

**TOWN OF GREAT BARRINGTON,  
MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2016

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**Additional Offices:**

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

## INDEPENDENT AUDITORS' REPORT

To the Select Board  
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, 2016, 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.

### **Auditors' 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 auditors' 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, 2016, 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, the Schedule of OPEB Funding Progress, Schedule of Proportionate Share of Net Pension Liability, and Schedule of Pension Contributions, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017 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.

February 13, 2017

## **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, 2016.

### **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, liabilities, and deferred outflows/inflows of resources with the difference 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 decisions. Both the governmental fund balance sheet and

the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

**Proprietary funds.** Proprietary funds are maintained as follows:

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

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

**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 \$38,219,082 (i.e., net position), a change of \$3,615,117 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,487,840 a change of \$758,746 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,718,412, a change of \$464,492 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$14,321,000, a change of \$3,856,000 in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 13,728,583	\$ 12,706,522	\$ 5,095,756	\$ 4,546,452	\$ 18,824,339	\$ 17,252,974
Deferred outflows	1,464,682	29,585	132,572	2,573	1,597,254	32,158
Capital assets	<u>33,264,725</u>	<u>30,834,271</u>	<u>8,593,981</u>	<u>7,148,727</u>	<u>41,858,706</u>	<u>37,982,998</u>
Total assets	48,457,990	43,570,378	13,822,309	11,697,752	62,280,299	55,268,130
Long-term liabilities outstanding	16,501,047	15,226,548	5,737,411	1,187,496	22,238,458	16,414,044
Other liabilities	1,213,980	1,103,123	378,063	3,146,998	1,592,043	4,250,121
Deferred inflows	<u>211,566</u>	<u>-</u>	<u>19,150</u>	<u>-</u>	<u>230,716</u>	<u>-</u>
Total liabilities and deferred inflows	17,926,593	16,329,671	6,134,624	4,334,494	24,061,217	20,664,165
Net assets:						
Net investment in capital assets	24,918,940	21,959,124	3,611,861	6,252,568	28,530,801	28,211,692
Restricted	2,968,784	2,602,945	-	-	2,968,784	2,602,945
Unrestricted	<u>2,643,673</u>	<u>2,678,638</u>	<u>4,075,824</u>	<u>1,110,690</u>	<u>6,719,497</u>	<u>3,789,328</u>
Total net position	<u>\$ 30,531,397</u>	<u>\$ 27,240,707</u>	<u>\$ 7,687,685</u>	<u>\$ 7,363,258</u>	<u>\$ 38,219,082</u>	<u>\$ 34,603,965</u>

### CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,616,645	\$ 1,828,009	\$ 2,017,127	\$ 1,998,030	\$ 3,633,772	\$ 3,826,039
Operating grants and contributions	1,150,330	361,464	3,826	4,012	1,154,156	365,476
Capital grants and contributions	2,899,533	4,755,114	-	-	2,899,533	4,755,114
General revenues:						
Property taxes	19,887,887	18,702,341	-	-	19,887,887	18,702,341
Excises	1,614,915	1,546,203	-	-	1,614,915	1,546,203
Penalties and interest on taxes	237,296	233,952	-	-	237,296	233,952
Grants and contributions not restricted to specific programs	911,169	908,285	-	-	911,169	908,285
Investment income	33,611	29,341	35,890	25,147	69,501	54,488
Other	<u>150,574</u>	<u>78,004</u>	<u>21,008</u>	<u>-</u>	<u>171,582</u>	<u>78,004</u>
Total revenues	28,501,960	28,442,713	2,077,851	2,027,189	30,579,811	30,469,902
Expenses:						
General government	2,688,471	1,931,611	-	-	2,688,471	1,931,611
Public safety	2,947,838	3,051,052	-	-	2,947,838	3,051,052
Education	13,524,504	12,613,163	-	-	13,524,504	12,613,163
Public works	2,153,196	2,573,179	-	-	2,153,196	2,573,179
Human services	450,682	405,987	-	-	450,682	405,987
Culture and recreation	818,871	827,916	-	-	818,871	827,916
Employee benefits	1,604,729	1,444,984	-	-	1,604,729	1,444,984
Retirement	731,131	327,331	-	-	731,131	327,331
Insurance	217,411	236,226	-	-	217,411	236,226
Interest on long-term debt	186,671	397,566	-	-	186,671	397,566
Intergovernmental	71,366	69,794	-	-	71,366	69,794
Sewer operations	-	-	1,669,824	1,683,709	1,669,824	1,683,709
Total expenses	<u>25,394,870</u>	<u>23,878,809</u>	<u>1,669,824</u>	<u>1,683,709</u>	<u>27,064,694</u>	<u>25,562,518</u>
Change in net position before transfers	3,107,090	4,563,904	408,027	343,480	3,515,117	4,907,384
Transfers in (out)	<u>183,600</u>	<u>181,600</u>	<u>(83,600)</u>	<u>(81,600)</u>	<u>100,000</u>	<u>100,000</u>
Change in net position	3,290,690	4,745,504	324,427	261,880	3,615,117	5,007,384
Net position - beginning of year	<u>27,240,707</u>	<u>22,495,203</u>	<u>7,363,258</u>	<u>7,101,378</u>	<u>34,603,965</u>	<u>29,596,581</u>
Net position - end of year	<u>\$ 30,531,397</u>	<u>\$ 27,240,707</u>	<u>\$ 7,687,685</u>	<u>\$ 7,363,258</u>	<u>\$ 38,219,082</u>	<u>\$ 34,603,965</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 \$38,219,082, a change of \$3,615,117 from the prior year.

The largest portion of net position, \$28,530,801, 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, \$2,968,784, represents resources that are subject to external and statutory restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,643,673 (governmental) and \$4,075,824 (business-type), may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in an increase in net position of \$3,290,690. Key elements of this change are as follows:

- Capital additions of \$3,925,986 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 more than principal debt expense (included in appropriations) by \$(351,870).
- The net effect of capital asset dispositions was \$(37,002).
- General fund increase of \$366,252 further discussed in Section D.
- Bond proceeds of \$(840,000) and effect of debt refunding of \$215,000.
- Other funds revenues and transfers in in excess of expenditures and transfers out of \$392,494.
- Other post-employment benefits (OPEB) liability increase of \$(577,260).
- Net pension liability decrease of \$9,041, net of deferred outflows/inflows.
- Other revenue/expense accruals resulting in an increase of \$188,049.

**Business-type activities.** Business-type activities (sewer operations) for the year resulted in an increase in net position of \$324,427. Components of this change are as follows:

Revenues more than budget	\$ 195,560
Expenditures, on a budgetary basis, under expended	314,658
Prior year encumbrances expended in the current year	(463,913)
Current year encumbrances to be expended in a subsequent year	553,390
Depreciation expense (not budgeted for) more than unreimbursed debt principal (included in the budget)	(131,193)
Capital additions, budgeted as expenses	1,744,787
Sewer capital project fund expenses	(1,744,788)
Net effect of accruing interest on long term debt	(36,936)
Current year increase in OPEB liability	(94,932)
Current year decrease in net pension liability, net of deferrals	(6,474)
Other	(5,732)
Total	<u>\$ 324,427</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 \$11,487,840, a change of \$758,746 in comparison with the prior year.

General fund revenues and transfers in greater than expenditures and transfers out	\$ 366,252
Special revenue fund revenues over expenditures	421,230
Capital project fund revenue over expenditures	15,193
Trust fund expenditures over revenue	(43,929)
Total	<u>\$ 758,746</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 \$3,718,412, while total fund balance was \$6,829,130. 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>2016</u>	<u>2015</u>	<u>Change</u>	<u>% of Total 2016 General Fund Expenditures</u>
General fund unassigned	\$ 3,343,576	\$ 2,880,553	\$ 463,023	14%
Stabilization	<u>374,836</u>	<u>373,367</u>	<u>1,469</u>	<u>2%</u>
Total unassigned fund balance	\$ 3,718,412	\$ 3,253,920	\$ 464,492	16%
Total fund balance	\$ 6,829,130	\$ 6,462,878	\$ 366,252	29%

The fund balance of the general fund increased by \$366,252 (Town general fund increase of \$364,783 and stabilization fund increase of \$1,469 during the current fiscal year. Key factors in this change are as follows:

- Free cash of \$(2,350,000) and bond premium reserve of \$(11,641) used in the current year budget. Prior year overlay and appropriation deficits raised in the current year of \$156,585.
- Non-property tax revenue, on a budgetary basis, was in excess of amounts estimated by \$1,153,963, primarily due to local option taxes, motor vehicle excise commitments, rentals, and penalties, interest and payments in lieu of taxes.
- Actual property tax collections were more than current year budget of \$68,025.
- Actual expenditures, on a budgetary basis, were less than amounts appropriated of \$1,199,114.
- Actual expenditures in the current year that were funded by a prior year budget were \$(782,912). Conversely, current year expenditure carry forwards that will be expended in a subsequent year were \$931,649.
- Stabilization fund revenues of \$1,469.

**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 \$4,075,824 and total net position amounted to \$7,687,685, a change of \$324,427 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 \$41,858,706 (net of accumulated depreciation), an increase of \$3,875,708 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 \$(1,458,530) (governmental activities) and \$(299,533) (business-type activities).
- Library books purchases of \$77,476.
- Sewer plant upgrade, construction in progress costs of \$1,744,787.
- DPW equipment and vehicle purchases of \$316,428, building improvements of \$370,551 and roadway improvements/ drainage upgrades of \$465,923.
- Various paving projects of \$76,254, and Main Street design / upgrades of \$2,383,247, virtually all of which were paid for by and through the Commonwealth.
- Purchase of police vehicles and equipment of \$111,269, a fire department vehicle of \$40,973, playground equipment of \$56,630 and computer system of \$10,500.
- Acquisition of land through foreclosure of \$16,735.
- Net disposal of assets (mostly foreclosed property sold at auction) of \$(37,002) (governmental activities).

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$14,321,000, all of which was backed by the full faith and credit of the government.

**Bond rating.** Standard and Poors rating agency upgraded the Town's rating from AA- to AAA for the Town's 2016 bond issue.

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:

Mr. Robert Patterson  
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, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 12,100,090	\$ 4,627,051	\$ 16,727,141
Receivables, net of allowance for uncollectibles:			
Property taxes	756,352	-	756,352
Excises	58,220	-	58,220
User fees	-	378,246	378,246
Departmental and other	176,909	-	176,909
Intergovernmental	571,315	11,518	582,833
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	65,697	54,525	120,222
Intergovernmental	-	24,416	24,416
Land and construction in progress	13,182,159	5,038,875	18,221,034
Capital assets, net of accumulated depreciation	20,082,566	3,555,106	23,637,672
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,464,682</u>	<u>132,572</u>	<u>1,597,254</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	48,457,990	13,822,309	62,280,299
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,106,968	324,458	1,431,426
Accrued payroll and payroll withholdings	96,457	13,640	110,097
Accrued interest payable	10,555	39,965	50,520
Current portion of long-term liabilities:			
Bonds payable	1,145,000	261,299	1,406,299
Landfill liabilities	15,000	-	15,000
Noncurrent:			
Bonds payable, net of current portion	8,365,000	4,549,701	12,914,701
Landfill liabilities, net of current portion	150,000	-	150,000
Net OPEB obligation	3,372,523	583,576	3,956,099
Compensated absences	159,006	44,640	203,646
Net pension liability	3,294,518	298,195	3,592,713
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>211,566</u>	<u>19,150</u>	<u>230,716</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	17,926,593	6,134,624	24,061,217
<b>NET POSITION</b>			
Net investment in capital assets	24,918,940	3,611,861	28,530,801
Restricted for:			
State grants and other legislatively separate funds	2,622,404	-	2,622,404
Permanent funds:			
Nonexpendable	287,466	-	287,466
Expendable	58,914	-	58,914
Unrestricted	<u>2,643,673</u>	<u>4,075,824</u>	<u>6,719,497</u>
<b>TOTAL NET POSITION</b>	<u>\$ 30,531,397</u>	<u>\$ 7,687,685</u>	<u>\$ 38,219,082</u>

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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 2,688,471	\$ 717,742	\$ 1,023,290	\$ -	\$ (947,439)	\$ -	\$ (947,439)
Public safety	2,947,838	707,117	58,989	-	(2,181,732)	-	(2,181,732)
Education	13,524,504	-	-	-	(13,524,504)	-	(13,524,504)
Public works	2,153,196	97,392	-	2,899,533	843,729	-	843,729
Health and human services	450,682	66,164	49,600	-	(334,918)	-	(334,918)
Culture and recreation	818,871	28,230	18,451	-	(772,190)	-	(772,190)
Employee benefits	1,604,729	-	-	-	(1,604,729)	-	(1,604,729)
Retirement	731,131	-	-	-	(731,131)	-	(731,131)
Insurance	217,411	-	-	-	(217,411)	-	(217,411)
Interest	186,671	-	-	-	(186,671)	-	(186,671)
Intergovernmental	71,366	-	-	-	(71,366)	-	(71,366)
Total Governmental Activities	25,394,870	1,616,645	1,150,330	2,899,533	(19,728,362)	-	(19,728,362)
<b>Business-Type Activities:</b>							
Sewer operations	1,669,824	2,017,127	3,826	-	-	351,129	351,129
Total	\$ 27,064,694	\$ 3,633,772	\$ 1,154,156	\$ 2,899,533	(19,728,362)	351,129	(19,377,233)
<b>General Revenues:</b>							
Property taxes					19,887,887	-	19,887,887
Excises					1,614,915	-	1,614,915
Penalties, interest and other taxes					237,296	-	237,296
Grants and contributions not restricted to specific programs					911,169	-	911,169
Investment income					33,611	35,890	69,501
Miscellaneous					150,574	21,008	171,582
Transfers, net					183,600	(83,600)	100,000
Total general revenues and transfers					23,019,052	(26,702)	22,992,350
Change in Net Position					3,290,690	324,427	3,615,117
<b>Net Position:</b>							
Beginning of year					27,240,707	7,363,258	34,603,965
End of year					\$ 30,531,397	\$ 7,687,685	\$ 38,219,082

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

## TOWN OF GREAT BARRINGTON, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 7,191,202	\$ 4,908,888	\$ 12,100,090
Receivables:			
Property taxes	1,373,633	20,651	1,394,284
Excises	151,039	-	151,039
Departmental and other	157,048	19,861	176,909
Intergovernmental	-	571,315	571,315
Due from other funds	8,110	-	8,110
<b>TOTAL ASSETS</b>	<u>\$ 8,881,032</u>	<u>\$ 5,520,715</u>	<u>\$ 14,401,747</u>
<b>LIABILITIES</b>			
Liabilities:			
Warrants payable	\$ 281,691	\$ 825,277	\$ 1,106,968
Accrued payroll and withholdings	88,490	7,967	96,457
Due to other funds	-	8,110	8,110
<b>TOTAL LIABILITIES</b>	370,181	841,354	1,211,535
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,681,721	20,651	1,702,372
<b>FUND BALANCES</b>			
Nonspendable	-	287,466	287,466
Restricted	-	1,315,500	1,315,500
Committed	-	3,055,744	3,055,744
Assigned	3,110,718	-	3,110,718
Unassigned	3,718,412	-	3,718,412
<b>TOTAL FUND BALANCES</b>	<u>6,829,130</u>	<u>4,658,710</u>	<u>11,487,840</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 8,881,032</u>	<u>\$ 5,520,715</u>	<u>\$ 14,401,747</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, 2016

<b>Total Governmental Fund Balances</b>	\$ 11,487,840
<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>	33,264,725
<ul style="list-style-type: none"><li>• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.</li></ul>	1,253,116
<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>	1,037,318
<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>	(10,555)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, landfill closure, compensated absences, OPEB and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(16,501,047)</u>
<b>Net Position of Governmental Activities</b>	\$ <u>30,531,397</u>

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

## TOWN OF GREAT BARRINGTON, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 19,711,611	\$ 15,030	\$ 19,726,641
Excises	1,617,366	-	1,617,366
Penalties, interest and other taxes	234,124	2,422	236,546
Charges for services	588,002	928,132	1,516,134
Intergovernmental	1,017,001	1,618,756	2,635,757
Licenses and permits	63,272	-	63,272
Fines and forfeits	31,878	-	31,878
Investment income	27,365	6,246	33,611
Miscellaneous	115,574	35,000	150,574
Total Revenues	23,406,193	2,605,586	26,011,779
<b>Expenditures:</b>			
Current:			
General government	1,644,133	996,725	2,640,858
Public safety	2,084,812	572,626	2,657,438
Education	13,524,504	363,551	13,888,055
Public works	1,394,021	1,018,216	2,412,237
Health and human services	395,532	49,600	445,132
Culture and recreation	639,179	24,698	663,877
Employee benefits	954,693	72,776	1,027,469
Retirement	740,172	-	740,172
Insurance	217,411	-	217,411
Debt service	1,512,618	-	1,512,618
Intergovernmental	71,366	-	71,366
Total Expenditures	23,178,441	3,098,192	26,276,633
Excess (deficiency) of revenues over expenditures	227,752	(492,606)	(264,854)
<b>Other Financing Sources (Uses):</b>			
Bond proceeds	-	840,000	840,000
Proceeds of refunding debt	5,079,434	-	5,079,434
Payment to refunding agent	(5,079,434)	-	(5,079,434)
Transfers in	178,500	45,100	223,600
Transfers out	(40,000)	-	(40,000)
Total Other Financing Sources (Uses)	138,500	885,100	1,023,600
Change in fund balance	366,252	392,494	758,746
Fund Equity, at Beginning of Year, as reclassified	6,462,878	4,266,216	10,729,094
Fund Equity, at End of Year	\$ 6,829,130	\$ 4,658,710	\$ 11,487,840

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, 2016

**Net Changes in Fund Balances -**

<b>Total Governmental Funds</b>	\$ 758,746										
<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;">3,888,984</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,458,530)</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;">148,171</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>Proceeds of debt</td><td style="text-align: right;">(840,000)</td></tr> <tr> <td>Repayments of debt</td><td style="text-align: right;">1,106,660</td></tr> <tr> <td>Effect of debt refunding</td><td style="text-align: right;">215,000</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;">4,287</div> </li> <li>Some expenses reported in the Statement of Activities, such as landfill closure, compensated absences, OPEB liability, and net pension 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;"><u>(532,628)</u></div> </li> </ul>	Capital outlay purchases, net of dispositions	3,888,984	Depreciation	(1,458,530)	Proceeds of debt	(840,000)	Repayments of debt	1,106,660	Effect of debt refunding	215,000	
Capital outlay purchases, net of dispositions	3,888,984										
Depreciation	(1,458,530)										
Proceeds of debt	(840,000)										
Repayments of debt	1,106,660										
Effect of debt refunding	215,000										
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>3,290,690</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, 2016

	<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	\$ 19,643,586	\$ 19,643,586	\$ 19,643,586	\$ -
Excise	890,000	890,000	1,617,366	727,366
Penalties, interest and other taxes	42,000	42,000	234,124	192,124
Charges for services	483,000	483,000	588,002	105,002
Intergovernmental	1,014,150	1,014,150	1,017,001	2,851
Licenses and permits	55,000	55,000	63,272	8,272
Fines and forfeits	35,000	35,000	31,878	(3,122)
Investment income	20,000	20,000	25,896	5,896
Miscellaneous	-	-	115,574	115,574
Transfers in	178,500	178,500	178,500	-
Other sources	<u>2,361,641</u>	<u>2,361,641</u>	<u>2,361,641</u>	<u>-</u>
Total Revenues and Other Sources	24,722,877	24,722,877	25,876,840	1,153,963
<b>Expenditures and Other Uses:</b>				
General government	1,758,820	1,778,581	1,635,835	142,746
Public safety	2,166,933	2,166,934	2,096,338	70,596
Education	13,524,504	13,524,504	13,524,504	-
Public works	1,604,645	1,579,423	1,386,718	192,705
Health and human services	467,015	467,015	413,687	53,328
Culture and recreation	646,158	651,618	618,586	33,032
Employee benefits	1,532,968	1,532,968	954,693	578,275
Retirement	767,697	767,697	740,172	27,525
Insurance	292,401	292,401	222,661	69,740
Debt service	1,693,785	1,693,785	1,662,618	31,167
Intergovernmental	71,366	71,366	71,366	-
Transfers out	40,000	40,000	40,000	-
Other uses	<u>156,585</u>	<u>156,585</u>	<u>156,585</u>	<u>-</u>
Total Expenditures and Other Uses	<u>24,722,877</u>	<u>24,722,877</u>	<u>23,523,763</u>	<u>1,199,114</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,353,077</u>	\$ <u>2,353,077</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, 2016

	Business- Type Activities Enterprise Funds
	<u>Sewer Fund</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 4,627,051
User fees receivable	378,246
Intergovernmental receivable	11,518
Total current assets	<u>5,016,815</u>
Noncurrent:	
Property taxes receivable	54,525
Intergovernmental receivables	24,416
Land and construction in progress	5,038,875
Capital assets, net of accumulated depreciation	3,555,106
Total noncurrent assets	<u>8,672,922</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>132,572</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>13,822,309</u>
<b>LIABILITIES</b>	
Current:	
Warrants payable	324,458
Accrued payroll	13,640
Accrued interest payable	39,965
Current portion of long-term liabilities:	
Bonds payable	261,299
Total current liabilities	<u>639,362</u>
Noncurrent:	
Bonds payable, net of current portion	4,549,701
Net OPEB obligation	583,576
Compensated absences	44,640
Net pension liability	298,195
Total noncurrent liabilities	<u>5,476,112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>19,150</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>6,134,624</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,611,861
Unrestricted:	
Reserved for encumbrance	553,391
Unrestricted	3,522,433
<b>TOTAL NET POSITION</b>	<u>\$ 7,687,685</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, 2016

	Business- Type Activities Enterprise Funds
	<u>Sewer Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 2,017,127
Total Operating Revenues	2,017,127
<b>Operating Expenses:</b>	
Salary and wages	395,941
Operating expenses	411,953
Materials and supplies	103,379
Capital outlay	69,207
Depreciation	299,533
Employee benefits	237,388
Retirement	40,089
Insurance	41,503
Other	2,347
Total Operating Expenses	1,601,340
Operating Income	415,787
<b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental revenue	3,826
Interest income	35,890
Other nonoperating income	21,008
Interest expense	(68,484)
Total Nonoperating Revenues (Expenses), Net	(7,760)
<b>Transfer Out</b>	(83,600)
Change in Net Position	324,427
Net Position at Beginning of Year	7,363,258
Net Position at End of Year	\$ 7,687,685

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, 2016

	Business- Type Activities Enterprise Funds
	<u>Sewer Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 2,028,100
Payments to vendors and employees	<u>(1,531,776)</u>
Net Cash Provided By Operating Activities	496,324
<b><u>Cash Flows From Non-Capital Financing Activities:</u></b>	
Receipts from governments	3,826
Transfers out	<u>(83,600)</u>
Net Cash (Used For) Non-Capital Financing Activities	(79,774)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and construction of capital assets	(1,744,787)
Proceeds of MCWT loan funds	2,019,986
Proceeds of bond issuance	4,506,000
Proceeds of note payable	1,546,000
Principal payments on bonds	(168,340)
Payment of MCWT loan	(4,210,000)
Payment of note payable	(1,842,000)
Proceeds of bond premium	21,008
Interest expense paid	<u>(31,548)</u>
Net Cash Provided by Capital and Related Financing Activities	96,319
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	<u>35,890</u>
Net Change in Cash and Short-Term Investments	548,759
Cash and Short Term Investments, Beginning of Year	<u>4,078,292</u>
Cash and Short Term Investments, End of Year	<u><u>\$ 4,627,051</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>	
Operating income	\$ 415,787
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	299,533
Changes in assets and liabilities:	
User fee receivables	10,973
Intergovernmental receivables	(11,518)
Warrants and accounts payable	(323,178)
OPEB liability	94,932
Net pension liability, net of deferrals	6,474
Other liabilities	<u>3,321</u>
Net Cash Provided By Operating Activities	<u><u>\$ 496,324</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, 2016

	Pension Trust <u>Fund</u>
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ <u>781,799</u>
Total Assets	781,799
<b><u>NET POSITION</u></b>	
Total net position held in trust for pension benefits	\$ <u><u>781,799</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, 2016

	<u>Pension Trust Fund</u>
<b>Additions:</b>	
Interest income	\$ 4,218
Total additions	4,218
<b>Deductions:</b>	
Transfer out	100,000
Total deductions	100,000
Net increase (decrease)	(95,782)
<b>Net position:</b>	
Beginning of year	877,581
End of year	\$ 781,799

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 Select Board. 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 2016, 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 fund:

- 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.

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 2016 tax levy reflected an excess capacity of \$1,443,424.

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 (typically \$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, 2016 is \$454,380.

#### 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)	\$ 23,406,193	\$ 23,178,441
Other financing sources/uses (GAAP basis)	5,257,934	5,119,434
Remove effect of stabilization fund activity	(1,469)	-
Remove effect of debt refunding	(5,079,434)	(5,079,434)
Adjust tax revenue to accrual basis	(68,025)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(782,912)
Add end of year appropriation carryforwards to expenditures	-	931,649
Recognize use of fund balance as funding source/use	<u>2,361,641</u>	<u>156,585</u>
Budgetary basis	<u>\$ 25,876,840</u>	<u>\$ 23,523,763</u>

### 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, 2016, none of the Town's bank balance of \$16,928,062 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, 2016 consist of the following:

Real Estate		
2016		\$ 735,013
Personal Property		
2016	18,675	
2015	7,418	
2014	3,823	
2013 and prior	6,842	
		36,758
Community Preservation - Current		15,140
Tax Liens		
General Fund	601,862	
Community Preservation	5,511	
		607,373
Total		1,394,284
Less Allowance for Doubtful Accounts		(572,235)
Net Property Tax Receivable		822,049
Less Current Portion		(756,352)
Non-Current Portion (Tax Lien)		\$ 65,697

#### 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	\$ 30,559
Tax lien	<u>541,676</u>
Subtotal property taxes	572,235
Excises	92,819

## 6. Intergovernmental Receivables

The current receivable balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016.

The non-current intergovernmental receivable balance in the sewer fund represents the portion of certain outstanding debt, which is being subsidized through the Massachusetts Clean Water 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, 2016 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 8,110	\$ -
Special Revenue Funds:		
Town grants	<u>-</u>	<u>8,110</u>
Total	<u>\$ 8,110</u>	<u>\$ 8,110</u>

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,041,814	\$ -	\$ -	\$ 15,041,814
Machinery, equipment, and furnishings	1,982,207	185,967	(58,152)	2,110,022
Vehicles	5,328,072	427,309	(92,716)	5,662,665
Infrastructure	<u>9,428,590</u>	<u>511,020</u>	<u>-</u>	<u>9,939,610</u>
Total capital assets, being depreciated	31,780,683	1,124,296	(150,868)	32,754,111
Less accumulated depreciation for:				
Buildings and improvements	(4,470,227)	(474,242)	-	(4,944,469)
Machinery, equipment, and furnishings	(1,387,914)	(153,809)	58,152	(1,483,571)
Vehicle	(2,725,147)	(347,827)	76,143	(2,996,831)
Infrastructure	<u>(2,764,022)</u>	<u>(482,652)</u>	<u>-</u>	<u>(3,246,674)</u>
Total accumulated depreciation	<u>(11,347,310)</u>	<u>(1,458,530)</u>	<u>134,295</u>	<u>(12,671,545)</u>
Total capital assets, being depreciated, net	20,433,373	(334,234)	(16,573)	20,082,566
Capital assets, not being depreciated:				
Land	5,509,942	16,735	(20,429)	5,506,248
Construction in progress (CIP)	<u>4,890,956</u>	<u>2,784,955</u>	<u>-</u>	<u>7,675,911</u>
Total capital assets, not being depreciated	<u>10,400,898</u>	<u>2,801,690</u>	<u>(20,429)</u>	<u>13,182,159</u>
Governmental activities capital assets, net	<u>\$ 30,834,271</u>	<u>\$ 2,467,456</u>	<u>\$ (37,002)</u>	<u>\$ 33,264,725</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,077,690	\$ -	\$ -	\$ 10,077,690
Machinery, equipment, and furnishings	1,060,861	-	-	1,060,861
Vehicles	268,177	-	(29,610)	238,567
Infrastructure	<u>549,876</u>	<u>-</u>	<u>-</u>	<u>549,876</u>
Total capital assets, being depreciated	11,956,604	-	(29,610)	11,926,994
Less accumulated depreciation for:				
Buildings and improvements	(7,119,395)	(188,268)	-	(7,307,663)
Machinery, equipment, and furnishings	(557,863)	(83,625)	-	(641,488)
Vehicles	(222,387)	(13,893)	29,610	(206,670)
Infrastructure	<u>(202,320)</u>	<u>(13,747)</u>	<u>-</u>	<u>(216,067)</u>
Total accumulated depreciation	<u>(8,101,965)</u>	<u>(299,533)</u>	<u>29,610</u>	<u>(8,371,888)</u>
Total capital assets, being depreciated, net	3,854,639	(299,533)	-	3,555,106
Capital assets, not being depreciated:				
Land	10,655	-	-	10,655
Construction in progress	<u>3,283,433</u>	<u>1,744,787</u>	<u>-</u>	<u>5,028,220</u>
Total capital assets, not being depreciated	<u>3,294,088</u>	<u>1,744,787</u>	<u>-</u>	<u>5,038,875</u>
Business-type activities capital assets, net	<u>\$ 7,148,727</u>	<u>\$ 1,445,254</u>	<u>\$ -</u>	<u>\$ 8,593,981</u>

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

Governmental Activities:	
General government	\$ 45,782
Public safety	452,592
Public works - general	665,506
Human services	5,550
Culture and recreation	<u>289,100</u>
Total depreciation expense	\$ <u>1,458,530</u>
Business-Type Activities:	
Sewer	\$ <u>299,533</u>

## 9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2016:

	Entity-wide Basis	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Pension related:		
Net difference between projected and actual investment earnings	\$ 866,769	\$ 78,453
Changes in assumptions	<u>597,913</u>	<u>54,119</u>
Total Deferred Outflows of Resources	\$ <u>1,464,682</u>	\$ <u>132,572</u>

## 10. Warrants Payable

Warrants payable represent 2016 expenditures paid by July 15, 2016 as permitted by law.

## 11. Notes Payable

The following summarizes activity in notes payable during fiscal year 2016:

	Balance Beginning of Year	Issues	Maturities	Balance End of Year
<u>Governmental Activities</u>				
Bond anticipation	\$ 296,000	\$ 1,546,000	\$ (1,842,000)	\$ -
Massachusetts Clean Water Trust interim loan proceeds	<u>2,190,014</u>	<u>2,019,986</u>	<u>(4,210,000)</u>	<u>-</u>
Total	<u>\$ 2,486,014</u>	<u>\$ 3,565,986</u>	<u>\$ (6,052,000)</u>	<u>\$ -</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, 2016 consists of unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

	Entity-wide Basis		Fund Basis	
	Governmental Activities	Business-type Activities	Governmental Funds General Fund	Nonmajor
Unearned revenue	\$ -	\$ -	\$ 1,681,721	\$ 20,651
Pension related:				
Differences between expected and actual experience	188,779	17,087	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>22,787</u>	<u>2,063</u>	<u>-</u>	<u>-</u>
	<u>\$ 211,566</u>	<u>\$ 19,150</u>	<u>\$ 1,681,721</u>	<u>\$ 20,651</u>

## 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, 2016
<u>Governmental Activities:</u>			
Fire station (remaining after refunding)	06/15/17	4.125 - 5.0	\$ 410,000
Multi purpose - town buildings, roads	06/01/24	2.0 - 3.0	1,290,000
2009 bonds - general portion	06/15/24	3.0 - 3.375	850,000
Multi Purpose - general portion	06/15/26	2.0 - 4.0	840,000
Fire station - refunding	06/15/27	2.0 - 4.0	3,885,000
Multi Purpose - general portion	06/01/28	3.0 - 3.5	<u>2,235,000</u>
Total Governmental Activities			9,510,000
<u>Business-Type Activities:</u>			
Sewer project - MWPAT	08/01/19	1.76%	80,000
Multi Purpose - sewer portion	06/15/21	2.0 - 4.0	296,000
Multi purpose - sewer portion	06/01/28	3.00%	225,000
MCWT loan 12-23	01/15/36	2.00%	<u>4,210,000</u>
Total Business-Type Activities			<u>4,811,000</u>
Total All Debt			<u>\$ 14,321,000</u>

#### B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,145,000	\$ 480,980	\$ 1,625,980
2018	1,135,000	258,588	1,393,588
2019	1,035,000	221,350	1,256,350
2020	1,005,000	186,800	1,191,800
2021	1,010,000	153,050	1,163,050
2022 - 2026	3,655,000	318,050	3,973,050
2027 - 2028	<u>525,000</u>	<u>15,500</u>	<u>540,500</u>
Total	<u>\$ 9,510,000</u>	<u>\$ 1,634,318</u>	<u>\$ 11,144,318</u>
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 261,299	\$ 101,009	\$ 362,308
2018	269,000	99,252	368,252
2019	272,782	92,004	364,786
2020	281,645	84,658	366,303
2021	265,593	77,476	343,069
2022 - 2026	1,090,252	309,059	1,399,311
2027 - 2031	1,142,642	191,934	1,334,576
2032 - 2036	<u>1,227,787</u>	<u>74,725</u>	<u>1,302,512</u>
Total	<u>\$ 4,811,000</u>	<u>\$ 1,030,117</u>	<u>\$ 5,841,117</u>

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

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2015 (restated)	Additions	Reductions	Total Balance June 30, 2016	Less Current Portion	Long-Term Portion June 30, 2016
<u>Governmental Activities</u>						
Bonds payable	\$ 9,991,660	\$ 840,000	\$ (1,321,660)	\$ 9,510,000	\$ (1,145,000)	\$ 8,365,000
Other:						
Landfill closure	180,000	-	(15,000)	165,000	(15,000)	150,000
Other post-employment benefits	2,795,263	577,260	-	3,372,523	-	3,372,523
Accrued employee benefits	179,597	-	(20,591)	159,006	-	159,006
Net pension liability	2,080,028	1,214,490	-	3,294,518	-	3,294,518
Totals	<u>\$ 15,226,548</u>	<u>\$ 2,631,750</u>	<u>\$ (1,357,251)</u>	<u>\$ 16,501,047</u>	<u>\$ (1,160,000)</u>	<u>\$ 15,341,047</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 473,340	\$ 4,506,000	\$ (168,340)	\$ 4,811,000	\$ (261,299)	\$ 4,549,701
Other:						
Other post-employment benefits	488,644	94,932	-	583,576	-	583,576
Accrued employee benefits	44,640	-	-	44,640	-	44,640
Net pension liability	180,872	117,323	-	298,195	-	298,195
Totals	<u>\$ 1,187,496</u>	<u>\$ 4,718,255</u>	<u>\$ (168,340)</u>	<u>\$ 5,737,411</u>	<u>\$ (261,299)</u>	<u>\$ 5,476,112</u>

### D. Authorized and Unissued Debt

The Town had the following authorized but unissued debt as of June 30, 2016:

Stormwater system	\$ 575,000
Highway garage	210,000
Equipment	1,464
Multi-purpose 2016	3,238,250
Sewer	12,925,400
Total	<u>\$ 16,950,114</u>

### E. Advance Refunding

On May 26, 2016, the Town issued general obligation bonds in the amount of \$5,021,000 with a variable interest rate ranging from 2% to 4% to advance refund \$4,100,000 of term bonds with an interest rate ranging from 4.125% to 5%, and to refund \$1,171,000 of bond anticipation notes issued during fiscal year 2016. The term bonds mature on June 15, 2027 and are callable on June 15, 2017. The anticipation notes are due on November 17, 2016 with interest at .70%.

The general obligation bonds were issued at 109.71% and, after paying issuance costs of \$104,345, the net proceeds were \$5,079,434. The net

proceeds from the issuance of the general obligation bonds, along with Town contributions totaling \$132,267 were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on June 15, 2017 and the anticipation notes are paid on November 16, 2016. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds and anticipation notes were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$706,058, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$566,325.

Defeased debt still outstanding at June 30, 2016 is \$4,100,000 of term bonds and \$1,171,000 of anticipation notes.

#### **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 \$165,000 reported as landfill liability at June 30, 2016 represents the estimated cost of monitoring the landfill for the next 11 years. This amount is based on what it would cost to perform all closure and post-closure care in 2016. 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, 2016:

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, 2016:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 287,466	\$ 287,466
Total Nonexpendable	-	287,466	287,466
Restricted			
Special revenue funds	-	1,256,586	1,256,586
Expendable permanent funds	-	58,914	58,914
Total Restricted	-	1,315,500	1,315,500
Committed			
Community Preservation fund	-	1,336,749	1,336,749
Special revenue (Town set aside) funds	-	538,030	538,030
Capital project funds (via Town appropriation)	-	1,180,965	1,180,965
Total Committed	-	3,055,744	3,055,744
Assigned			
Encumbrances	931,649	-	931,649
Designated for other purposes	29,069	-	29,069
Reserved for expenditures	2,150,000	-	2,150,000
Total Assigned	3,110,718	-	3,110,718
Unassigned			
General fund	3,343,576	-	3,343,576
Stabilization fund	374,836	-	374,836
Total Unassigned	3,718,412	-	3,718,412
Total Fund Balance	\$ 6,829,130	\$ 4,658,710	\$ 11,487,840

## 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 2016:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 178,500	\$ 40,000
Nonmajor Governmental Funds:		
Tax title revolving fund	10,000	
Expendable trust funds (Town set asides)	35,100	-
Sewer enterprise fund	-	83,600
Pension trust fund	-	100,000
Total	<u>\$ 223,600</u>	<u>\$ 223,600</u>

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

Subsequent to June 30, 2016, the Town issued the following short term debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 920,000	0.80%	09/01/16	04/01/17

In addition, in July 2016 the Town obtained a loan through the Massachusetts Clean Water Trust for \$4,731,194 for upgrades to the wastewater treatment facility. Interim loan drawdowns will be requested as project expenses are incurred and then converted to long term debt at or near the completion of the project. The interim loan carries an interest rate of 0%.

## 19. Commitments and Contingencies

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

Environmental Issues – The Town is under a consent order to perform a site assessment for possible petroleum contamination on Town-owned land

(highway garage). The Town is complying with the consent order. The Town has spent approximately \$150,000 through 2016 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, plus utilities and taxes.

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, 2015, there were 15 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 audited results of operations of the Berkshire Health Group for the fiscal year ended June 30, 2015 (the latest year available), after accruing \$3.4 million for incurred but unreported claims, the Group has an accumulated surplus of \$6.6 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, 2014, the actuarial valuation date, approximately 123 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 2016 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, 2016, 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, 2014.

	<u>Governmental</u>	<u>Sewer</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 943,353	\$ 124,171	\$ 1,067,524
Interest on net OPEB obligation	147,776	-	147,776
Adjustment to ARC	<u>(128,196)</u>	<u>-</u>	<u>(128,196)</u>
Annual OPEB cost	962,933	124,171	1,087,104
Contributions made	<u>(385,673)</u>	<u>(29,239)</u>	<u>(414,912)</u>
Increase in net OPEB obligation	577,260	94,932	672,192
Net OPEB obligation - beginning of year	<u>2,795,263</u>	<u>488,644</u>	<u>3,283,907</u>
Net OPEB obligation - end of year	<u>\$ 3,372,523</u>	<u>\$ 583,576</u>	<u>\$ 3,956,099</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>
2016	\$ 1,087,104	38%	\$ 3,956,099
2015	\$ 1,028,851	36%	\$ 3,283,907
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, 2016 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, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability	\$ 12,655,865
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	12,655,865
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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

#### F. Actuarial Methods and Assumptions

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

In the June 30, 2014 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.5% discount rate and a 7.5% asset rate of return. Medical and drug cost trend for participants under 65 was 15% for one year, then 8%, decreasing by 0.5% for six years to an ultimate level of 5% per year. For participants over 65, the medical and drug cost trend was 5.5% for one year, then 9.5%, decreasing by 0.5% for six years to an ultimate level of 5% per year. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a open basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

## **21. Berkshire County Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

### **A. Plan Description**

Substantially all employees of the Town are members of the Berkshire County Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the System located at 29 Dunham Mall, Pittsfield, MA 01201.

### **Participant Retirement Benefits**

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town/City employment on or after that date, and (4) left accumulated annuity deductions in the

fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

### Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2016 was \$711,322, which was equal to its annual required contribution.

### *B. Summary of Significant Accounting Policies*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### *C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2016, the Town reported a liability of \$3,592,713 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015, rolled forward to December 31, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 8.49 percent, which was a decrease of (.12%) from its proportion measured as of June 30, 2015.

### **Changes of assumptions**

Investment rate of return was reduced from 7.75% in 2013 to 7.60% in 2015 to more closely mirror a new 30 year study. This had the effect of increasing total System pension liability by \$3.5 million.

While the mortality tables did not change, the Scale was changed from AA to BB, along with other modifications to how the tables were used, to better reflect a general improvement in mortality. This had the effect of increasing the total System pension liability by \$6.1M.

The provisions of Chapter 176 changed MGL Chapter 32 in several ways, including increasing normal retirement age from 65 to 67 and increasing the number of years for determining average compensation from 3 to 5 years. Since these changes affect members hired after April 1, 2012, the impact is more long-term, although in 2015 the effect was to reduce the total System pension liability by \$(493,000).

The Town has established a Pension Trust fund to be used to fund the pension liability. This Pension Trust is reported as a fiduciary fund type in the Town's basic financial statements. As noted above, the Town's proportionate share of the net pension liability was \$3,592,713; however, this liability does not take into account the fiduciary net position of the Pension Trust fund, which was \$781,799 at June 30, 2016.

For the year ended June 30, 2016, the Town recognized pension expense of \$719,430. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 205,866
Net difference between projected and actual investment earnings	945,222	-
Changes of assumptions	652,032	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	24,850
Total	\$ <u>1,597,254</u>	\$ <u>230,716</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 343,616
2018	343,616
2019	343,616
2020	<u>335,690</u>
Total	\$ <u>1,366,538</u>

#### D. Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Not explicitly assumed
Salary increases	4.25% - 4.75%
Investment rate of return	7.60%

Pre-retirement rates for mortality were based on RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) and post-retirement rates for mortality were based on RP-2000 Health Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of the most recent actuarial experience study, which was completed in 2002, and analyzed, updated and adjusted as needed.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	7.75%	1.09%
Small/Mid Cap Equities	3.50%	7.75%	0.27%
International Equities	16.00%	8.00%	1.28%
Emergency International Equities	6.00%	9.25%	0.56%
Core Bonds	3.00%	3.98%	0.12%
20+ Year Treasury STRIPS	7.00%	4.00%	0.28%
15 Year Duration Treasuries	0.00%	5.00%	0.00%
TIPS	3.00%	4.00%	1.20%
High-Yield Bonds	1.50%	5.75%	0.09%
Bank Loans	1.50%	6.00%	0.09%
EMD (External)	1.00%	6.00%	0.06%
EMD (Local Currency)	2.00%	6.75%	0.14%
Private Debt	4.00%	8.00%	0.32%
Private Equity	10.00%	9.50%	0.95%
Real Estate (Core)	10.00%	6.50%	0.65%
Timber/Natural Resources	4.00%	6.75%	0.27%
Hedge Funds	9.00%	6.75%	0.61%
Portfolio Completion Strategies	4.00%	n/a	n/a
Total	<u>100.00%</u>		

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.60% percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.60%) or 1 percentage-point higher (8.60%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
6/30/2015	\$ 5,905	\$ 3,593	\$ 1,634

**G. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

**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. Beginning Fund Balance Reclassification**

The Town's major funds have changed from the prior year as follows:

<u>Fund Basis Financial Statements</u>	<u>Governmental Capital Fund</u>	<u>Nonmajor Governmental Funds</u>
As previously reported	\$ 1,009,853	\$ 3,256,363
To reclassify major funds in accordance with GASB 54	<u>(1,009,853)</u>	<u>1,009,853</u>
As reclassified	<u>\$ -</u>	<u>\$ 4,266,216</u>

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

SCHEDULE OF OPEB FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

(Unaudited)

**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]
06/30/14	\$ -	\$ 12,656	\$ 12,656	-	n/a	n/a
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

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

Berkshire County Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	8.49%	\$3,592,713	\$3,592,000	100.02%	82.30%
June 30, 2015	8.61%	\$2,260,900	\$3,469,000	65.17%	88.10%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

TOWN OF GREAT BARRINGTON, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016  
(Unaudited)

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Berkshire County Retirement System

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<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$711,322	\$ 711,322	\$ -	\$3,592,000	19.80%
June 30, 2015	\$688,658	\$ 688,658	\$ -	\$3,469,000	19.85%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

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 Select Board  
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, 2016 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 13, 2017.

**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 control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

February 13, 2017