)	\$ -	\$ 15,041,814
Machinery, equipment, and furnishings	1,911,980	122,466	(72,108)	-	1,962,338
Vehicles	4,626,283	267,722	(334,728)	-	4,559,277
Infrastructure	7,499,520	-	-	264,816	7,764,336
Total capital assets, being depreciated	29,129,492	390,188	(456,731)	264,816	29,327,765
Less accumulated depreciation for:					
Buildings and improvements	(3,564,323)	(475,367)	43,705	-	(3,995,985)
Machinery, equipment, and furnishings	(1,233,075)	(155,830)	72,108	-	(1,316,797)
Vehicle	(3,039,236)	(320,562)	317,144	-	(3,042,654)
Infrastructure	(1,954,932)	(381,596)	-	-	(2,336,528)
Total accumulated depreciation	(9,791,566)	(1,333,355)	432,957	-	(10,691,964)
Total capital assets, being depreciated, net	19,337,926	(943,167)	(23,774)	264,816	18,635,801
Capital assets, not being depreciated:					
Land	5,562,269	-	-	-	5,562,269
Construction in progress (CIP)	1,109,342	599,860	-	(264,816)	1,444,386
Total capital assets, not being depreciated	6,671,611	599,860	-	(264,816)	7,006,655
Governmental activities capital assets, net	\$ 26,009,537	\$ (343,307)	\$ (23,774)	\$ -	\$ 25,642,456

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
<b>Business-Type Activities:</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 10,077,690	\$ -	\$ -	\$ -	\$ 10,077,690
Machinery, equipment, and furnishings	1,076,310	-	(95,345)	-	980,965
Vehicles	268,177	-	-	-	268,177
Infrastructure	<u>549,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,876</u>
Total capital assets, being depreciated	11,972,053	-	(95,345)	-	11,876,708
Less accumulated depreciation for:					
Buildings and improvements	(6,711,784)	(219,342)	-	-	(6,931,126)
Machinery, equipment, and furnishings	(492,189)	(80,122)	95,345	-	(476,966)
Vehicles	(193,227)	(13,158)	-	-	(206,385)
Infrastructure	<u>(174,826)</u>	<u>(13,747)</u>	<u>-</u>	<u>-</u>	<u>(188,573)</u>
Total accumulated depreciation	<u>(7,572,026)</u>	<u>(326,369)</u>	<u>95,345</u>	<u>-</u>	<u>(7,803,050)</u>
Total capital assets, being depreciated, net	4,400,027	(326,369)	-	-	4,073,658
Capital assets, not being depreciated:					
Land	10,655	-	-	-	10,655
Construction in progress	<u>292,100</u>	<u>157,882</u>	<u>-</u>	<u>-</u>	<u>449,982</u>
Total capital assets, not being depreciated	<u>302,755</u>	<u>157,882</u>	<u>-</u>	<u>-</u>	<u>460,637</u>
Business-type activities capital assets, net	<u>\$ 4,702,782</u>	<u>\$ (168,487)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,534,295</u>

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

Governmental Activities:	
General government	\$ 39,908
Public safety	435,025
Public works - general	569,721
Human services	5,550
Culture and recreation	<u>283,151</u>
Total depreciation expense	<u>\$ 1,333,355</u>
Business-Type Activities:	
Sewer	<u>\$ 326,369</u>

## 10. Warrants Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014 as permitted by law.

## 11. Anticipation Notes Payable

The Town had the following note outstanding at June 30, 2014:

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2014</u>
<u>Governmental Activities</u>				
Bond anticipation	0.60%	06/18/14	12/18/14	\$ 21,400

The following summarizes activity in notes payable during fiscal year 2014:

	<u>Balance Beginning of Year</u>	<u>Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
<u>Governmental Activities</u>				
Bond anticipation	\$ 1,620,000	\$ 1,001,600	\$ (2,600,200)	\$ 21,400
Grant anticipation	<u>237,967</u>	<u>-</u>	<u>(237,967)</u>	<u>-</u>
Total	<u>\$ 1,857,967</u>	<u>\$ 1,001,600</u>	<u>\$ (2,838,167)</u>	<u>\$ 21,400</u>

## 12. Deferred Inflows of Resources

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

The balance of deferred inflows of resources as of June 30, 2014 consists of deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2014 receivable balances.

## 13. Long-Term Debt

### A. General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2014
<u>Governmental Activities:</u>			
Library/equipment	06/15/15	4.00	\$ 180,000
Library addition	02/15/16	4.00	133,320
2009 bonds - general portion	06/15/24	2.0 - 3.375	1,100,000
Fire station	06/15/27	4.125 - 5.0	5,330,000
Muti Purpose - general portion	06/01/28	3.0 - 3.5	2,915,000
Multi purpose - town buildings, roads	06/01/24	2.0 - 3.0	<u>1,657,280</u>
Total Governmental Activities			11,315,600
<u>Business-Type Activities:</u>			
Sewer refunding	02/15/16	4.00%	266,680
Sewer project - MWPAT	08/01/19	1.76%	120,000
Multi purpose - Sewer portion	08/01/13	3.00%	<u>255,000</u>
Total Business-Type Activities			<u>641,680</u>
Total All Debt			<u>\$ 11,957,280</u>

#### 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, 2014	Principal Subsidy Remaining	Net Repayment June 30, 2014
Loan #98-53	\$ <u>120,000</u>	\$ <u>(35,828)</u>	\$ <u>84,172</u>

#### C. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,323,940	\$ 403,067	\$ 1,727,007
2016	1,106,660	356,751	1,463,411
2017	1,020,000	316,536	1,336,536
2018	1,020,000	279,485	1,299,485
2019	920,000	246,335	1,166,335
2020 - 2024	4,360,000	770,993	5,130,993
2025 - 2028	<u>1,565,000</u>	<u>131,350</u>	<u>1,696,350</u>
Total	\$ <u>11,315,600</u>	\$ <u>2,504,517</u>	\$ <u>13,820,117</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 168,340	\$ 24,112	\$ 192,452
2016	168,340	17,252	185,592
2017	35,000	10,425	45,425
2018	35,000	8,858	43,858
2019	35,000	7,490	42,490
2020 - 2024	120,000	22,300	142,300
2025 - 2028	<u>80,000</u>	<u>6,550</u>	<u>86,550</u>
Total	\$ <u>641,680</u>	\$ <u>96,987</u>	\$ <u>738,667</u>

#### D. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	<u>Total Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2014</u>	<u>Less Current Portion</u>	<u>Long-Term Portion June 30, 2014</u>
<u>Governmental Activities</u>						
Notes payable	\$ 230,000	\$ -	\$ (230,000)	\$ -	\$ -	\$ -
Bonds payable	7,599,980	4,938,880	(1,223,260)	11,315,600	(1,323,940)	9,991,660
Other:						
Landfill closure	210,000	-	(15,000)	195,000	(15,000)	180,000
Other post-employment benefits	1,817,711	409,054	-	2,226,765	-	2,226,765
Accrued employee benefits	<u>185,214</u>	<u>1,976</u>	<u>-</u>	<u>187,190</u>	<u>-</u>	<u>187,190</u>
Totals	\$ <u>10,042,905</u>	\$ <u>5,349,910</u>	\$ <u>(1,468,260)</u>	\$ <u>13,924,555</u>	\$ <u>(1,338,940)</u>	\$ <u>12,585,615</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 540,020	\$ 268,600	\$ (166,940)	\$ 641,680	\$ (168,340)	\$ 473,340
Other:						
Other post-employment benefits	333,364	60,989	-	394,353	-	394,353
Accrued employee benefits	<u>28,640</u>	<u>-</u>	<u>-</u>	<u>28,640</u>	<u>-</u>	<u>28,640</u>
Totals	\$ <u>902,024</u>	\$ <u>329,589</u>	\$ <u>(166,940)</u>	\$ <u>1,064,673</u>	\$ <u>(168,340)</u>	\$ <u>896,333</u>

**E. Authorized and Unissued Debt**

The Town had the following authorized but unissued debt as of June 30, 2014:

Stormwater system	\$ 575,000
Sewer project	<u>17,431,400</u>
Total	<u>\$ 18,006,400</u>

**14. Landfill Closure and Post-Closure Care Costs**

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

The \$195,000 reported as landfill liability at June 30, 2014 represents the estimated cost of monitoring the landfill for the next 13 years. This amount is based on what it would cost to perform all closure and post-closure care in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**15. Restricted Net Position**

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

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

**16. Governmental Funds - Balances**

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

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2014:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds, the balance of capital funds funded through borrowing 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 certain special revenue funds, Town set asides and the residual balance of capital funds established through Town appropriation.

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

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

Following is a breakdown of the Town's fund balances at June 30, 2014:



	General Fund	Governmental Capital Fund	Other Special Revenue Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 283,465	\$ 283,465
Total Nonexpendable	-	-	-	283,465	283,465
Restricted					
Special revenue funds	-	-	373,001	124,334	497,335
Capital project funds	-	3,167,954	-	-	3,167,954
Expendable permanent funds	-	-	-	72,545	72,545
Total Restricted	-	3,167,954	373,001	196,879	3,737,834
Committed					
Community Preservation fund	-	-	-	379,643	379,643
Special revenue (Town set aside) funds	-	-	-	586,314	586,314
Capital project funds	-	-	-	155,919	155,919
Total Committed	-	-	-	1,121,876	1,121,876
Assigned					
Encumbrances	760,569	-	-	-	760,569
Designated for other purposes	158,251	-	-	-	158,251
Reserved for expenditures	2,225,314	-	-	-	2,225,314
Total Assigned	3,144,134	-	-	-	3,144,134
Unassigned					
General fund	3,005,199	-	-	-	3,005,199
Stabilization fund	372,249	-	-	-	372,249
Total Unassigned	3,377,448	-	-	-	3,377,448
Total Fund Balance	\$ 6,521,582	\$ 3,167,954	\$ 373,001	\$ 1,602,220	\$ 11,664,757

## 17. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

The following is an analysis of interfund transfers made in fiscal year 2014:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 182,460	\$ 34,500
Special revenue revolving fund	-	960
Nonmajor Governmental Funds:		
Special revenue funds	4,000	-
Expendable trust funds (Town set asides)	35,600	13,500
Sewer enterprise fund	-	73,100
Pension trust fund	-	100,000
Total	\$ 222,060	\$ 222,060

Transfers are used to (1) move revenues from the fund that by statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

## **18. Subsequent Events**

### Debt

In July 2014, the Town obtained a loan through the Massachusetts Water Pollution Abatement Trust (MWPAT) for \$3,930,130 for upgrades to the wastewater treatment facility. Interim loan drawdowns will be requested as project expenses are incurred and will be converted to long term debt at or near the completion of the project. The interim loan carries an interest rate of .10% and is expected to be converted by December 31, 2015. The permanent loan carries an interest rate of 2%, payable over 20 years.

## **19. Commitments and Contingencies**

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

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

Environmental Issues – The Town is under a consent order to perform a site assessment for possible petroleum contamination on Town-owned land (highway garage). The Town is complying with the consent order. The Town has spent approximately \$103,000 through 2014 on assessment and remediation of the property. The Town expects to spend an additional \$25,000 on additional monitoring and remediation costs in order to comply with the consent order.

In addition, while the Town sold the former Castle Street Fire Station in fiscal year 2014, it retains responsibility for certain environmental remediation. The Town appropriated \$270,000 for this purpose in May 2013; however, the total cost is not reasonably determinable at present.

Long-term Lease of Building – In May 2014 the Town sold the former Castle Street Fire Station property and simultaneously entered into an agreement with the purchaser to lease portions of the space for vehicle storage and office space. The term of the lease is May 2014 – May 2020 and calls for no payments in the first year and monthly payments of \$2,500 (\$30,000 per year) thereafter.

Berkshire Health Group –The Town is a member of the Berkshire Health Group (the Group), a Massachusetts Municipal Joint Purchase Health Insurance Trust organized under Chapter 32B Section 12 of the Massachusetts General Laws to purchase and provide health care coverage for its members. As of June 30, 2014, there were 30 participating municipal entities.

Any participating governmental unit may withdraw from the Group at its discretion upon written notification to the Board at least 90 days prior to the anniversary date of health care coverage contracts purchased by the Group. The Board may terminate a participating governmental unit by a two-thirds vote of all Board members if the unit is in arrears for any payment due to the Group. There is no liability for premiums and expenses following the effective date of the withdrawal or termination of a participating governmental unit except for its (1) proportional share of any deficits in self-funded plans, (2) open premium expense and (3) any subsequent expense to cover its subscribers remaining (where required by law) on plans after withdrawal or termination.

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

Based on the unaudited results of operations of the Berkshire Health Group for the fiscal year ended June 30, 2014, after accruing \$3.3 million for incurred but unreported claims, the Group has an accumulated surplus of \$8.6 million.

## **20. Post-Employment Health Care and Life Insurance Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an

accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

*A. Plan Description*

In addition to providing the pension benefits described in the following footnote, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2012, the actuarial valuation date, approximately 118 retirees and active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

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

*C. Funding Policy*

Retirees contribute 20% to 45% 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 2014 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, 2014, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2012.

	<u>Governmental</u>	<u>Sewer</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 697,404	\$ 93,947	\$ 791,351
Interest on net OPEB obligation	96,798	-	96,798
Adjustment to ARC	<u>(83,973)</u>	<u>-</u>	<u>(83,973)</u>
Annual OPEB cost	710,229	93,947	804,176
Contributions made	<u>(301,175)</u>	<u>(32,958)</u>	<u>(334,133)</u>
Increase in net OPEB obligation	409,054	60,989	470,043
Net OPEB obligation - beginning of year	<u>1,817,711</u>	<u>333,364</u>	<u>2,151,075</u>
Net OPEB obligation - end of year	<u>\$ 2,226,765</u>	<u>\$ 394,353</u>	<u>\$ 2,621,118</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>
2014	\$ 804,176	42%	\$ 2,621,118
2013	\$ 762,345	41%	\$ 2,151,075
2012	\$ 802,637	45%	\$ 1,702,374
2011	\$ 765,873	43%	\$ 1,260,969
2010	\$ 791,158	49%	\$ 824,926
2009	\$ 756,629	44%	\$ 420,975

The Town's net OPEB obligation as of June 30, 2014 is recorded as a long-term liability in both the governmental and business-type activities.

#### E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, the date of the most recent actuarial valuation was as follows:

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future

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

**F. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include 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, 2012 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 4.5% discount rate and a 7.75% asset rate of return. Medical and drug cost trend was 0% in 2013 and 7.5% in 2014, decreasing by 0.5% for five years to an ultimate level of 5% per year. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

**21. 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, 2014, 2013, and 2012, were \$664,341, \$658,047, and \$586,847, respectively, which were equal to its annual required contributions for each of these years.

**22. 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.

**23. Implementation of New GASB Standards**

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2014  
(Unaudited)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/13	\$ 155,094,412	\$ 199,926,528	\$ 44,832,116	77.6%	\$ 40,294,434	111.3%
01/01/11	\$ 150,244,944	\$ 179,954,870	\$ 29,709,926	83.5%	\$ 38,491,825	77.2%
01/01/09	\$ 121,882,036	\$ 162,214,802	\$ 40,332,766	75.1%	\$ 37,674,392	107.1%
01/01/07	\$ 116,470,310	\$ 142,102,851	\$ 25,632,541	82.0%	\$ 33,910,423	75.6%

**Schedule of Employer Contributions**

System Wide				Town of Great Barrington	
Plan Year End	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/2013	\$ 7,730,000	\$ 7,730,000	100%	\$ 664,341	9%
12/31/2012	\$ 7,390,000	\$ 7,390,000	100%	\$ 658,047	9%
12/31/2011	\$ 7,054,856	\$ 7,054,856	100%	\$ 586,847	8%
12/31/2010	\$ 6,738,945	\$ 6,738,945	100%	\$ 565,411	8%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percent- age of Covered Payroll [(b-a)/c]
06/30/12	\$ -	\$ 9,101	\$ 9,101	-	n/a	n/a
06/30/10	\$ -	\$ 11,278	\$ 11,278	-	n/a	n/a
06/30/08	\$ -	\$ 12,401	\$ 12,401	-	n/a	n/a

See Independent Auditors' Report



**Additional Offices:**

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Selectmen  
Town of Great Barrington, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Great Barrington, Massachusetts as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 13, 2014.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal con-

trol, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

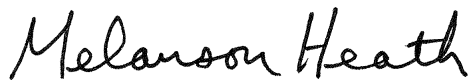
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

November 13, 2014