

TOWN OF DIGHTON, MASSACHUSETTS

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

Report on Internal Control
Over Financial Reporting and
On Compliance and Other Matters
Year Ended June 30, 2013

TOWN OF DIGHTON, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Dighton, 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 Dighton, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2013, and the respective changes

in financial position and where applicable, 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 November 18, 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, contract, 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 financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
November 18, 2013

Management's Discussion and Analysis

As the management of the Town of Dighton, 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. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$12.2 million (*total net position*).
- The Town's total net position increased by nearly \$0.3 million or approximately 2.4% year to year. Governmental activities increased by over \$0.3 million which was offset by a slight decrease in business-type activities. The increase in governmental activities was primarily the result of \$0.8 million of expenditures attributed as capital asset spending for public safety and public works items which were offset by increased non-cash expenditures recognized for depreciation (almost \$0.4 million) and other post-employment benefits (nearly \$0.2 million). The business-type sewer activity continued with healthy revenues from users which were nearly identical to expenses and transfers out.
- 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 \$3.8 million. This represents only a slight increase over the previous year. Slight revenue increases were noted in excise taxes, licenses and permits, and penalties and interest on taxes; however, the Town did utilize transfers in of \$0.3 million and free cash allocations of over \$0.4 million in combination with conservative spending policies resulting in below budget expenditures, in order to achieve near equal results. Of the ending fund balance approximately \$1.7 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- The Town's total long-term debt had a net increase of approximately \$9,400 during the fiscal year. This was a result of nearly \$66,600 of new debt (Title V loans) offset by approximately \$57,200 in regular scheduled maturities.

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, health and human services, culture and recreation, fringe benefits, and debt service.

The business-type activities of the Town include 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Accounting guidelines distinguish 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 or in other major funds if negative

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.

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.

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 in this report.

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 information for the singular enterprise fund for sewer activities.

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

Notes to 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-wide Financial Analysis

The following represents the condensed statement of net position:

	Net Position					
	Governmental activities		Business-type activities		Total	
	June 30, 2013	June 30, 2012 As Restated	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012 As Restated
Assets						
Current and other assets	\$ 5,934,191	\$ 5,744,041	\$ 792,129	\$ 838,219	\$ 6,726,320	\$ 6,582,260
Capital assets, net	7,254,167	6,822,494	1,580,215	1,550,496	8,834,382	8,372,990
Total assets	13,188,358	12,566,535	2,372,344	2,388,715	15,560,702	14,955,250
Liabilities						
Long-term liabilities	3,139,431	2,623,904	6,446	4,651	3,145,877	2,628,555
Other liabilities	171,731	370,606	4,782	5,999	176,513	376,605
Total liabilities	3,311,162	2,994,510	11,228	10,650	3,322,390	3,005,160
Net Position						
Invested in capital assets, net of related debt	6,717,935	6,373,338	1,580,215	1,550,496	8,298,150	7,923,834
Restricted	1,300,254	1,747,982	-	-	1,300,254	1,747,982
Unrestricted	1,859,007	1,450,705	780,901	827,569	2,639,908	2,278,274
Net Position	\$ 9,877,196	\$ 9,572,025	\$ 2,361,116	\$ 2,378,065	\$ 12,238,312	\$ 11,950,090

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased by nearly \$0.3 million or approximately 2.4% year over year. Governmental activities increased by over \$0.3 million which was offset by a slight decrease in business-type activities. The increase in governmental activities was primarily the result of \$0.8 million of expenditures attributed as capital asset spending for public safety and public works items which were offset by increased non-cash expenditures recognized for depreciation (almost \$0.4 million) and other post-employment benefits (nearly \$0.2 million). The business-type sewer activity continued with healthy revenues from users which were nearly identical to expenses and transfers out.

By far the largest portion (\$8.3 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt 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 significant portion of the Town's total net position (\$1.3 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position* has a positive position of approximately \$2.6 million. Surplus of almost \$0.8 million in the business-type activities is complemented approximately \$1.8 million in the governmental activities. The business-type surplus may be used to meet the ongoing obligations of the business-type activities. The governmental activities position has arisen on a full-accrual accounting basis as an accumulation of excess amounts year to year since inception of the Town that are otherwise unrestricted and represents 18.8% of the net position total within the governmental activities.

The following represents the condensed statement of changes in net position:

Change in Net Position						
	Governmental activities		Business activities		Total	
	June 30, 2013	June 30, 2012 As Restated	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012 As Restated
Revenues						
Program revenues:						
Charges for services	\$ 1,116,268	\$ 1,029,746	\$ 269,636	\$ 254,564	\$ 1,385,904	\$ 1,284,310
Operating grants and contributions	139,749	377,594	-	2,685	139,749	380,279
Capital grants and contributions	416,858	318,406	-	-	416,858	318,406
General revenues:						
Property taxes	13,153,141	12,943,905	-	-	13,153,141	12,943,905
Grants and contributions not restricted to specific programs	757,305	810,955	-	-	757,305	810,955
Other	1,054,435	996,459	2,344	-	1,056,779	996,459
Total revenues	16,637,756	16,477,065	271,980	257,249	16,909,736	16,734,314
Expenses						
General government	1,611,015	1,461,699	-	-	1,611,015	1,461,699
Public safety	3,043,773	3,466,480	-	-	3,043,773	3,466,480
Education	9,275,436	8,744,786	-	-	9,275,436	8,744,786
Public works	1,511,200	1,362,494	-	-	1,511,200	1,362,494
Health and human services	581,493	565,950	-	-	581,493	565,950
Culture and recreation	337,190	340,449	-	-	337,190	340,449
Interest expense	12,004	7,527	-	-	12,004	7,527
Sewer	-	-	249,403	245,036	249,403	245,036
Total expenses	16,372,111	15,949,385	249,403	245,036	16,621,514	16,194,421
Change in net position before transfers	265,645	527,680	22,577	12,213	288,222	539,893
Transfers	39,526	(22,032)	(39,526)	22,032	-	-
Change in net position	305,171	505,648	(16,949)	34,245	288,222	539,893
Net position, beginning of year	9,572,025	9,066,377	2,378,065	2,343,820	11,950,090	11,410,197
Net position, end of year	\$ 9,877,196	\$ 9,572,025	\$ 2,361,116	\$ 2,378,065	\$ 12,238,312	\$ 11,950,090

Governmental Activities – During 2013, Town property taxes made up approximately 79.1% of total revenues, this percentage is up from 78.6% in the prior year. Actual taxes were up almost \$0.2 million and consistent with what would be expected under proposition 2 ½. No other revenues were greater than 10% of total revenues in 2013 or 2012.

The Town continues to commit significant resources towards education as 56.7% of total expenditures are related to this critical activity. This is up from the prior year amount of 54.8% which is a direct result of increased regional school assessments approximating \$0.5 million. Public Safety expenses were 18.6% of total expenses, which is down from the prior year ratio of 21.7%. No other expense types were greater than 10% of total expenses in 2013 or 2012.

Business-type Activities – Major revenue sources consist of revenue from users which represented approximately 99.1% of total revenues. The remaining revenue represents mostly amounts received from investment income sources.

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 \$3.8 million. This represents only a slight increase over the previous year. Slight revenue increases were noted in excise taxes, licenses and permits, and penalties and interest on taxes; however, the Town did utilize transfers in of \$0.3 million and free cash allocations of over \$0.4 million in combination with conservative spending policies resulting in below budget expenditures, in order to achieve near equal results. Of the ending fund balance approximately \$1.7 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 \$1.7 million, while total general fund balance reached approximately \$2.0 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 11.0% of total general fund expenditures, while total fund balance represents approximately 12.6% of that same amount.

The Town’s aggregate nonmajor funds amount to \$1.8 million and include the Town’s Special, Capital and Trust funds.

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 sewer fund was nearly \$2.4 million.

Fiduciary Fund – The Town’s fiduciary fund is comprised solely of agency funds which primarily record transactions relative to developer performance bonds and water liens collected on behalf of the Dighton Water District.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were minor and amounted to approximately \$0.02 million.

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, amounted to approximately \$8.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of nearly \$0.5 million, net of depreciation.

The Town has undergone a limited amount of capital improvements over the past several years. These generally included capital replacement of existing building and infrastructure components and modernization of vehicle and equipment assets. Additional information on the Town capital assets can be found in Note II, Section D of this report.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of nearly \$0.2 million. This entire amount represents general obligation bonds and Title V notes payable of governmental activities. The business-type activity had no outstanding debt during the year.

The Town's total long-term debt had a net increase of approximately \$9 thousand during the fiscal year. This was a result of \$67 thousand of issued Title V debt, offset by approximately \$57 thousand in regular scheduled maturities.

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

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

Capital Lease Obligations – At the end of the current fiscal year, the Town had capital lease obligations of nearly \$0.5 million in the governmental activities, which relate to fire department vehicles and Town operations software.

The Town's total capital lease obligations had a net increase of approximately \$0.1 million during the fiscal year. This was a result over \$0.2 million in new lease agreements, offset by minimum lease payments due during the year of \$0.1 million.

Additional information on the Town's capital lease obligations can be found in Note II, Section F of this report.

Economic Factors and Next Year's Budgets and Rates

- The Bureau of Labor Statistics of the U.S. Department of Labor reported a 7.2% unemployment rate for the Commonwealth of Massachusetts as of August 2013, which indicates a steady, if not growing, level of employment for the area. While there are signs of economic improvement in the labor markets, there continues to be some volatility.
- The Town's property tax base is made up predominantly of residential taxes, which in 2013 was approximately 76% of the entire levy. The Town also relies to a moderate degree on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. This is not anticipated to fluctuate significantly for 2014. 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.
- The Town anticipates state aid for 2014 to remain consistent with the prior year; however, as a result of direct charges to the Town's state aid allotment, the Town anticipates a net decrease in actual cash receipts from state aid of approximately \$15 thousand.
- The Town's housing market has stabilized, but prices are still well below their 2005 peaks. The region has begun showing some consistent improvements on housing valuations over the prior year. As the economy rebounds, the Town expects its housing market to participate ratably in the rebound. Yet, the extent, timing or certainty of any material housing rebound can't be reasonably estimated.

The above items were considered when the Town accepted its budget for fiscal year 2014 at the May 2013 Town Meeting, and the Town anticipates its tax rate to be set by December 2013.

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 Town Accountant, Town Hall, 979 Somerset Avenue, Dighton, Massachusetts, 02175.

TOWN OF DIGHTON, MASSACHUSETTS

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,490,632	\$ 637,129	\$ 4,127,761
Receivables, net of allowance for uncollectibles:			
Property taxes	261,414	-	261,414
User fees	-	155,000	155,000
Departmental and other	1,762,811	-	1,762,811
Intergovernmental	83,782	-	83,782
Tax foreclosures	335,552	-	335,552
Capital assets, not being depreciated	3,773,836	68,245	3,842,081
Capital assets, net of depreciation	3,480,331	1,511,970	4,992,301
Total Assets	13,188,358	2,372,344	15,560,702
Deferred Outflows of Resources			
	-	-	-
Liabilities			
Current liabilities:			
Warrants and accounts payable	171,731	4,782	176,513
Noncurrent liabilities:			
Due in one year or less	214,192	3,223	217,415
Due in more than one year	2,925,239	3,223	2,928,462
Total Liabilities	3,311,162	11,228	3,322,390
Deferred Inflows of Resources			
	-	-	-
Net Position			
Invested in capital assets, net of related debt	6,717,935	1,580,215	8,298,150
Restricted for:			
Nonexpendable permanent funds	21,507	-	21,507
Loans	133,725	-	133,725
Other purposes	1,145,022	-	1,145,022
Unrestricted	1,859,007	780,901	2,639,908
Total Net Position	\$ 9,877,196	\$ 2,361,116	\$ 12,238,312

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
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
Governmental Activities:							
General government	\$ 1,611,015	\$ 150,696	\$ 1,004	\$ -	\$ (1,459,315)		\$ (1,459,315)
Public safety	3,043,773	596,850	4,865	-	(2,442,058)		(2,442,058)
Education	9,275,436	-	55,091	-	(9,220,345)		(9,220,345)
Public works	1,511,200	199,540	25	394,614	(917,021)		(917,021)
Health and human services	581,493	155,467	43,071	-	(382,955)		(382,955)
Culture and recreation	337,190	13,715	35,693	22,244	(265,538)		(265,538)
Interest expense	12,004	-	-	-	(12,004)		(12,004)
Total Governmental Activities	16,372,111	1,116,268	139,749	416,858	(14,699,236)		(14,699,236)
Business-Type Activities:							
Sewer	249,403	269,636	-	-		20,233	20,233
Total Primary Government	\$ 16,621,514	\$ 1,385,904	\$ 139,749	\$ 416,858	(14,699,236)	20,233	(14,679,003)
General Revenues:							
Real and personal property taxes					13,153,141	-	13,153,141
Grants and contributions not restricted to specific programs					757,305	-	757,305
Motor vehicle and other excise					878,813	-	878,813
Penalties and interest on taxes					88,884	-	88,884
Other income					53,877	-	53,877
Unrestricted investment income					32,861	2,344	35,205
Transfers (net)					39,526	(39,526)	-
Total general revenues and transfers					15,004,407	(37,182)	14,967,225
Change in Net Position					305,171	(16,949)	288,222
Net Position - Beginning (as restated - see Note IV)					9,572,025	2,378,065	11,950,090
Net Position - Ending					\$ 9,877,196	\$ 2,361,116	\$ 12,238,312

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

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

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,700,651	\$ 1,789,981	\$ 3,490,632
Receivables, net of allowance			
Property taxes	260,067	1,347	261,414
Other	1,529,048	233,763	1,762,811
Due from other government	60,747	23,035	83,782
Tax foreclosures	335,552	-	335,552
Total Assets	<u>3,886,065</u>	<u>2,048,126</u>	<u>5,934,191</u>
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 3,886,065</u>	<u>\$ 2,048,126</u>	<u>\$ 5,934,191</u>
Liabilities			
Warrants and accounts payable	\$ 161,840	\$ 9,891	\$ 171,731
Deferred revenues	1,739,115	235,110	1,974,225
Total Liabilities	<u>1,900,955</u>	<u>245,001</u>	<u>2,145,956</u>
Total Deferred Inflows of Resources	-	-	-
Fund Balances			
Nonspendable	-	21,507	21,507
Restricted	25,069	1,781,618	1,806,687
Committed	115,010	-	115,010
Assigned	111,778	-	111,778
Unassigned	1,733,253	-	1,733,253
Total Fund Balances	<u>1,985,110</u>	<u>1,803,125</u>	<u>3,788,235</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,886,065</u>	<u>\$ 2,048,126</u>	<u>\$ 5,934,191</u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

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

Total Governmental Fund Balances	\$ 3,788,235
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,254,167
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	1,974,225
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	(166,052)
Capital lease obligations	(486,232)
Landfill monitoring	(277,100)
Compensated absences	(237,037)
Other post employment benefits	<u>(1,973,010)</u>
Net Position of Governmental Activities	<u>\$ 9,877,196</u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

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

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Real estate and personal property taxes, net	\$ 13,038,273	\$ 78,491	\$ 13,116,764
Intergovernmental	814,201	447,487	1,261,688
Motor vehicle and other excises	833,414	-	833,414
License and permits	178,511	-	178,511
Departmental and other revenue	323,490	540,647	864,137
Penalties and interest on taxes	88,884	-	88,884
Fines and forfeitures	18,473	-	18,473
Investment income	32,205	656	32,861
Contributions and donations	-	54,029	54,029
Total Revenues	<u>15,327,451</u>	<u>1,121,310</u>	<u>16,448,761</u>
Expenditures:			
Current:			
General government	1,203,405	68,526	1,271,931
Public safety	2,320,970	240,168	2,561,138
Education	9,220,295	50	9,220,345
Public works	1,162,182	401,060	1,563,242
Health and human services	271,720	221,683	493,403
Culture and recreation	219,699	44,973	264,672
Pensions and other fringes	1,196,260	-	1,196,260
State and county tax assessments	133,950	-	133,950
Debt service:			
Principal payback	57,162	-	57,162
Interest expense	13,671	-	13,671
Total Expenditures	<u>15,799,314</u>	<u>976,460</u>	<u>16,775,774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(471,863)</u>	<u>144,850</u>	<u>(327,013)</u>
Other Financing Sources (Uses):			
Proceeds from issuance of debt	-	66,558	66,558
Proceeds from capital lease financing	-	237,004	237,004
Transfers in	308,192	43,723	351,915
Transfers out	(43,723)	(268,666)	(312,389)
Total Other Financing Sources (Uses)	<u>264,469</u>	<u>78,619</u>	<u>343,088</u>
Net Change in Fund Balances	(207,394)	223,469	16,075
Fund Balances - Beginning (as restated - see Note IV)	<u>2,192,504</u>	<u>1,579,656</u>	<u>3,772,160</u>
Fund Balances - Ending	<u>\$ 1,985,110</u>	<u>\$ 1,803,125</u>	<u>\$ 3,788,235</u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, 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 **\$ 16,075**

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. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital Outlays	\$ 812,172
Depreciation Expense	<u>(380,499)</u>

Net effect of reporting capital assets 431,673

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:

Proceeds from capital lease obligations	(237,004)
Issuance of bonds and notes	(66,558)
Repayments of capital lease obligations	92,724
Repayments of bonds and notes	<u>57,162</u>

Net effect of reporting long-term debt (153,676)

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

1,667

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 following differences derived from deferred revenue.

188,995

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:

Landfill monitoring	15,400
Compensated absences, net	(22,490)
Other post-employment benefits	<u>(172,473)</u>

Net effect of reporting long-term liabilities (179,563)

Change in Net Position of Governmental Activities **\$ 305,171**

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

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

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Sewer</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 637,129
User fees, net of allowance	155,000
Total current assets	<u>792,129</u>
Noncurrent assets:	
Capital assets, not being depreciated	68,245
Capital assets, net of depreciation	1,511,970
Total noncurrent assets	<u>1,580,215</u>
Total Assets	<u>2,372,344</u>
Liabilities:	
Current liabilities:	
Warrants payable and other liabilities	4,782
Compensated absences	3,223
Total current liabilities	<u>8,005</u>
Noncurrent liabilities:	
Compensated absences	3,223
Total noncurrent liabilities	<u>3,223</u>
Total Liabilities	<u>11,228</u>
Net Position:	
Invested in capital assets, net of related debt	1,580,215
Unrestricted	780,901
Total Net Position	<u><u>\$ 2,361,116</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

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

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Sewer</u>
Operating Revenues:	
Usage charges	\$ 266,026
Other fees	3,610
Total Operating Revenues	<u>269,636</u>
Operating Expenses:	
Operating costs	193,808
Depreciation	55,595
Total Operating Expenses	<u>249,403</u>
Total Operating Income	<u>20,233</u>
Nonoperating Income (Expenses):	
Interest income	<u>2,344</u>
Total Nonoperating Revenues (Expenses), net	<u>2,344</u>
Income (Loss) Before Transfers	22,577
Transfers out	<u>(39,526)</u>
Change in Net Position	(16,949)
Net Position - Beginning	<u>2,378,065</u>
Net Position - Ending	<u><u>\$ 2,361,116</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS

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

	Business-type Activities - <u>Enterprise Funds</u>
	<u>Sewer</u>
Cash Flows from Operating Activities:	
Receipts from users	\$ 240,973
Payments to vendors	(106,949)
Payments to employees	<u>(86,281)</u>
Net Cash Provided by Operating Activities	<u>47,743</u>
Cash Flows from Noncapital Related Financing Activities:	
Transfers, net	<u>(39,526)</u>
Net Cash Used for Noncapital Related Financing Activities	<u>(39,526)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(85,314)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(85,314)</u>
Cash Flows from Investing Activities:	
Maturity of investment holdings	200,000
Investment income	<u>2,344</u>
Net Cash Provided by Investing Activities	<u>202,344</u>
Net Change in Cash and Cash Equivalents	125,247
Cash and Cash Equivalents:	
Beginning of year	<u>511,882</u>
End of year	<u><u>\$ 637,129</u></u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:	
Operating income (loss)	\$ 20,233
Depreciation	55,595
Changes in assets and liabilities:	
Receivables (net)	(28,663)
Liabilities (net)	<u>578</u>
Net Cash Provided From Operating Activities	<u><u>\$ 47,743</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 554,872
Receivables:	
Water district user fee tax liens	<u>136,817</u>
Total Assets	<u>691,689</u>
Liabilities:	
Warrants and other payables	37,592
Planning board deposits	494,774
Other liabilities	<u>159,323</u>
Total Liabilities	<u>691,689</u>
Total Net Position	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

TOWN OF DIGHTON, 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 north of Boston in Bristol County. It was established as a Town in 1712. The Town is governed by an elected three-member Board of Selectmen. The board members serve three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, rubbish disposal, public education in grades K-12, water and sewer services, street maintenance, and parks and recreational 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 Dighton-Rehoboth Regional School District that provides educational services to two 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 \$9,178,253. 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 2700 Regional Road, North Dighton, MA 02764.

B. Government-Wide and Fund Financial Statements

In 2013, the Town implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of the implementation, the basic financial statements were renamed to the *statement of net position* and *statement of revenues, expenses and changes in net position*. These statements were formerly referred to as the *statement of net assets* and *statement of revenues, expenses and changes in net assets*. All previous references to *net assets* have been replaced with the concept of *net position* in accordance with GASB 63. The Town did not have any assets or liabilities that were required to be reported as deferred outflows of resources and deferred inflows of resources in these 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 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 are 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*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

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 funds:

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.

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, 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 fund:

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for developer deposits and water liens collected on behalf of the Dighton Water District (a legally separate, non-Town utility service provider). Agency funds apply the accrual basis of accounting but do not have a measurement focus.

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 to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Sewer user charges are assessed semi-annually based upon metered water consumption as provided by the Dighton Water District.

Real estate taxes and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances 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.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, utility 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. 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	5-10 years
Vehicles	5-10 years
Infrastructure	40-50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

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 – 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 and permanent funds is retained in the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation benefits. Amounts related to sick-pay benefits are carried forward from year to year, but only vest as buy-back for certain individuals in the police department. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the 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.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting as a deferred outflow.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town does not have any items that qualify for reporting as a deferred inflow.

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 is 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 the endowment portion of donor restricted trusts that support governmental programs.

Loans represent the balance of Title V septic loan paybacks from Town residents restricted for future debt service payback of existing Title V notes payable issued by the Massachusetts Water Pollution Abatement Trust.

Other purposes which consist of:

Capital projects represent remaining balances from bond proceeds that are restricted by state law to specific capital purposes and borrowing terms.

Gifts and donations represent assets that are restricted by donors and other outside parties for specific governmental programs and uses.

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

Revolving funds represent assets that are restricted by state laws for specific governmental programs and uses.

Fund Equity – 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 as the corpus of the endowment.

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 Town has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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.

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.

Stabilization Funds – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$963,250 at June 30, 2013 and is reported as unassigned fund balance in the General Fund.

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 Town Accountant 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.

The following table reflects the Town's fund equity categorizations:

	General	Nonmajor Governmental Funds	Total
Nonspendable:			
Nonexpendable trust funds	\$ -	\$ 21,507	\$ 21,507
Restricted:			
General government	-	471,282	471,282
Public safety	-	655,389	655,389
Culture and recreation	-	506,511	506,511
Unemployment	25,069	-	25,069
Other purposes	-	148,436	148,436
Committed:			
General government	99,338	-	99,338
Other purposes	15,672	-	15,672
Assigned:			
Purchase orders	12,778	-	12,778
Subsequent years' budget	99,000	-	99,000
Unassigned	1,733,253	-	1,733,253
	<u>\$ 1,985,110</u>	<u>\$ 1,803,125</u>	<u>\$ 3,788,235</u>

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year, the Town incurred an appropriation deficit of \$137,540 as a result of incurring excess snow and ice removal costs above budget. Additionally, the Town has generated an overlay deficit \$37,978 relative property tax abatements. Expenditures did not exceed appropriations for the legally adopted budget within the General Fund for any other functions.

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 (“the 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 \$4,682,633 and the bank balance was \$4,687,723. Of the Town's bank balance, \$3,888,194 was covered by either federal depository insurance or by the depositors’ insurance fund; and the remainder was uninsured.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town does not have a formal investment policy related to custodial credit risk, but the Town maintained no holdings classified as investments as of June 30, 2013.

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.

Credit Risk – The Town has not adopted a formal policy related to credit risk.

B. Receivables

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:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 260,067	\$ -	\$ 260,067
Tax liens	1,316,455	-	1,316,455
Excise	155,310	-	155,310
Community preservation surcharge	4,586	-	4,586
Departmental	333,851	(179,769)	154,082
Title V betterment loans	133,725	-	133,725
Intergovernmental	83,782	-	83,782
Total	\$ 2,287,776	\$ (179,769)	\$ 2,108,007

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer user fees	\$ 155,000	\$ -	\$ 155,000
Total	<u>\$ 155,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>

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:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 210,067	\$ -	\$ 210,067
Tax liens	1,316,455	-	1,316,455
Excise	155,310	-	155,310
Community preservation surcharge	-	4,586	4,586
Departmental	57,283	96,799	154,082
Title V betterment loans	-	133,725	133,725
Total	<u>\$ 1,739,115</u>	<u>\$ 235,110</u>	<u>\$ 1,974,225</u>

C. 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	\$ -	\$ 43,723	\$ 43,723	(1)
Nonmajor Governmental Funds	268,666	-	268,666	(2)
Sewer Enterprise Fund	39,526	-	39,526	(3)
Total	<u>\$ 308,192</u>	<u>\$ 43,723</u>	<u>\$ 351,915</u>	

(1) Transfer to Nonmajor funds to fund capital purchase.

(2) Transfers to General Fund to supplement operating budgets.

(3) Transfers to General Fund for indirect costs.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,765,518	\$ 8,318	\$ -	\$ 3,773,836
Total capital assets not being depreciated	<u>3,765,518</u>	<u>8,318</u>	<u>-</u>	<u>3,773,836</u>
Capital assets being depreciated:				
Buildings and improvements	1,363,573	-	-	1,363,573
Improvements other than buildings	116,567	-	-	116,567
Infrastructure	1,561,973	384,421	-	1,946,394
Machinery and equipment	1,118,720	41,857	-	1,160,577
Vehicles	2,618,296	377,576	(135,000)	2,860,872
Total capital assets being depreciated	<u>6,779,129</u>	<u>803,854</u>	<u>(135,000)</u>	<u>7,447,983</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,027,807)	(34,685)	-	(1,062,492)
Improvements other than buildings	(108,789)	(2,127)	-	(110,916)
Infrastructure	(290,661)	(87,710)	-	(378,371)
Machinery and equipment	(617,089)	(92,252)	-	(709,341)
Vehicles	(1,677,807)	(163,725)	135,000	(1,706,532)
Total accumulated depreciation	<u>(3,722,153)</u>	<u>(380,499)</u>	<u>135,000</u>	<u>(3,967,652)</u>
Total capital assets being depreciated, net	<u>3,056,976</u>	<u>423,355</u>	<u>-</u>	<u>3,480,331</u>
Governmental activities capital assets, net	<u>\$ 6,822,494</u>	<u>\$ 431,673</u>	<u>\$ -</u>	<u>\$ 7,254,167</u>
<i>Business-Type Activities - Sewer:</i>				
Capital assets not being depreciated:				
Land	\$ 68,245	\$ -	\$ -	\$ 68,245
Total capital assets not being depreciated	<u>68,245</u>	<u>-</u>	<u>-</u>	<u>68,245</u>
Capital assets being depreciated:				
Infrastructure	2,720,993	85,314	-	2,806,307
Machinery and equipment	11,562	-	-	11,562
Vehicles	20,000	-	-	20,000
Total capital assets being depreciated	<u>2,752,555</u>	<u>85,314</u>	<u>-</u>	<u>2,837,869</u>
Less accumulated depreciation for:				
Infrastructure	(1,248,570)	(54,439)	-	(1,303,009)
Machinery and equipment	(1,734)	(1,156)	-	(2,890)
Vehicles	(20,000)	-	-	(20,000)
Total accumulated depreciation	<u>(1,270,304)</u>	<u>(55,595)</u>	<u>-</u>	<u>(1,325,899)</u>
Total capital assets being depreciated, net	<u>1,482,251</u>	<u>29,719</u>	<u>-</u>	<u>1,511,970</u>
Business-type activities capital assets, net	<u>\$ 1,550,496</u>	<u>\$ 29,719</u>	<u>\$ -</u>	<u>\$ 1,580,215</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
General government	\$ 17,980	Sewer	\$ 55,595
Public safety	195,449		
Public works	150,752	Total Business-Type Activities	<u>\$ 55,595</u>
Health and human services	6,009		
Culture and recreation	10,309		
Total Governmental Activities	<u>\$ 380,499</u>		

E. Temporary Debt

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

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue (RANS) 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 District and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. There were no temporary notes outstanding at any time during the year ended June 30, 2013.

F. Long-Term Liability Obligations

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”.

Long-Term Liability Obligations - 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
Governmental Activities:					
Bond and note debt	\$ 156,656	\$ 66,558	\$ (57,162)	\$ 166,052	\$ 60,490
Capital lease obligations	341,952	517,479	(373,199)	486,232	102,746
Landfill monitoring	292,500	-	(15,400)	277,100	15,400
Compensated absences, net	214,547	22,490	-	237,037	35,556
Other post-employment benefits	1,800,537	272,373	(99,900)	1,973,010	-
Total Governmental Activities	<u>\$ 2,806,192</u>	<u>\$ 878,900</u>	<u>\$ (545,661)</u>	<u>\$ 3,139,431</u>	<u>\$ 214,192</u>
Business-type Activities: Sewer					
Compensated absences, net	6,273	-	173	6,446	3,223
Total Business-type Activities	<u>\$ 6,273</u>	<u>\$ -</u>	<u>\$ 173</u>	<u>\$ 6,446</u>	<u>\$ 3,223</u>
Total Long-term Obligations	<u>\$ 2,812,465</u>	<u>\$ 878,900</u>	<u>\$ (545,488)</u>	<u>\$ 3,145,877</u>	<u>\$ 217,415</u>

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

Description of Issue	Maturity Year	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
Governmental Activities						
State House Notes	2014	2.5 - 4.0%	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000
MWPAT (Title V) Loan	2033	0.00%	56,656	-	(7,162)	49,494
MWPAT (Title V) Loan	2016	0.00%	-	66,558	-	66,558
Total Governmental Activities			<u>\$ 156,656</u>	<u>\$ 66,558</u>	<u>\$ (57,162)</u>	<u>\$ 166,052</u>
Total Business-Type Activities			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Bond and Note Debt			<u>\$ 156,656</u>	<u>\$ 66,558</u>	<u>\$ (57,162)</u>	<u>\$ 166,052</u>

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

Year Ending June 30,	Governmental Activities						Totals
	Principal			Interest			
	Gross	Subsidy	Net	Gross	Subsidy	Net	
2014	\$ 60,490	\$ -	\$ 60,490	\$ 3,560	\$ (2,560)	\$ 1,000	\$ 61,490
2015	10,490	-	10,490	2,166	(2,166)	-	10,490
2016	10,362	-	10,362	1,785	(1,785)	-	10,362
2017	10,362	-	10,362	1,398	(1,398)	-	10,362
2018	10,362	-	10,362	994	(994)	-	10,362
2019 - 2023	30,708	-	30,708	782	(782)	-	30,708
2024 - 2028	16,640	-	16,640	-	-	-	16,640
2029 - 2033	16,638	-	16,638	-	-	-	16,638
Total	<u>\$ 166,052</u>	<u>\$ -</u>	<u>\$ 166,052</u>	<u>\$ 10,685</u>	<u>\$ (9,685)</u>	<u>\$ 1,000</u>	<u>\$ 167,052</u>

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

Project	Amount
<i>Governmental Activities:</i>	
Title V Loans	\$ 198,442
Police Headquarters & Community Center	2,500,000
Total Governmental Activities	<u>2,698,442</u>
<i>Business-Type Activities:</i>	
Total Business-Type Activities	<u>-</u>
Total Authorized and Unissued Debt	<u>\$ 2,698,442</u>

Capital Lease Obligations - As of June 30, 2013, assets acquired through capital leases are as follows:

Asset	Amount
Fire Pumper Truck	\$ 518,062
Fire Ambulance	237,004
Computer Software	102,000
Less: Accumulated Depreciation	<u>(394,032)</u>
Total	<u>\$ 463,034</u>

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

Fiscal Year Ended June 30,	Amount
2014	\$ 119,326
2015	104,726
2016	104,726
2017	104,726
2018	52,636
2019	52,636
Total minimum lease payments	538,776
Less: amounts representing interest	(52,544)
Present value of minimum lease payments	<u>\$ 486,232</u>

III. Other Information

A. Retirement System

Plan Description - The Town contributes to the Bristol County Retirement System (BCRS), a multiple-employer defined benefit pension plan established under MGL Chapter 32 and is administered by the Bristol County Retirement Board (BCRB).

The BCRS 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 BCRB and are borne by the BCRS. The BCRS 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 Bristol County Retirement System, 645 County Street, Taunton, MA 02780.

Funding Policy – Plan members are required to contribute to the BCRS at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the BCRS 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 BCRS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$508,241; \$487,700; and \$435,419 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 Town's previous School Department (prior to creation of the Dighton-Rehoboth Regional School District) participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$55,091 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.

The Town is part of a premium-based, self-insurance group which insures for general and personal liability, and worker's compensation, through the Southeaster MASS Health Group. Additionally, the Town is entirely self-insured for employees' unemployment benefits. The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town's experience history. All other insurance is carried through conventional carriers.

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.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 40% of the calculated contribution and the remainder of the cost is funded by the Town. 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. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement #45 for employers in plans with fewer than 100 total plan members. 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:

Annual required contribution (ARC)	\$ 271,473
Interest on net OPEB obligation	63,019
Adjustment to ARC	<u>(62,119)</u>
Annual OPEB cost	272,373
Contributions made	<u>(99,900)</u>
Increase in net OPEB obligation	172,473
Net OPEB obligation at beginning of year	<u>1,800,537</u>
Net OPEB obligation at end of year	<u>\$ 1,973,010</u>

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2013	\$ 272,373	36.7%	\$ 1,973,010
June 30, 2012	\$ 720,731	15.2%	\$ 1,800,537
June 30, 2011	\$ 701,103	15.0%	\$ 1,189,263

The AOPEBC at June 30, 2013 was charged to the following functional programs: General Government \$47,456; Public Safety \$155,073; Public Works \$37,951; Health and Human Services \$19,203; and Culture and Recreation \$12,690.

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, 2013, was as follows:

Actuarial value of plan assets	\$ -
Actuarial accrued liability (AAL)	\$ 3,036,811
Unfunded actuarial accrued liability (UAAL)	\$ 3,036,811
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (annually payroll of active employees covered by the plan)	\$ 1,865,226
UAAL as a percentage of covered payroll	162.81%

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, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period:	30 years (open)
Interest discount rate:	3.5%
Healthcare/Medical cost trend rate:	Varies, grading up from 0% in year 1 to to 5% in year 21 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.

Grant Compliance – Amounts received 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 Town expects such amounts, if any, to be immaterial.

Arbitrage – 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 Town expects the amount if any, in these situations, 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; \$277,100 has been recorded as a governmental activities liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Implementation of New GASB Pronouncements

Current Year Implementations

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.

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.

IV. Prior Period Restatement

The prior period ending fund balance of the Nonmajor Fund has been reduced by \$93,757 relative to an adjustment eliminating a Title V loan receivable in the same amount, which additionally reduced the Restricted component of ending net position within Governmental Activities.

In addition, the prior period ending net position balance for Invested in Capital Assets, Net of Related Debt within the Governmental Activities Fund has been increased by \$120,882 relative to the recalculation of accumulated depreciation.

	Nonmajor Funds
Prior year as presented	\$ 1,673,413
Restate Title V deferred revenue	(93,757)
As Restated	<u>\$ 1,579,656</u>
	Governmental Activities
Prior year as presented	\$ 9,451,143
Restate Accumulated depreciation	120,882
As Restated	<u>\$ 9,572,025</u>

TOWN OF DIGHTON, 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)
01/01/12	\$460,572,977	\$ 776,734,414	\$ 316,161,437	59.3%	\$ 137,231,288	230.4%
01/01/10	447,114,412	690,292,202	243,177,790	64.8%	136,443,244	178.2%
01/01/09	396,683,194	697,604,462	300,921,268	56.9%	158,880,971	189.4%

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)
6/30/2013	\$ -	\$ 3,036,811	\$ 3,036,811	0.0%	\$ 1,865,226	162.8%
6/30/2010	-	6,785,431	6,785,431	0.0%	2,039,891	332.6%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended June 30,	Bristol County Contributory Retirement System			Town	
	Annual OPEB Cost	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2013	\$ 29,709,917	\$ 29,709,917	100%	\$ 508,241	1.7%
2012	27,049,058	27,049,058	100%	487,700	1.8%
2011	30,852,540	30,852,540	100%	435,419	1.4%

Other Post-Employment Benefits

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2013	\$ 272,373	\$ 99,900	36.7%
2012	720,731	109,457	15.2%
2011	701,103	105,086	15.0%

See accompanying independent auditor's report.

TOWN OF DIGHTON, 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						
Real estate and personal property taxes, net	\$ 13,021,383	\$ 13,021,383	\$ 13,038,273	\$ -	\$ 13,038,273	\$ 16,890
Intergovernmental	762,907	762,907	754,508	-	754,508	(8,399)
Motor vehicle and other excises	768,802	768,802	833,414	-	833,414	64,612
License and permits	149,000	149,000	178,511	-	178,511	29,511
Departmental and other revenue	332,484	332,484	323,490	-	323,490	(8,994)
Penalties and interest on taxes	55,400	55,400	88,884	-	88,884	33,484
Fines and forfeitures	1,320	1,320	18,473	-	18,473	17,153
Investment income	23,800	23,800	28,546	-	28,546	4,746
Total Revenues	<u>15,115,096</u>	<u>15,115,096</u>	<u>15,264,099</u>	<u>-</u>	<u>15,264,099</u>	<u>149,003</u>
EXPENDITURES						
General government	1,411,632	1,394,801	1,203,405	105,975	1,309,380	85,421
Public safety	2,416,746	2,437,046	2,320,970	6,141	2,327,111	109,935
Education	9,223,529	9,223,529	9,220,295	-	9,220,295	3,234
Public works	1,068,377	1,066,683	1,162,182	500	1,162,682	(95,999)
Health and human services	289,691	306,800	271,720	15,172	286,892	19,908
Culture and recreation	223,335	223,335	219,699	-	219,699	3,636
State and county tax assessments	133,910	133,910	133,950	-	133,950	(40)
Pension and other fringe benefits	1,219,195	1,220,311	1,139,908	-	1,139,908	80,403
Debt service	70,833	70,833	70,833	-	70,833	-
Total Expenditures	<u>16,057,248</u>	<u>16,077,248</u>	<u>15,742,962</u>	<u>\$ 127,788</u>	<u>15,870,750</u>	<u>206,498</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	307,220	307,220	308,192	-	308,192	972
Transfers out	-	-	(43,723)	-	(43,723)	(43,723)
Total Other Financing Sources (Uses)	<u>307,220</u>	<u>307,220</u>	<u>264,469</u>	<u>-</u>	<u>264,469</u>	<u>(42,751)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(634,932)</u>	<u>(654,932)</u>	<u>\$ (214,394)</u>	<u>-</u>	<u>\$ (342,182)</u>	<u>\$ 312,750</u>
Other Budgetary Items:						
Undesignated surplus (free cash)	434,478	454,478				
Prior year snow and ice deficit	(4,192)	(4,192)				
Prior year encumbrances	85,555	85,555				
	<u>\$ (119,091)</u>	<u>\$ (119,091)</u>				

See accompanying independent auditor's report.
 See accompanying notes to required supplementary information.

TOWN OF DIGHTON, 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. Financial orders are initiated by department heads, recommended by the Board of Selectmen and Finance Committee and approved by the Town Meeting members at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. 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 \$20,000 in additional appropriations from the original approved budget.

The Town Accountant 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 to conform to the Uniform Massachusetts Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. 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
	<u> </u>	<u> </u>	<u> </u>
Revenues on a budgetary basis	\$ -	\$ -	\$ 15,264,099
Stabilization investment income	-	3,603	3,603
Unemployment trust investment income	-	56	56
On-behalf payments by other government	55,091	-	55,091
Intergovernmental receivable adjustment	4,602	-	4,602
Revenues on a GAAP basis	<u>\$ 59,693</u>	<u>\$ 3,659</u>	<u>\$ 15,327,451</u>
Expenditures on a budgetary basis	\$ -	\$ -	\$ 15,742,962
Unemployment trust payments	-	1,261	1,261
On-behalf payments by other government	55,091	-	55,091
Expenditures on a GAAP basis	<u>\$ 55,091</u>	<u>\$ 1,261</u>	<u>\$ 15,799,314</u>
Other financing sources (uses) on a budgetary basis	\$ -	\$ -	\$ 264,469
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,469</u>



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

The Honorable Members of the Board of Selectmen
Town of Dighton, Massachusetts

We have audited, 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, the financial statements of the Town of Dighton, 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 and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
November 18, 2013