

TOWN OF SALISBURY, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2013

OWN OF SALISBURY, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Salisbury, 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 Salisbury, Massachusetts, (the "Town") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of those 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 purposes 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 as of June 30, 2013 and the respective changes in financial position where applicable and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note B, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources and Net Position*. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the funding and contribution progress for pension benefits and other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 sufficient evidence 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 October 25, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over the financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
October 25, 2013

Management's Discussion and Analysis

As the management of the Town of Salisbury, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$38.3 million (*total net position*). Of this amount, approximately \$6.3 million (*total unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by over \$0.8 million or approximately 2.1% year to year. The governmental activities decreased net position by nearly \$0.5 million (or 5.3% less than the prior year net position), while the business-type activities recorded a decrease of nearly \$0.4 million (or 1.2% less than the prior year net position).
- The Town's Unassigned Fund Balance reported in the General Fund was nearly \$0.9 million (4.5% of General Fund expenditures); and the total fund balance in the General Fund was approximately \$1.0 million (4.8% of General Fund expenditures). Within the Nonmajor Funds which reported total fund balances of over \$0.7 million, the Town had restricted fund balances that exceeded \$1.0 million and total unassigned deficits of approximately \$0.4 million allocated to Special Revenue. A small portion of the Nonmajor Funds represented amounts that are nonspendable as corpus of endowment of about \$50 thousand.
- The Town's total long-term debt decreased by approximately \$1.0 million during the fiscal year as a result of anticipated scheduled pay downs of principal in the amount of \$1.1 million exceeding new issuances of \$0.1 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise 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 the Town's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (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 of the Town include general government, public safety, highways and streets, sanitation, education, community development, health and human services, culture and recreation, fringe benefits, and debt service. The business-type activities of the Town include water and sewer enterprise funds.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

Governmental Accounting Standards Board Statement #54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed – amounts constrained by a government using its highest level of decision-making authority
- Assigned – amounts a government intends to use for a particular purpose
- Unassigned – amounts that are not constrained at all will be reported in the General Fund

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.

Reconciliations are provided within the financial statements to facilitate this comparison.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation entitled Nonmajor Funds.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has

been prepared as required supplementary information and can be found along with the corresponding notes after the footnotes to the financial statements.

Proprietary Funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for enterprise funds of the water and sewer activities.

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

Government-wide Financial Analysis

The condensed statement of net position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
<u>Assets</u>						
Current and other assets	\$ 4,921,435	\$ 5,425,437	\$ 9,974,416	\$ 9,898,318	\$ 14,895,851	\$ 15,323,755
Capital assets, net	7,759,394	7,564,746	38,209,590	38,851,682	45,968,984	46,416,428
Total assets	12,680,829	12,990,183	48,184,006	48,750,000	60,864,835	61,740,183
<u>Liabilities</u>						
Long-term liabilities	3,429,110	3,082,931	16,084,261	16,978,085	19,513,371	20,061,016
Other liabilities	815,449	1,003,312	2,208,800	1,506,579	3,024,249	2,509,891
Total liabilities	4,244,559	4,086,243	18,293,061	18,484,664	22,537,620	22,570,907
<u>Net Position</u>						
Invested in capital assets, net of related debt	6,754,878	6,417,153	24,225,990	25,094,502	30,980,868	31,511,655
Restricted	1,081,566	1,772,798	-	-	1,081,566	1,772,798
Unrestricted	599,827	713,989	5,664,955	5,170,834	6,264,782	5,884,823
Total Net Position	\$ 8,436,271	\$ 8,903,940	\$ 29,890,945	\$ 30,265,336	\$ 38,327,216	\$ 39,169,276

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$38.3 million (*total net position*). This reflects a decrease from the preceding year by over \$0.8 million. Governmental activities decreased by almost \$0.5 million; this was primarily due to the recognition of other postemployment benefits, in an otherwise consistent year to year comparison.

Business-type activities decreased by almost \$0.4 million; this represented approximately 1% of prior year net position and is insignificant to the overall operating results.

By far the largest portion (approximately 80.8%) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its 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 the Town's net position (approximately 2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, (approximately 16.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

The condensed statement of changes in net position is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,440,211	\$ 1,471,318	\$ 3,676,165	\$ 3,672,556	\$ 5,116,376	\$ 5,143,874
Operating grants and contributions	1,566,470	520,659	19,886	7,391	1,586,356	528,050
Capital grants and contributions	311,517	1,192,793	199,507	3,440,920	511,024	4,633,713
General revenues:						
Property taxes	16,254,951	15,883,826	-	-	16,254,951	15,883,826
Intergovernmental	677,524	737,320	-	-	677,524	737,320
Other	1,117,750	1,073,562	13,695	15,525	1,131,445	1,089,087
Total Revenues	21,368,423	20,879,478	3,909,253	7,136,392	25,277,676	28,015,870
<u>Expenses</u>						
General government	2,136,659	2,121,995	-	-	2,136,659	2,121,995
Public safety	5,845,863	5,249,165	-	-	5,845,863	5,249,165
Education	10,817,937	10,587,811	-	-	10,817,937	10,587,811
Public works	1,518,867	727,834	-	-	1,518,867	727,834
Health and human services	586,502	532,151	-	-	586,502	532,151
Culture and recreation	356,785	345,443	-	-	356,785	345,443
Community development	951,448	1,291,118	-	-	951,448	1,291,118
Debt service	55,554	61,391	-	-	55,554	61,391
Water	-	-	2,061,131	2,227,917	2,061,131	2,227,917
Sewer	-	-	1,788,990	1,846,784	1,788,990	1,846,784
Total Expenses	22,269,615	20,916,908	3,850,121	4,074,701	26,119,736	24,991,609
Increase in net position before transfers	(901,192)	(37,430)	59,132	3,061,691	(842,060)	3,024,261
Transfers	433,523	420,896	(433,523)	(420,896)	-	-
Increase in net position after transfers	(467,669)	383,466	(374,391)	2,640,795	(842,060)	3,024,261
Net position, beginning of year (as restated)	8,903,940	8,520,474	30,265,336	27,624,541	39,169,276	36,145,015
Net position, end of year	<u>\$ 8,436,271</u>	<u>\$ 8,903,940</u>	<u>\$ 29,890,945</u>	<u>\$ 30,265,336</u>	<u>\$ 38,327,216</u>	<u>\$ 39,169,276</u>

Governmental Activities. The Town relies significantly on property taxes, which during 2013 comprised approximately 76.1% of total revenues; this was consistent with prior year. No other income categorization represented more than 10% of total revenues in fiscal year 2013 or 2012.

Major expenses during fiscal 2013 were for education, public safety and general government which comprised 48.6%, 26.2% and 9.6% respectfully of total expenses. All three categories were consistent in amount with the prior year amounts; however ratios were skewed due to a spike in Public Works as a result of adverse weather conditions and the resulting significant snow and ice removal costs. . No other expense types were greater than 10% of total expenses in fiscal year 2013 or 2012.

Business-type Activities. The primary revenue sources for both water and sewer activities is comprised of usage fees for metered services and system connections which represented approximately 94.0% of total revenues. Water and sewer expenses represented 100% of total business-type expenses. Of the total expenses, approximately 51.5% pertains to direct operational costs with the remaining costs represented by debt service (approximately 17.5%) and current year depreciation (approximately 31.0%).

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's 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 close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$1.7 million. This represents a decrease of approximately \$0.8 million over the previous year, which is the result of normal operations. Of the ending fund balance approximately \$0.5 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$0.9 million, while total fund balance reached \$1.0 million. 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 fund expenditures. Unassigned fund balance represents approximately 4.5% of total General Fund expenditures, while total fund balance represents approximately 4.8% of that same amount.

The Town reported a restricted fund balance of approximately \$1.0 million in the Nonmajor Fund and an unassigned deficit balance of approximately \$0.4 million which was equally distributed amongst the Special Revenue and Capital Project Funds. Total fund balances of the Nonmajor Fund were over \$0.7 million.

Proprietary Funds The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the Water Fund was approximately \$2.2 million; and net position of the Sewer Fund amounted to approximately \$28.0 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minor. The schedule of budgetary information is provided as *Required Supplementary Information*.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to approximately \$46.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and infrastructure, machinery and equipment and reflects a decrease of approximately \$0.4 million, net of depreciation, as a result of approximately \$1.1 million of fixed asset additions offset by nearly \$1.5 million of depreciation.

The Town has undergone significant capital improvements over the past several years. These include major improvements and additions to its town hall, roads, and recreational facilities; along with the more recent expansion of its sewerage system and a water tank replacement. A significant portion of these improvements were funded with reimbursements from grants provided by the federal government and the Commonwealth of Massachusetts.

Additional information on the Town capital assets can be found in Note C. of this report.

Long-term Debt. At the end of the current fiscal year, the Town had total debt outstanding of approximately \$18.1 million. Of this amount approximately \$1.1 million represents general obligation bonds of governmental activities and approximately \$17.0 million represents general obligation bonds of business-type activities.

The Town's total long-term debt decreased by approximately \$1.0 million during the fiscal year as a result of anticipated scheduled pay downs of principal in the amount of \$1.1 million exceeding new issuances of \$0.1 million.

The Town will receive reimbursements for principal pay down of these notes in the amount of about \$0.2 million and future interest in the amount of approximately \$0.1 million as of the year ended June 30, 2013 from the Massachusetts Water Pollution Abatement Trust (MWPAT).

The last bond rating received by the Town was an "Aa3" as set by Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0% percent of its total assessed valuation. The current debt limitation for the Town is approximately \$71.7 million, which is significantly in excess of the Town's outstanding general obligation debt.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town's debt can be found in Note E. and Note F. of this report.

Economic Factors and Next Year's Budgets and Rates

- Consistent with both state and national work force trends, the Town's unemployment rates have continued to stabilize, with little volatility in the last 12 months. This trend is continuing to improve in fiscal 2014. However, the extent, timing or certainty of full economic recovery cannot be reasonably estimated at this time.
- The Town's real estate tax base is made up predominantly of residential taxes, which in 2014 were approximately 80.6% of the entire property tax levy. The Town relies to a certain extent on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy. This limit may be exceeded through a majority vote at Town Meeting along with ballot approval.
- Consistent with both state and national indices, the Town's housing market experienced a downward trend from 2005-2010. Housing prices began to stabilize during fiscal year 2011 and recently are beginning to see an upward trend. The Town expects housing prices to rebound as the economy rebounds, but the nature, extent and timing of such a rebound cannot be estimated at the present time.

- The Town expects to set its tax rate for fiscal year 2014 in December 2013.

The above items were considered when the Town developed its budget for fiscal year 2014.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, Town Hall, 5 Beach Road, Salisbury, Massachusetts 01952.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,855,274	\$ 5,332,168	\$ 7,187,442
Receivables (net):			
Property taxes	461,632	-	461,632
User fees	-	839,801	839,801
Departmental and other	1,799,616	-	1,799,616
Betterments	-	3,733,257	3,733,257
Intergovernmental	804,913	69,190	874,103
Capital assets, not being depreciated	2,971,435	1,943,816	4,915,251
Capital assets, net of accumulated depreciation	4,787,959	36,265,774	41,053,733
Total Assets	12,680,829	48,184,006	60,864,835
Liabilities			
Warrants and accounts payable	242,738	84,024	326,762
Accrued payroll and withholdings	130,820	5,962	136,782
Accrued interest expense	-	278,132	278,132
Other liabilities	1,743	2,344	4,087
Bond anticipation notes	70,000	800,000	870,000
Noncurrent liabilities:	-		
Due within one year	370,147	1,038,338	1,408,485
Due in more than one year	3,429,110	16,084,261	19,513,371
Total Liabilities	4,244,558	18,293,061	22,537,619
Net Position			
Invested in capital assets, net of related debt	6,754,878	24,225,990	30,980,868
Restricted:			
Nonexpendable permanent funds	54,145	-	54,145
Expendable permanent funds	28,738	-	28,738
Federal and State grants	461,275	-	461,275
Other purposes	537,408	-	537,408
Unrestricted	599,827	5,664,955	6,264,782
Total Net Position	\$ 8,436,271	\$ 29,890,945	\$ 38,327,216

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	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
Primary government:							
Governmental activities:							
General government	\$ 2,136,659	\$ 531,130	\$ 103,005	\$ 10,000	\$ (1,492,524)		\$ (1,492,524)
Public safety	5,845,863	700,925	164,219	-	(4,980,719)		(4,980,719)
Education	10,817,937	3,500	77,748	-	(10,736,689)		(10,736,689)
Public works	1,518,867	-	94,496	251,517	(1,172,854)		(1,172,854)
Health and human services	586,502	76,113	239,742	-	(270,647)		(270,647)
Culture and recreation	356,785	67,539	16,585	50,000	(222,661)		(222,661)
Community development	951,448	61,004	870,675	-	(19,769)		(19,769)
Debt service	55,554	-	-	-	(55,554)		(55,554)
Total governmental activities	22,269,615	1,440,211	1,566,470	311,517	(18,951,417)		(18,951,417)
Business-type activities:							
Water	2,061,131	2,134,742	-	-		\$ 73,611	73,611
Sewer	1,788,990	1,541,423	19,886	199,507		(28,174)	(28,174)
Total business-type activities	3,850,121	3,676,165	19,886	199,507		45,437	45,437
Total Primary Government	\$ 26,119,736	\$ 5,116,376	\$ 1,586,356	\$ 511,024	(18,951,417)	45,437	(18,905,980)
General Revenues:							
Property taxes					16,254,951	-	16,254,951
Intergovernmental					677,524	-	677,524
Motor vehicle and other excise					1,004,171	-	1,004,171
Penalties and interest on taxes					108,394	-	108,394
Investment income					5,185	13,695	18,880
Transfers (net)					433,523	(433,523)	-
Total general revenues and transfers					18,483,748	(419,828)	18,063,920
Change in Net Position					(467,669)	(374,391)	(842,060)
Net Position:							
Beginning of year (as restated see Note V)					8,903,940	30,265,336	39,169,276
End of year					\$ 8,436,271	\$ 29,890,945	\$ 38,327,216

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 1,146,405	\$ 708,869	\$ 1,855,274
Receivables:			
Property taxes	461,632	-	461,632
Departmental and other	1,799,616	-	1,799,616
Intergovernmental	239,784	565,129	804,913
Total Assets	<u>\$ 3,647,437</u>	<u>\$ 1,273,998</u>	<u>\$ 4,921,435</u>
Liabilities and Fund Balances:			
Liabilities:			
Warrants and accounts payable	\$ 124,649	\$ 118,090	\$ 242,739
Accrued payroll	126,768	4,052	130,820
Bond anticipation notes	-	70,000	70,000
Deferred revenues	2,430,292	377,111	2,807,403
Other liabilities	1,743	-	1,743
Total Liabilities	<u>2,683,452</u>	<u>569,253</u>	<u>3,252,705</u>
Fund Balances:			
Non-spendable	-	54,145	54,145
Restricted	-	1,027,421	1,027,421
Committed	64,873	-	64,873
Unassigned	899,112	(376,821)	522,291
Total Fund Balances	<u>963,985</u>	<u>704,745</u>	<u>1,668,730</u>
Total Liabilities and Fund Balances	<u>\$ 3,647,437</u>	<u>\$ 1,273,998</u>	<u>\$ 4,921,435</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total Governmental Fund Balances	\$ 1,668,730
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,759,394
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	2,807,403
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the government funds:	
Bonds and notes payable	(1,137,296)
Capital lease obligations	(36,265)
Post-closing landfill monitoring costs	(304,500)
Compensated absences	(863,128)
Other post-employment benefits	<u>(1,458,068)</u>
Net Position of Governmental Activities	<u>\$ 8,436,270</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 16,198,563	\$ -	\$ 16,198,563
Intergovernmental	1,103,768	1,460,517	2,564,285
Excise taxes	981,715	-	981,715
Licenses and permits	294,367	-	294,367
Departmental and other revenue	586,964	391,969	978,933
Penalties and interest on taxes	108,394	-	108,394
Fines and forfeitures	94,537	-	94,537
Investment income	4,992	193	5,185
Contributions and donations	-	105,235	105,235
Total Revenues	<u>19,373,300</u>	<u>1,957,914</u>	<u>21,331,214</u>
Expenditures:			
Current:			
General government	1,492,129	83,328	1,575,457
Public safety	3,683,771	418,689	4,102,460
Education	10,674,966	-	10,674,966
Public works	1,143,103	433,041	1,576,144
Health and human services	423,753	67,829	491,582
Culture and recreation	188,007	68,323	256,330
Community development	-	-	-
Fringe and pension benefits	2,234,395	-	2,234,395
State and county tax assessments	187,297	-	187,297
Debt service:			
Principal	111,116	558	111,674
Interest	54,996	902,102	957,098
Total Expenditures	<u>20,193,533</u>	<u>1,973,870</u>	<u>22,167,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(820,233)</u>	<u>(15,956)</u>	<u>(836,189)</u>
Other Financing Sources (Uses):			
Transfers in	475,846	13,558	489,404
Transfers out	(13,558)	(42,323)	(55,881)
Total Other Financing Sources (Uses)	<u>462,288</u>	<u>(28,765)</u>	<u>433,523</u>
Net Change in Fund Balances	(357,945)	(44,721)	(402,666)
Fund Balances - Beginning (as restated see Note V)	<u>1,321,930</u>	<u>749,466</u>	<u>2,071,396</u>
Fund Balances - Ending	<u>\$ 963,985</u>	<u>\$ 704,745</u>	<u>\$ 1,668,730</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (402,666)**

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. The net amounts are reflected here as reconciling items:

Capital Outlays	\$ 505,291	
Depreciation Expense	(310,643)	
Net effect of reporting fixed assets		194,648

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Repayments of debt principal	111,116	
Additions to capital lease obligations	51,655	
Payments of minimum capital lease principal obligations	(106,023)	
Net effect of reporting long-term debt		56,748

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 differ between the two statements. The amount presented represents the differences derived from deferred revenue.

37,209

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Post-closing landfill monitoring costs	20,000	
Compensated absences	(60,900)	
Other post-employment benefits	(421,445)	
Net effect of reporting long-term liabilities		(462,345)

Change in Net Position of Governmental Activities **\$ (576,406)**

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,972,931	\$ 3,359,237	\$ 5,332,168
Receivables, net:			
User charges	315,829	523,972	839,801
Betterments	-	19,171	19,171
Intergovernmental	-	11,194	11,194
Total current assets	<u>2,288,760</u>	<u>3,913,574</u>	<u>6,202,334</u>
Noncurrent assets:			
Receivables, net:			
Betterments	-	3,714,086	3,714,086
Intergovernmental	-	57,996	57,996
Land	369,002	1,383,999	1,753,001
Construction in progress	158,408	32,407	190,815
Capital assets, net of depreciation	<u>12,272,607</u>	<u>23,993,167</u>	<u>36,265,774</u>
Total noncurrent assets	<u>12,800,017</u>	<u>29,181,655</u>	<u>41,981,672</u>
Total Assets	<u>15,088,777</u>	<u>33,095,229</u>	<u>48,184,006</u>
Liabilities:			
Current liabilities:			
Warrants and accounts payable	42,336	47,650	89,986
Accrued interest	194,564	85,912	280,476
Bond anticipation notes payable	800,000	-	800,000
Bonds and notes payable	470,926	551,200	1,022,126
Compensated absences	-	16,212	16,212
Total current liabilities	<u>1,507,826</u>	<u>700,974</u>	<u>2,208,800</u>
Noncurrent liabilities:			
Bonds and notes payable	11,368,721	4,595,200	15,963,921
Compensated absences	-	48,636	48,636
Other post employment benefits	-	71,704	71,704
Total noncurrent liabilities	<u>11,368,721</u>	<u>4,715,540</u>	<u>16,084,261</u>
Total Liabilities	<u>12,876,547</u>	<u>5,416,514</u>	<u>18,293,061</u>
Net Position:			
Invested in capital assets, net of related debt	160,370	24,065,620	24,225,990
Unrestricted	<u>2,051,860</u>	<u>3,613,095</u>	<u>5,664,955</u>
Total Net Position	<u>\$ 2,212,230</u>	<u>\$ 27,678,715</u>	<u>\$ 29,890,945</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues:			
Charges for services	\$ 2,134,742	\$ 1,541,423	\$ 3,676,165
Total Operating Revenues	<u>2,134,742</u>	<u>1,541,423</u>	<u>3,676,165</u>
Operating Expenses:			
Operating costs	1,224,175	757,158	1,981,333
Depreciation	374,400	817,453	1,191,853
Total Operating Expenses	<u>1,598,575</u>	<u>1,574,611</u>	<u>3,173,186</u>
Operating Income (Loss)	<u>536,167</u>	<u>(33,188)</u>	<u>502,979</u>
Nonoperating Revenues (Expenses):			
Intergovernmental	-	19,886	19,886
Interest income	3,052	10,643	13,695
Interest expense	(462,556)	(214,379)	(676,935)
Total Nonoperating Revenues (Expenses)	<u>(459,504)</u>	<u>(183,850)</u>	<u>(643,354)</u>
Income (Loss) Before Capital Donations and Transfers	<u>76,663</u>	<u>(217,038)</u>	<u>(140,375)</u>
Capital Contributions			
Betterments	-	199,507	199,507
Transfers out	(124,419)	(309,104)	(433,523)
Change in Net Position	(47,756)	(326,635)	(374,391)
Total Net Position - Beginning	<u>2,259,986</u>	<u>28,005,350</u>	<u>30,265,336</u>
Total Net Position - Ending	<u>\$ 2,212,230</u>	<u>\$ 27,678,715</u>	<u>\$ 29,890,945</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Receipts from users	\$ 2,225,146	\$ 1,533,615	\$ 3,758,761
Payments employees	-	(327,441)	(327,441)
Payments to vendors	(1,218,320)	(411,661)	(1,629,981)
Net Cash Provided by Operating Activities	1,006,826	794,513	1,801,339
Cash Flows from Noncapital Related Financing Activities:			
Receipts from betterments	-	510,281	510,281
Transfers out	(124,419)	(309,104)	(433,523)
Net Cash (Used for) Provided by Noncapital Financing Activities	(124,419)	201,177	76,758
Cash Flows from Capital and Related Financing Activities:			
Issuances of Debt	800,000	-	800,000
Government subsidy	-	19,886	19,886
Acquisition and construction of capital assets	(234,720)	(315,040)	(549,760)
Principal payments on bonds and notes	(449,516)	(546,100)	(995,616)
Interest expense	(468,206)	(228,627)	(696,833)
Net Cash Used for Capital and Related Financing Activities	(352,442)	(1,069,881)	(1,422,323)
Cash Flows from Investing Activities:			
Interest income	3,052	10,643	13,695
Net Cash Provided by Investing Activities	3,052	10,643	13,695
Net Change in Cash and Cash Equivalents	533,017	(63,548)	469,469
Cash and Cash Equivalents:			
Beginning of year	\$ 1,439,915	3,422,786	4,862,701
End of year	\$ 1,972,932	\$ 3,359,238	\$ 5,332,170
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:			
Operating income (loss)	\$ 536,167	\$ (33,188)	\$ 502,979
Depreciation expense	374,400	817,453	1,191,853
Changes in assets and liabilities:			
Receivables	90,404	(7,808)	82,596
Accounts payable and accrued expenses	5,855	18,056	23,911
Net Cash Provided by Operating Activities	\$ 1,006,826	\$ 794,513	\$ 1,801,339

The notes to the financial statements are an integral part of this statement.

TOWN OF SALISBURY, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 378,873	\$ 81,728
	<u> </u>	<u> </u>
Total Assets	<u>378,873</u>	<u>81,728</u>
Liabilities		
Warrants and accounts payable	-	-
Planning and performance bonds	-	81,728
	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>81,728</u>
Net Position		
Held in trust	378,873	-
	<u> </u>	<u> </u>
Total Net Position	<u>\$ 378,873</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment income	\$ 1,941
Other income	<u>9,680</u>
Total Additions	<u>11,621</u>
Deductions:	
Public housing assistance	<u>8,858</u>
Total Deductions	<u>8,858</u>
Change in Net Position	2,763
Net Position - Beginning (as restated - see Note V)	<u>376,110</u>
Net Position - Ending	<u><u>\$ 378,873</u></u>

See accompanying notes to basic financial statements.

TOWN OF SALISBURY, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town is located in Essex County, approximately 40 miles north of Boston. The Town is bordered on its northern side by the State of New Hampshire and on its eastern side by the Atlantic Ocean. The Town was incorporated in 1638. The governing structure utilizes an open town meeting forum, with an elected five-member Board of Selectmen, and an appointed Town Manager who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12, water and sewer services, street maintenance, and parks and recreational facilities. The water and sewer services are funded almost entirely with user charges and are provided via connections to Town owned facilities.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The Town is a member community of the Triton Regional School District that provides educational services to three area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2013, the Town's share of the operating and debt service expenses was \$10,010,776. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 112 Elm Street, Byfield, MA 01922.

B. Government-Wide and Fund 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 non-fiduciary activities of the primary government and its component units. *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.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds if they exist are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental fund:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *Nonmajor Governmental Funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column

on the Governmental Funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – is used to account for the operation of the water department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Sewer Enterprise Fund – is used to account for the operation of the sewer department. Costs associated with maintaining the related infrastructure and providing services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water and sewer user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for uncollectibles for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectibles comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain cash and investment balances are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by the provisions of certain trust documents.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5-7 years
Vehicles	5-10 years
Infrastructure	25-50 years

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained by the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Net Position – In the government-wide financial statements, net position reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt and outstanding debt related to future state reimbursements for capital construction costs are not considered to be capital related debt.

Net position are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Federal and State grants represent position that have restrictions placed on them from federal and state granting agencies.

Other purposes represent assets that are restricted by donors and state laws for specific governmental programs and uses.

Fund Equity – The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Under this Statement, in the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

Non-spendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact.

The Town’s non-spendable fund balance reported in the Nonmajor governmental funds consists of the corpus of endowments for various Town purposes in the amount of \$54,145.

The Town reports the following restricted fund balances:

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

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, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

The Town does not report any assigned fund balance.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

Negative unassigned amounts reported in the Nonmajor Governmental Funds include deficits that will be raised through future bond issuance or grant reimbursement.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

The following represent the categorizations of fund balance:

	General	Nonmajor Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Non-Spendable:			
Perpetual permanent funds	\$ -	\$ 54,145	\$ 54,145
Committed:			
General government	31,775	-	31,775
Public works	33,098	-	33,098
Restricted:			
General government	-	255,439	255,439
Public safety	-	220,233	220,233
Public works	-	147,327	147,327
Health and human services	-	87,195	87,195
Culture and recreation	-	77,947	77,947
Community preservation	-	239,280	239,280
Unassigned	899,112	(376,821)	522,291
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 963,985</u>	<u>\$ 704,745</u>	<u>\$ 1,668,730</u>

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Finance Director as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended, expenditures exceeded appropriations in the General Fund for veterans' services. These over expenditures will be funded through available funds during fiscal year 2013.

The Town has incurred grant activity deficits within the Special Revenue Fund which is classified as a Nonmajor Governmental Fund; such deficits are expected to be eliminated during fiscal year 2013 as grant proceeds are received by the Town. Also within Nonmajor, are project deficits totaling \$93,984 in the Town Capital Project Fund; these deficits are anticipated to be funded through available funds or debt proceeds in future periods.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$7,648,043 and the bank balance was \$8,873,327. Of the Town's bank balance, \$3,366,016 was covered by either federal depository insurance or by the depositors' insurance fund; and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized.

Interest Rate Risk – The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk – The Town does not place a limit on the amount that may be invested in any one issuer. During the fiscal year, the Town did not maintain balances in any single investment that would represent more than 5% of the Town's total investments.

Credit Risk – The Town has not adopted a formal policy related to credit risk. During the fiscal year, the Town limited its investments to money market accounts and bank deposits.

B. Receivables

MWPAT Loan Subsidies – The Town has entered into numerous loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT). It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$238,235 and interest in the amount of \$111,139 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, the principal amounts of \$169,045 and \$69,190 are reported within the General Fund and Sewer Enterprise Funds, respectively.

Receivables as of year-end for the Town's individual major and Nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts. Are as follows:

Receivables as of year-end for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Real estate and personal property taxes	\$ 606,217	\$ (184,687)	\$ 421,530
Tax deferrals	40,104	-	40,104
Tax liens	675,709	-	675,709
Tax foreclosures	940,033	-	940,033
Excise taxes	327,229	(143,355)	183,873
Intergovernmental	804,913	-	804,913
Total	<u>\$ 3,394,204</u>	<u>\$ (328,042)</u>	<u>\$ 3,066,161</u>

Receivables as of year-end for Town's proprietary funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Sewer user fees	\$ 422,060	\$ -	\$ 422,060
Sewer liens	101,912	-	101,912
Sewer betterments - apportioned	11,752	-	11,752
Sewer betterments - unapportioned	3,721,505	-	3,721,505
Water user fees	305,229	-	305,229
Water liens	10,600	-	10,600
Intergovernmental	69,190	-	69,190
Total	<u>\$ 4,642,248</u>	<u>\$ -</u>	<u>\$ 4,642,248</u>

Unapportioned sewer betterments are amounts that are expected to be billed in future years for sewer projects that have been funded through bond issuances.

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivable type:			
Real estate and personal property taxes	\$ 421,529	\$ -	\$ 421,529
Tax deferrals	40,104	-	40,104
Tax liens	675,709	-	675,709
Tax foreclosures	940,033	-	940,033
Excise taxes	183,873	-	183,873
Intergovernmental	169,044	377,111	546,155
Total	<u>\$ 2,430,292</u>	<u>\$ 377,111</u>	<u>\$ 2,807,403</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 2,818,550	\$ -	\$ -	\$ 2,818,550
Construction in process	-	152,885	-	152,885
Total capital assets not being depreciated	<u>2,818,550</u>	<u>152,885</u>	<u>-</u>	<u>2,971,435</u>
Capital assets being depreciated:				
Buildings and improvements	2,910,957	-	-	2,910,957
Infrastructure	6,835,419	248,132	-	7,083,551
Machinery and equipment	1,309,188	104,274	-	1,413,462
Vehicles	2,250,069	-	-	2,250,069
Total capital assets being depreciated	<u>13,305,633</u>	<u>352,406</u>	<u>-</u>	<u>13,658,039</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,542,407)	(51,917)	-	(1,594,324)
Infrastructure	(4,273,779)	(99,125)	-	(4,372,904)
Machinery and equipment	(825,467)	(83,798)	-	(909,265)
Vehicles	(1,917,784)	(75,803)	-	(1,993,587)
Total accumulated depreciation	<u>(8,559,437)</u>	<u>(310,643)</u>	<u>-</u>	<u>(8,870,080)</u>
Total capital assets being depreciated, net	<u>4,746,196</u>	<u>41,763</u>	<u>-</u>	<u>4,787,959</u>
Governmental activities capital assets, net	<u>\$ 7,564,746</u>	<u>\$ 194,648</u>	<u>\$ -</u>	<u>\$ 7,759,394</u>
<i><u>Business Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 1,753,001	\$ -	\$ -	\$ 1,753,001
Construction in process	-	190,815	-	190,815
Total capital assets not being depreciated	<u>1,753,001</u>	<u>190,815</u>	<u>-</u>	<u>1,943,816</u>
Capital assets being depreciated:				
Buildings and improvements	-	19,050	-	19,050
Infrastructure	56,139,144	36,364	-	56,175,508
Machinery and equipment	344,961	303,531	-	648,492
Vehicles	174,692	-	-	174,692
Total capital assets being depreciated	<u>56,658,797</u>	<u>358,945</u>	<u>-</u>	<u>57,017,742</u>
Less accumulated depreciation for:				
Buildings and improvements	-	(126)	-	(126)
Infrastructure	(19,042,280)	(1,182,545)	-	(20,224,825)
Machinery and equipment	(343,143)	(9,182)	-	(352,325)
Vehicles	(174,692)	-	-	(174,692)
Total accumulated depreciation	<u>(19,560,115)</u>	<u>(1,191,853)</u>	<u>-</u>	<u>(20,751,968)</u>
Total capital assets being depreciated, net	<u>37,098,682</u>	<u>(832,908)</u>	<u>-</u>	<u>36,265,774</u>
Business activities capital assets, net	<u>\$ 38,851,683</u>	<u>\$ (642,093)</u>	<u>\$ -</u>	<u>\$ 38,209,590</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities: Water</u>				
Capital assets not being depreciated:				
Land	\$ 369,002	\$ -	\$ -	\$ 369,002
Construction in process	-	158,408	-	158,408
Total capital assets not being depreciated	<u>369,002</u>	<u>158,408</u>	<u>-</u>	<u>527,410</u>
Capital assets being depreciated:				
Infrastructure	15,673,206	36,364	-	15,709,570
Machinery and equipment	299,721	39,948	-	339,669
Total capital assets being depreciated	<u>15,972,927</u>	<u>76,312</u>	<u>-</u>	<u>16,049,239</u>
Less accumulated depreciation for:				
Infrastructure	(3,102,984)	(372,374)	-	(3,475,358)
Machinery and equipment	(299,248)	(2,026)	-	(301,274)
Total accumulated depreciation	<u>(3,402,232)</u>	<u>(374,400)</u>	<u>-</u>	<u>(3,776,632)</u>
Total Water capital assets being depreciated, net	<u>12,570,695</u>	<u>(298,088)</u>	<u>-</u>	<u>12,272,607</u>

<u>Business-type Activities: Sewer</u>				
Capital assets being depreciated:				
Land	1,383,999	-	-	1,383,999
Construction in process	-	32,407	-	32,407
Total capital assets not being depreciated	<u>1,383,999</u>	<u>32,407</u>	<u>-</u>	<u>1,416,406</u>
Capital assets being depreciated:				
Buildings	-	19,050	-	19,050
Infrastructure	40,465,937	-	-	40,465,937
Machinery and equipment	45,240	263,583	-	308,823
Vehicles	174,692	-	-	174,692
Total capital assets being depreciated	<u>40,685,869</u>	<u>282,633</u>	<u>-</u>	<u>40,968,502</u>
Less accumulated depreciation for:				
Buildings	-	(126)	-	(126)
Infrastructure	(15,939,296)	(810,171)	-	(16,749,467)
Machinery and equipment	(43,895)	(7,155)	-	(51,050)
Vehicles	(174,692)	-	-	(174,692)
Total accumulated depreciation	<u>(16,157,883)</u>	<u>(817,452)</u>	<u>-</u>	<u>(16,975,335)</u>
Total Sewer capital assets being depreciated, net	<u>24,527,986</u>	<u>(534,819)</u>	<u>-</u>	<u>23,993,167</u>
Total Business-type activities - capital assets, net	<u>\$ 38,851,682</u>	<u>\$ (642,092)</u>	<u>\$ -</u>	<u>\$ 38,209,590</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 31,120
Public safety	99,931
Public works	141,090
Culture and recreation	38,502
Total Governmental Activities	<u>\$ 310,643</u>

Business-Type Activities:

Water	\$ 374,400
Sewer	817,452
Total Business-Type Activities	<u>\$ 1,191,852</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out	Transfers In			
	General Fund	Nonmajor Funds	Total	
General Fund	\$ -	\$ 25,000	\$ 25,000	(1)
Nonmajor Governmental Funds	42,323	13,558	55,881	(2)
Water Enterprise Fund	124,419	-	124,419	(3)
Sewer Enterprise Fund	309,104	-	309,104	(3)
Total	\$ 475,846	\$ 38,558	\$ 514,404	

- (1) Transfers to nonmajor funds to supplement harbor boat purchase.
- (2) Transfers to general fund to supplement operating budgets. Transfer between nonmajor funds to supplement harbor boat purchase.
- (3) Transfers to General Fund for indirect costs.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Type	Interest Rate	Maturity Date	July 1, 2012	Additions	Retirements	June 30, 2013
BAN	0.06%	03/28/13	\$ 93,000	\$ -	\$ (23,000)	\$ 70,000
Total Governmental Notes			93,000	-	(23,000)	70,000
BAN	0.55%	03/28/14	-	800,000	-	800,000
Interim Note	0.12%	12/31/13	111,262	-	(111,262)	-
Total Business-Type Notes - Water			111,262	800,000	(111,262)	800,000
Total Notes Payable			\$ 204,262	\$ 800,000	\$ (134,262)	\$ 870,000

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively. The interim note in the Water Fund outstanding on that date was issued for the construction of a water tank.

F. Long-Term Obligations

Bond and Note Indebtedness – The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

MWPAT Loan Subsidies – As previously noted in Note I. B., the Town has entered into loan agreements with the MWPAT. It is expected that the Town will be subsidized by MWPAT on an annual basis for principal in the amount of \$238,235 until maturity. For the year ended June 30, 2013, total principal subsidies received was \$22,408, reported within the Governmental Fund.

Authorized and Unissued Debt – At June 30, 2013, the Town had authorized and unissued debt as follows:

<u>Project</u>	<u>Amount</u>
Environmental Remediation	\$ 200,000
Town Creek Culvert	1,200,000
Energy Conservation	1,026,372
Library Construction	<u>7,500,000</u>
Total authorized and unissued	<u>\$ 9,926,372</u>

Overlapping Debt – The Town’s proportionate share of debt of other governmental units which provide services within the Town’s boundaries, and the 2013 debt assessment to the Town is approximated below:

<u>Related Entity (unaudited)</u>	<u>Principal Amount</u>	<u>Percent</u>	<u>Assessment Amount (debt portion)</u>
Triton Regional School District	\$ 20,005,000	35.80%	\$ 813,555

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2013:

Description of Issue	Maturing Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>						
General Obligation Bonds	2027	3.0 - 4.0%	\$ 600,000	\$ -	\$ (40,000)	\$ 560,000
MWPAT Note	2019	Varies	648,412	-	(71,116)	577,296
Total Governmental Bond and Note Indebtedness			1,248,412	-	(111,116)	1,137,296
<i>Business-type Activities - Water</i>						
General Obligation Refunding Bond	2030	3.5 - 5.0%	10,015,000	-	(355,000)	9,660,000
MWPAT Note	2030	2.0%	2,162,901	-	(94,516)	2,068,385
MWPAT Note	2033	2.0%	-	111,262	-	111,262
Total Water Bond and Note Indebtedness			12,177,901	111,262	(449,516)	11,839,647
<i>Business-type Activities - Sewer</i>						
General Obligation Bond	2031	3.0 - 4.0%	3,740,000	-	(200,000)	3,540,000
General Obligation Refunding Bonds	2019	3.5 - 4.0%	1,665,000	-	(325,000)	1,340,000
MWPAT Note	2018	Varies	287,500	-	(21,100)	266,400
Total Sewer Bond and Note Indebtedness			5,692,500	-	(546,100)	5,146,400
Total Business-type Bond and Note Indebtedness			17,870,401	111,262	(995,616)	16,986,047
Total Long-Term Bond and Note Indebtedness - All			\$ 19,118,813	\$ 111,262	\$ (1,106,732)	\$ 18,123,343

During the year ended June 30, 2013, the following reflects the activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 1,248,412	\$ -	\$ (111,116)	\$ 1,137,296	\$ 115,299
Capital lease obligations	90,633	51,655	(106,023)	36,265	19,066
Post-closure landfill monitoring	324,500	-	(20,000)	304,500	20,000
Compensated absences, net	802,228	60,900	-	863,128	215,782
Other post employment benefits	1,036,623	551,047	(129,602)	1,458,068	-
Total Governmental Activities	\$ 3,502,396	\$ 663,602	\$ (366,741)	\$ 3,799,257	\$ 370,147
			296,861		
<i>Business-type Activities: Water</i>					
Bond and note indebtedness	\$ 12,177,901	\$ 111,262	\$ (449,516)	\$ 11,839,647	\$ 470,926
Total Business-type Activities: Water and Sewer	12,177,901	111,262	(449,516)	11,839,647	470,926
<i>Business-type Activities: Sewer</i>					
Bond and note indebtedness	5,692,500	-	(546,100)	5,146,400	551,200
Compensated absences, net	61,485	3,364	-	64,848	16,212
Other post employment benefits	57,186	18,982	(4,464)	71,704	-
Total Business-type Activities: Sewer	5,811,171	22,346	(550,564)	5,282,952	567,412
Total Business-type Activities: All	\$ 17,989,072	\$ 133,608	\$ (1,000,080)	\$ 17,122,599	\$ 1,038,338

Future Debt Payoff - Payments on general long-term debt obligation bonds due in future years consist of the following:

Governmental Activities - Total Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2014	115,299	(23,378)	91,921	49,587	(19,433)	30,154	122,075
2015	119,483	(23,052)	96,431	42,829	(17,048)	25,781	122,212
2016	119,483	(23,247)	96,236	37,347	(14,732)	22,615	118,851
2017	123,666	(23,460)	100,206	31,806	(12,421)	19,385	119,591
2018 - 2022	459,365	(75,908)	383,457	79,471	(18,444)	61,027	444,484
2023 - 2027	200,000	-	200,000	20,000	-	20,000	220,000
Total	\$ 1,137,296	\$ (169,045)	\$ 968,251	\$ 261,040	\$ (82,078)	\$ 178,962	\$ 1,147,213

Business-type Activities: Water - Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2014	470,926	-	470,926	453,463	-	453,463	924,389
2015	487,971	-	487,971	436,783	-	436,783	924,754
2016	505,059	-	505,059	419,005	-	419,005	924,064
2017	522,189	-	522,189	400,582	-	400,582	922,771
2018 - 2022	2,909,429	-	2,909,429	1,693,001	-	1,693,001	4,602,430
2023 - 2027	3,559,531	-	3,559,531	1,017,482	-	1,017,482	4,577,013
2028 - 2032	3,384,542	-	3,384,542	270,127	-	270,127	3,654,669
Total	\$ 11,839,647	\$ -	\$ 11,839,647	\$ 4,690,443	\$ -	\$ 4,690,443	\$ 16,530,090

Business-type Activities: Sewer - Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2014	551,200	(11,194)	540,006	189,238	(7,499)	181,739	721,745
2015	552,400	(10,925)	541,475	169,474	(7,201)	162,273	703,748
2016	423,700	(11,057)	412,643	151,403	(6,051)	145,352	557,995
2017	385,000	(11,298)	373,702	136,893	(4,877)	132,016	505,718
2018 - 2022	1,494,100	(24,716)	1,469,384	475,033	(3,633)	471,400	1,940,784
2023 - 2027	980,000	-	980,000	249,000	-	249,000	1,229,000
2028 - 2031	760,000	-	760,000	60,800	-	60,800	820,800
Total	\$ 5,146,400	\$ (69,190)	\$ 5,077,210	\$ 1,431,841	\$ (29,261)	\$ 1,402,580	\$ 6,479,790

Business-type Activities - Total Bond and Note Indebtedness

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
2014	1,022,126	(11,194)	1,010,932	642,701	(7,499)	635,202	1,646,134
2015	1,040,371	(10,925)	1,029,446	606,257	(7,201)	599,056	1,628,502
2016	928,759	(11,057)	917,702	570,408	(6,051)	564,357	1,482,059
2017	907,189	(11,298)	895,891	537,475	(4,877)	532,598	1,428,489
2018 - 2022	4,403,529	(24,716)	4,378,813	2,168,034	(3,633)	2,164,401	6,543,214
2023 - 2027	4,539,531	-	4,539,531	1,266,482	-	1,266,482	5,806,013
2028 - 2032	4,144,542	-	4,144,542	330,927	-	330,927	4,475,469
Total	\$ 16,986,047	\$ (69,190)	\$ 16,916,857	\$ 6,122,284	\$ (29,261)	\$ 6,093,023	\$ 23,009,880

Capital Leases – The Town has entered into long-term leases for the purchase of a fire pumper truck and a public works loader. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>
<i>Asset:</i>	
Fire pumper truck	\$ 345,458
Public works loader	154,349
Less: accumulated depreciation	<u>(238,389)</u>
Total	<u>\$ 261,418</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2013, are as follows:

<u>Fiscal Year Ended June 30,</u>	Governmental <u>Activities</u>
2014	\$ 21,082
2015	<u>18,231</u>
Total minimum lease payments	39,313
Less: amounts representing interest	<u>(3,048)</u>
Present value of minimum lease payments	<u>\$ 36,265</u>

III. Other Information

A. Retirement System

Plan Description - The Town contributes to the Essex Regional Retirement System (ERRS), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (MGL) and is administered by the Essex Regional Retirement Board (ERRB).

The ERRS provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the ERRB and are borne by the ERRS. The ERRS issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC) that includes financial statements and required supplementary information. The report may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Danvers, Massachusetts 01923.

Funding Policy – Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the ERRS for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are

governed by Chapter 32 of the MGL. The Town’s contributions to the ERRS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$893,320, \$846,240; and \$699,024 respectively, which equaled its required contribution for each year. Schedules of funding progress and contribution funding are included as required supplementary information.

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the School Department participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$77,748 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

C. Risk Financing

The Town 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 Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

D. Other Post-Employment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 72 active employees and 50 retired employees for a total of 122.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the Town. Retirees also contribute 50% towards life insurance premiums; \$5,000 face value. The Town pays the remainder. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town’s annual OPEB cost is calculated based on the annual required contribution “ARC” of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the Town’s OPEB obligation:

OPEB obligation at beginning of year	\$1,093,809
Annual required contribution (ARC)	570,029
Contributions made	(134,066)
OPEB obligation at end of year	<u>\$1,529,772</u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2010	\$ 453,717	49.5%	\$ 454,883
June 30, 2011	\$ 472,158	50.9%	\$ 686,818
June 30, 2012	\$ 538,139	24.3%	\$1,093,809
June 30, 2013	\$ 570,029 *	23.8%	\$1,529,772

* The AOPEBC at June 30, 2013 was charged to the following functional programs in the Statement of Activities as follows: General Government \$95,608; Public Safety \$364,061, Public Works \$55,163, Health and Human Services \$13,504, Culture and Recreation \$12,832; Community Development \$9,879; and Sewer \$18,982.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2013 for the most recent actuarial valuation performed as of June 30, 2012, was as follows:

Actuarial accrued liability (AAL)	\$ 6,989,364
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,989,364</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 3,628,492
UAAL as a percentage of covered payroll	192.62%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the 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.

The significant methods and assumptions as of the latest valuation are as follows:

Valuation date	June 30, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay
Remaining amortization period	30 years as of June 30, 2012
Interest discount rate	4% per year, net of investment expenses
Healthcare/Medical cost trend rate	7.5% grading down to 4.5% in year 2019 and thereafter

E. Commitments and Contingencies – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic

financial statements of the Town at June 30, 2013. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

- F. Landfill Closure and Post-Closure Care Costs** – The Town’s landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions (“post-closure care”) at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring; \$304,500 has been recorded as a liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations. Debt related to closure activities was issued in the form of bonds and has been presented as bonded debt in the Governmental Funds.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementation

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement was to improve financial reporting by addressing issues related to service concession arrangements. The provisions of GASB 60 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement was to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of GASB 61 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. The Statement was intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (“FASB”) and American Institute of Certified Public Accountants (“AICPA”) pronouncements. The provisions of GASB 62 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this

Statement was to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The provisions of GASB 63 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement was to clarify whether an effective hedging relationship continues after the replacement of a swap-counterparty or a swap-counterparty's credit support provider. The provisions of GASB 64 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

B. Future Year Implementations

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement are effective for financial statements for periods

beginning after June 15, 2013 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Town believes the adoption of this statement will have a material impact on the financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2013 (fiscal year 2015). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2013 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. Prior Period Restatement

The prior period ending net position balance in the Nonmajor Fund has been reduced by \$376,110 and the Private Purpose Trust Fund balance has been increased by the same amount in order to reflect the Affordable Housing Trust Fund as a private purpose activity. This has also had a correlative impact on the Statement of Net Position which was reduced by \$376,110.

TOWN OF SALISBURY MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

SCHEDULES OF FUNDING PROGRESS

Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2011	\$ 278,332,006	\$ 536,115,536	\$ 257,783,530	51.9%	\$ 119,707,156	215.3%
1/1/2008	\$ 301,420,965	\$ 445,171,554	\$ 143,750,589	67.7%	\$ 111,726,856	128.7%
1/1/2006	\$ 261,327,047	\$ 376,034,621	\$ 114,707,574	69.5%	\$ 98,641,094	116.3%

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2012	\$ -	\$ 6,989,364	\$ 6,989,364	0.0%	\$ 3,628,492	192.6%
6/30/2009	\$ -	\$ 6,958,284	\$ 6,958,284	0.0%	\$ 3,700,000	188.1%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Fiscal Year Ended June 30,	Essex Regional Retirement System			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2013	\$ 22,770,925	\$ 21,084,190	92.6%	\$ 893,320	4.2%
2012	\$ 21,084,190	\$ 21,084,190	100.0%	\$ 846,240	4.0%
2011	\$ 19,136,746	\$ 19,136,746	100.0%	\$ 699,024	3.7%
2010	\$ 18,258,062	\$ 18,258,062	100.0%	\$ 689,851	3.8%

Other Post Employment Benefits

Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed
2013	\$ 562,737	\$ 134,066	23.8%
2012	\$ 533,560	\$ 131,148	24.6%
2011	\$ 472,158	\$ 240,223	50.9%
2010	\$ 450,686	\$ 224,544	49.8%

See accompanying independent auditor's report.

TOWN OF SALISBURY, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Property Taxes	\$ 16,284,234	\$ 16,284,234	\$ 16,198,563	\$ -	\$ 16,198,563	\$ (85,671)
Intergovernmental	979,586	979,586	1,026,020	-	1,026,020	46,434
Motor Vehicle and Other Excise	955,000	955,000	981,715	-	981,715	26,715
Departmental and Other Revenue	553,000	553,000	586,964	-	586,964	33,964
Licenses and Permits	345,000	345,000	294,367	-	294,367	(50,633)
Penalties and Interest	100,000	100,000	108,394	-	108,394	8,394
Fines and Forfeitures	105,000	105,000	94,537	-	94,537	(10,463)
Investment Income	8,000	8,000	3,073	-	3,073	(4,927)
Total Revenues	19,329,820	19,329,820	19,293,633	-	19,293,633	(36,187)
Expenditures:						
General government	1,546,321	1,546,321	1,492,129	21,775	1,513,904	32,417
Public safety	3,707,164	3,707,164	3,683,771	-	3,683,771	23,393
Education	10,674,966	10,674,966	10,674,966	-	10,674,966	-
Public works	1,157,157	1,157,157	1,143,103	33,098	1,176,201	(19,044)
Health and human services	400,797	400,797	423,753	-	423,753	(22,956)
Culture and recreation	207,213	207,213	188,007	-	188,007	19,206
Fringe and pension benefits	2,176,646	2,176,646	2,156,647	-	2,156,647	19,999
State and county tax assessments	184,937	184,937	187,297	-	187,297	(2,360)
Debt service	173,994	173,994	166,112	-	166,112	7,882
Total Expenditures	20,229,195	20,229,195	20,115,785	\$ 54,873	20,170,658	58,537
Other Financing Sources (Uses):						
Transfers in	462,288	462,288	475,846	-	475,846	13,558
Transfers out	(83,000)	(83,000)	(13,558)	-	(13,558)	69,442
Total Other Financing Sources (Uses)	379,288	379,288	462,288	-	462,288	83,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(520,087)	(520,087)	\$ (359,864)	-	\$ (414,737)	\$ 105,350
Other Budgetary Items:						
Prior year encumbrances	151,486	151,486				
Prior year appropriation deficit	(31,456)	(31,456)				
Free cash	431,200	431,200				
Other budgetary items	(2,378)	(2,378)				
Total Other Budgetary Items	548,852	548,852				
Net Budget	\$ 28,765	\$ 28,765				

See accompanying independent auditors' report.
 See notes to the required supplementary information of this schedule.

TOWN OF SALISBURY, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and Enterprise Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and approved by the Town members at the Town’s annual meeting in May. Expenditures may legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town meeting and the department heads however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2013, Town Meeting approved \$431,200 in supplemental budgetary changes which were funded from free cash.

The Finance Director has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2013 is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 19,293,633
On behalf payments	\$ 77,748	\$ -	77,748
Stabilization interest - GASB 54 impact	-	1,919	1,919
Revenues on a GAAP basis	<u>\$ 77,748</u>	<u>\$ 1,919</u>	<u>\$ 19,373,300</u>
Expenditures on a budgetary basis			\$ 20,115,785
On behalf payments	\$ 77,748	\$ -	77,748
Expenditures on a GAAP basis	<u>\$ 77,748</u>	<u>\$ -</u>	<u>\$ 20,193,533</u>
Net transfers on a budgetary basis			\$ 379,288
Nonbudget transfers	\$ -	\$ -	-
Stabilization fund transfers	-	83,000	83,000
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ 83,000</u>	<u>\$ 462,288</u>

Appropriation Deficits – During the fiscal year ended, expenditures exceeded appropriations in the General Fund for Veterans’ Benefits. These over expenditures will be funded through available funds during fiscal year 2013.