

TOWN OF HALIFAX, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2012

TOWN OF HALIFAX, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Halifax, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Halifax, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Halifax, Massachusetts as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May XX, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; schedule of funding progress for the Town's retiree benefit plan; budgetary comparison schedules for the general fund and solid waste fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MLB CPA, LLP

January 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

As management of the Town of Halifax (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, 2012.

Financial Highlights:

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$35.8 million (net assets). Of this amount, approximately \$2.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total cost of all Town services for fiscal year 2012 was \$22.6 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$1.5 or approximately 7.6% of general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and general administrative services. The Town's business-type activities include the water activities.

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.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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, the Solid Waste Fund, and Road Repair Fund (Chapter 90 Highway) all of which are considered to be major funds. The remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office. The basic governmental fund financial statements can be found in the accompanying pages of this report.

Proprietary funds: The Town of Halifax maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The town uses a proprietary fund to account for its water activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water operations. The basic proprietary fund financial statements can be found in the accompanying pages of this report.

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 programs. The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

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. The notes to the financial statements follow the basic financial statements described above.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Halifax, assets exceeded liabilities by \$26.3 and by \$9.5 million for the governmental and business-type activities, respectively, at the close of the most recent fiscal year. The following tables demonstrate the net assets of the Town:

	FY 2012	FY 2011	FY 2012	FY 2011
	Governmental	Governmental	Business-type	Business-type
	Activities	Activities	Activities	Activities
Current assets	\$ 10,288,842	\$ 10,072,501	\$ 1,482,571	\$ 1,444,736
Capital assets	<u>23,491,628</u>	<u>24,209,988</u>	<u>8,666,633</u>	<u>8,864,482</u>
Total assets	33,780,470	34,282,489	10,149,204	10,309,218
Current liabilities	1,736,243	1,755,011	117,045	146,662
Long-term liabilities	<u>5,729,320</u>	<u>5,604,482</u>	<u>564,935</u>	<u>608,424</u>
Total liabilities	7,465,563	7,359,493	681,980	755,086
Net assets:				
Capital assets,				
net of related debt	21,608,247	21,768,207	8,141,633	8,264,482
Restricted	3,661,839	3,642,014		
Unrestricted	<u>1,044,821</u>	<u>1,512,785</u>	<u>1,325,591</u>	<u>1,289,650</u>
Total net assets	<u>\$ 26,314,907</u>	<u>\$ 26,923,006</u>	<u>\$ 9,467,224</u>	<u>\$ 9,554,132</u>

Included within the governmental activity current assets are \$6.5 million in cash and \$1.6 million in state highway construction grants. Governmental activity long-term liabilities include \$1.5 million in general obligation bonds, the balance of bonds of \$555,400 is classified as current because it is due within the next fiscal year. In addition, other items included as long-term liabilities are \$460,000 for landfill closure and monitoring, \$828,600 for compensated absences and \$2.9 million for other post employment benefits.

Business-type activities long-term liabilities include \$450,000 in bonds payable, \$11,600 liability for compensated absences and \$103,335 for other post employment benefits. Remaining bonds payable of \$75,000 is classified as current because it is due during the next fiscal year.

The largest portion of the Town's combined net assets 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 of \$29.7 million. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's combined net assets (10%) represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net assets of \$2.4 million may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

Governmental activities decreased the Town's net assets by \$608,099 during fiscal year 2012. Business-type activities decreased net assets by \$86,908. A summary of revenues and major functional expenditures is presented below.

	FY 2012 Governmental Activities	FY 2011 Governmental Activities	FY 2012 Business-Type Activities	FY 2011 Business-Type Activities
Revenues:				
Charges for services	\$ 1,192,348	\$ 991,981	\$ 757,554	\$ 727,993
Operating grants and contributions	4,686,127	4,350,445		
Capital grants and contributions	139,000	146,735		
General revenues:				
Property taxes	13,222,899	12,526,127		
Excise taxes	830,842	876,028		
Penalties and interest	176,449	121,022		
Grants and contributions not restricted	857,044	837,115		
Investment income	3,830	5,164	983	1,049
Miscellaneous	61,920	61,920		
Loss on disposal of capital assets	(31,696)	(29,589)		
Transfers, net	<u>(35,778)</u>	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Total revenues and transfers	21,102,985	19,892,948	758,537	723,042
Expenses:				
General government	5,255,529	5,221,243		
Public safety	2,685,496	2,428,071		
Education	11,121,718	10,710,737		
Public works	1,620,138	1,941,618	845,445	817,228
Health and human services	390,466	362,549		
Culture and recreation	442,154	502,361		
Interest on long-term debt	87,100	108,144		
State and county charges	<u>108,483</u>	<u>113,535</u>	<u>-</u>	<u>-</u>
Total expenses	<u>21,711,084</u>	<u>21,388,258</u>	<u>845,445</u>	<u>817,228</u>
Change in net assets	<u>\$ (608,099)</u>	<u>\$ (1,495,310)</u>	<u>\$ (86,908)</u>	<u>\$ (94,186)</u>

Key elements of the changes in nets assets are as follows:

Revenues:

- ◆ Property taxes represent approximately 63% of the Town's governmental activity revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ Operating grants and contributions make up the second largest revenue representing approximately 22.2% of the Town's governmental activity revenue. Included in this amount are intergovernmental revenues from the Commonwealth of Massachusetts and the federal government classified as program revenues.

Expenses:

- ◆ Employee wages increased nominally, resulting from negotiated step and general wage increases.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

- ◆ General government expenses include \$730,238 for other post employment benefits.
- ◆ The cost of education services decreased, due to school district cost-cutting efforts implemented the prior fiscal year.

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.

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5.5 million, an increase of about \$200,000 from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$2 million, committed fund balance of \$2 million, assigned fund balance of \$99,716 and unassigned fund balance of \$1.5 million.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$3.5 million, an increase of \$217,130 from the previous year. Committed fund balance of \$2 million and assigned fund balance of \$99,716 represent 55% and 3% of total general fund balance respectively. Unassigned fund balance of \$1.5 million represents 42% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. General fund unassigned fund balance represents approximately 7.6% and of total general fund expenditures, while total general fund balance represents 18.2% of the same amounts.

General Fund Budgetary Highlights

The Town adopts an annual budget for its general fund and solid waste fund. A budgetary comparison statement has been provided for the general fund and solid waste fund to demonstrate compliance with the budget. The difference between the general fund original expenditure budget of \$20 million and the final amended budget of \$18.7 million can be briefly summarized as follows:

- \$1.3 million is reduced from the original budget figure for continuing appropriations (warrant articles) into future periods.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2012

Capital Asset and Debt Administration

The Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Capital assets - The Town's investment in capital assets for governmental activities as of June 30, 2012 amounts to \$23.5 million, which is net of accumulated depreciation of \$22.9 million. The Town's investment in capital assets for business-type activities as of June 30, 2012, amounts to \$8.7 million, which is net of accumulated depreciation of \$4.6 million. Capital asset investment includes land; buildings; improvements; equipment, machinery and vehicles; and infrastructure. The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in thousands):

Capital assets	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 3,617	\$ 3,478	\$ 626	\$ 626
Construction in progress				
Buildings and related improvements	4,914	5,156	17	18
Improvements other than buildings	919	986		
Equipment, machinery, vehicles	964	929	79	88
Infrastructure	<u>13,078</u>	<u>13,661</u>	<u>7,945</u>	<u>8,132</u>
	<u>\$ 23,492</u>	<u>\$ 24,210</u>	<u>\$ 8,667</u>	<u>\$ 8,864</u>

The Town's major changes to governmental activities capital assets during 2012 consisted of purchases of equipment and vehicles approximating \$287,000 and contributions of land of \$139,000.

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$2.1 million and \$525,000 for the governmental and business-type activities, respectively. All debt is a general obligation of the Town. The Town maintains an A2 rating from Moody's Investor Service.

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 requests for additional financial information should be addressed to the Town of Halifax, Attn: Town Accountant, 499 Plymouth St., Halifax, MA 02338-1338.

BASIC FINANCIAL STATEMENTS

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,509,071	\$ 1,253,036	\$ 7,762,107
Receivables, net of allowance for uncollectibles	3,779,771	229,535	4,009,306
Capital assets, net of accumulated depreciation	<u>23,491,628</u>	<u>8,666,633</u>	<u>32,158,261</u>
Total assets	<u><u>\$ 33,780,470</u></u>	<u><u>\$ 10,149,204</u></u>	<u><u>\$ 43,929,674</u></u>
<u>LIABILITIES</u>			
Warrants payable	\$ 682,534	\$ 32,945	\$ 715,479
Accrued interest payable	20,400	9,100	29,500
Provision for refund of paid taxes	452,239		452,239
Agency and other payables	5,670		5,670
Noncurrent liabilities			
Due within one year	575,400	75,000	650,400
Due in more than one year	<u>5,729,320</u>	<u>564,935</u>	<u>6,294,255</u>
Total liabilities	7,465,563	681,980	8,147,543
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	21,608,247	8,141,633	29,749,880
Restricted	3,661,839		3,661,839
Unrestricted	<u>1,044,821</u>	<u>1,325,591</u>	<u>2,370,412</u>
Total net assets	<u>26,314,907</u>	<u>9,467,224</u>	<u>35,782,131</u>
Total liabilities and net assets	<u><u>\$ 33,780,470</u></u>	<u><u>\$ 10,149,204</u></u>	<u><u>\$ 43,929,674</u></u>

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

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 5,255,529	\$ 179,253	\$ 1,133,170	\$ 139,000	\$ (3,804,106)	\$	\$ (3,804,106)
Public safety	2,685,496	408,700	188,419		(2,088,377)		(2,088,377)
Education	11,121,718	138,969	3,234,187		(7,748,562)		(7,748,562)
Public works	1,620,138	368,335	3,340		(1,248,463)		(1,248,463)
Health and human services	390,466	28,998	46,115		(315,353)		(315,353)
Culture and recreation	442,154	68,093	27,653		(346,408)		(346,408)
Interest on long-term debt	87,100		53,243		(33,857)		(33,857)
State and county charges	108,483				(108,483)		(108,483)
Total governmental activities	21,711,084	1,192,348	4,686,127	139,000	(15,693,609)		(15,693,609)
Business-type activities							
Water	845,445	757,554				(87,891)	(87,891)
Total business-type activities	845,445	757,554				(87,891)	(87,891)
Total primary government	<u>\$ 22,556,529</u>	<u>\$ 1,949,902</u>	<u>\$ 4,686,127</u>	<u>\$ 139,000</u>	(15,693,609)	(87,891)	(15,781,500)
General revenues							
Property taxes and payments in lieu					13,222,899		13,222,899
Excise taxes					830,842		830,842
Penalties and interest on taxes					176,449		176,449
Grants and contributions not restricted to specific programs					857,044		857,044
Investment income					3,830	983	4,813
Miscellaneous					61,920		61,920
Loss on disposal of capital assets					(31,696)		(31,696)
Transfers					(35,778)		(35,778)
Total general revenues, special items and transfers					<u>15,085,510</u>	<u>983</u>	<u>15,086,493</u>
Change in net assets					(608,099)	(86,908)	(695,007)
Net assets - beginning of year					26,923,006	9,554,132	36,477,138
Net assets - end of year					<u>\$ 26,314,907</u>	<u>\$ 9,467,224</u>	<u>\$ 35,782,131</u>

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

TOWN OF HALIFAX, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2012

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Road Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 4,514,794	\$ 559,733	\$	\$ 1,434,544	\$ 6,509,071
Receivables, net	<u>2,440,413</u>	<u>43,790</u>	<u>1,594,245</u>	<u>82,823</u>	<u>4,161,271</u>
Total assets	<u>\$ 6,955,207</u>	<u>\$ 603,523</u>	<u>\$ 1,594,245</u>	<u>\$ 1,517,367</u>	<u>\$ 10,670,342</u>
<u>LIABILITIES</u>					
Warrants payable	\$ 637,514	\$ 11,529	\$	\$ 33,491	\$ 682,534
Provision for refund of paid taxes	452,239				452,239
Deferred revenue	2,323,601	43,790	1,594,245	82,823	4,044,459
Agency and other payables	<u>5,670</u>				<u>5,670</u>
Total liabilities	3,419,024	55,319	1,594,245	116,314	5,184,902
<u>FUND BALANCES</u>					
Restricted		548,204		1,416,181	1,964,385
Committed	1,957,055				1,957,055
Assigned	99,716				99,716
Unassigned	<u>1,479,412</u>			<u>(15,128)</u>	<u>1,464,284</u>
Total fund balances	<u>3,536,183</u>	<u>548,204</u>		<u>1,401,053</u>	<u>5,485,440</u>
Total liabilities and fund balances	<u>\$ 6,955,207</u>	<u>\$ 603,523</u>	<u>\$ 1,594,245</u>	<u>\$ 1,517,367</u>	<u>\$ 10,670,342</u>
Amounts reported for governmental activities in the statement of net assets are different because:					
Total fund balances of governmental funds				\$ 5,485,440	
Capital assets used in governmental activities are not financial resources and not reported in funds.				23,491,628	
Other long-term assets are not available to pay for current-period expenditures and are deferred in funds.				4,044,459	
Reporting of assets on a full accrual basis requires an estimate for uncollectable accounts.				(381,500)	
Long-term liabilities are not due and payable in the current period and are not included in funds.				(6,304,720)	
Reporting of liabilities on full accrual basis requires associated interest be accrued, reported net of subsidies.				<u>(20,400)</u>	
Net assets of governmental activities				<u>\$ 26,314,907</u>	

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>Solid Waste Fund</u>	<u>Road Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes and payments in lieu	\$ 13,100,485	\$	\$	\$	\$ 13,100,485
Excise taxes	873,484				873,484
Licenses and permits	130,785			50,284	181,069
Penalties and interest	188,129			3,328	191,457
Investment income	3,830	459		2,744	7,033
Charges for services	246,770	344,355		157,977	749,102
Contributions				15,101	15,101
Departmental and other	156,625			88,786	245,411
Intergovernmental	4,960,256			786,788	5,747,044
Total revenues	19,660,364	344,814		1,105,008	21,110,186
Expenditures					
Current:					
General government	4,513,260			74,593	4,587,853
Public safety	2,279,998			254,642	2,534,640
Education	10,307,911			658,590	10,966,501
Public works	828,528	317,023		3,165	1,148,716
Human services	416,633			23,085	439,718
Culture and recreation	333,204			102,967	436,171
State and county assessments	108,483				108,483
Debt service	630,400			20,400	650,800
Total expenditures	19,418,417	317,023		1,137,442	20,872,882
Revenues over (under) expenditures	241,947	27,791		(32,434)	237,304
Other financing sources (uses)					
Transfers in from other funds	29,010			18,049	47,059
Transfers out to other funds	(53,827)	(6,167)		(22,843)	(82,837)
Total other financing sources (uses)	(24,817)	(6,167)		(4,794)	(35,778)
Revenues and other financing sources over (under) expenditures and other financing uses	217,130	21,624		(37,228)	201,526
Fund balance, beginning of year	3,319,053	526,580		1,438,281	5,283,914
Fund balance, end of year	\$ 3,536,183	\$ 548,204	\$	\$ 1,401,053	\$ 5,485,440

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

TOWN OF HALIFAX, MASSACHUSETTS
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
To Statement of Activities
For the Fiscal Year Ended June 30, 2012

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 201,526
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Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.

Contributions of land	139,000
Capital outlays during the fiscal year, net of disposals	372,357
Loss on disposal of capital assets	(31,696)
Depreciation recorded for the fiscal year	(1,198,021)

Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.

Net change in deferred revenue	(40,027)
Net change in allowance for uncollectible accounts	(38,700)

The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.

Principal payments on long-term debt	560,400
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The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt when incurred and revenue on subsidies when earned.

Net change in accrued interest expense	3,300
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Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:

Landfill closure and monitoring liability	124,000
Other post employment benefits liability	(730,238)
Compensated absences	30,000

Change in net assets of governmental activities	\$ (608,099)
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TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Assets - Proprietary Funds

June 30, 2012

	<u>Business-Type Activities</u>
	<u>Water</u>
	<u>Enterprise/Totals</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,253,036
Receivables, net of allowance for uncollectibles	229,535
Capital assets, net of accumulated depreciation	<u>8,666,633</u>
Total assets	<u><u>\$ 10,149,204</u></u>
<u>LIABILITIES</u>	
Warrants payable	\$ 32,945
Accrued interest payable	9,100
Noncurrent liabilities:	
Due within one year	75,000
Due in more than one year	<u>564,935</u>
Total liabilities	681,980
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	8,141,633
Unrestricted	<u>1,325,591</u>
Total net assets	<u><u>9,467,224</u></u>
Total liabilities and net assets	<u><u>\$ 10,149,204</u></u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-Type Activities</u>
	<u>Water</u>
	<u>Enterprise/Totals</u>
Operating revenues	
Charges for service	\$ 722,181
Total operating revenues	722,181
Operating expenses	
Salaries, wages and employee benefits	340,573
Expenses	260,945
Depreciation and amortization	217,627
Total operating expenses	819,145
Operating income	(96,964)
Non operating revenues (expenses)	
Investment income	983
Other income - water tower lease	35,373
Interest expense	(26,300)
Total non operating revenue (expenses), net	10,056
Change in net assets	(86,908)
Net assets at beginning of year	9,554,132
Net assets at end of year	\$ 9,467,224

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2012

	<u>Business-Type Activities</u>
	Water
	<u>Enterprise/Totals</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 822,589
Payments to vendors	(289,262)
Payments to employees, including fringe benefits	<u>(309,065)</u>
Net cash provided by operating activities	224,262
Cash flows from noncapital financing activities	
Water tower lease	35,373
Payments for interfund services used, net	<u>35,373</u>
Cash flows from capital and related financing activities	
Principal payments on bonds and notes	(75,000)
Purchase of capital assets	(19,775)
Interest expense	<u>(27,600)</u>
Net cash used for capital and related financing activities	(122,375)
Cash flows from investing activities	
Investment income	<u>983</u>
Net change in cash and cash equivalents	138,243
Cash and cash equivalents at beginning of year	<u>1,114,793</u>
Cash and cash equivalents at end of year	<u>\$ 1,253,036</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (96,964)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	217,627
Changes in assets and liabilities:	
User fees receivable, net of allowance for collectibles	100,405
Warrants payable	(28,317)
Accrued compensated absences	400
Other post employment benefits	<u>31,111</u>
Total adjustments	<u>321,226</u>
Net cash provided by operating activities	<u>\$ 224,262</u>

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

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Assets - Fiduciary Funds

June 30, 2012

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Accounts</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 35,778	\$ 6,970	\$ 57,744
Total assets	<u>\$ 35,778</u>	<u>\$ 6,970</u>	<u>\$ 57,744</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	\$	\$	\$ 57,744
Total liabilities			57,744
<u>NET ASSETS</u>			
Held in trust	<u>35,778</u>	<u>6,970</u>	
Total liabilities and net assets	<u>\$ 35,778</u>	<u>\$ 6,970</u>	<u>\$ 57,744</u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Changes in Net Assets - Fiduciary Funds
For the Year Ended June 30, 2012

	OPEB Trust Fund	Private Purpose Trust Funds
Additions:		
Interest and dividends	\$	\$ 3
Transfers in	<u>35,778</u>	<u></u>
Deductions		
Scholarships and awards	<u></u>	<u></u>
Change in net assets	35,778	3
Net assets at beginning of year	<u></u>	<u>6,967</u>
Net assets at end of year	<u><u>\$ 35,778</u></u>	<u><u>\$ 6,970</u></u>

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

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Note 1. Organization and Reporting Entity

A. Organization

The Town of Halifax, Massachusetts (the "Town"), was incorporated in 1734. The Town operates under a Town Meeting form of government. The Town's major operations include education, police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water system, and a recycling facility.

B. Reporting Entity

General

The accompanying financial statements present the Town of Halifax (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town of Halifax did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment paid by the Town. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in the joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2012 Assessment</u>
Silver Lake Regional School District 130 Pembroke Street, Kingston, MA	To provide secondary education	\$ 4,246,016
Mayflower Municipal Health Group P.O. Box 3390, Plymouth, MA	To provide employee health benefits	\$ 899,282
Massachusetts Bay Transit Authority 45 High St., Boston, MA	To provide regional transportation services	\$ 48,387

The Silver Lake Regional School District (the District) is governed by an elected School Committee. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs.

Related Organizations

The Halifax Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four who are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's education, police and fire protection, parks, library and recreation, public works, schools, and general administrative services are classified as governmental activities. The Town's water operations are classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts: invested in capital assets (net of related debt), restricted net assets, and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, state assessments, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds

- General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Solid waste fund is used to account for activity related to the Town's residential curbside pick-up and recycling programs.
- Road repair fund is used to account for activity related to roadway projects reimbursed by the Commonwealth in accordance with Massachusetts General Law Chapter 90, Section 34.

Nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column of the governmental funds financial statements. The following describes the general use of these fund types:

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt service funds are used to account for and report resources that are restricted, committed, or assigned to the expenditure for principal and interest and the accumulation of funds for the periodic payment of principal and interest on general long-term debt also for financial resources that are being accumulated for principal and interest maturing in future years. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction major capital facilities and other capital assets (other than those financed by business-type/proprietary funds).
- Permanent funds are used to account for and report financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. Although debt related to the water fund is not secured solely with water fund net revenues, the Town has decided to report it as an enterprise fund.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

B. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurement and available). Measurable means the amount of the transaction can be determined and available means 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 unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and property tax revenues are considered available if they are collected within 60 days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

C. Cash and Investments

The Town has not adopted formal deposit and investment policies. The Town Treasurer manages funds pursuant to Massachusetts General Laws.

For the purpose of the Statement of Net Assets, and proprietary funds Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts.

Investments are reported at fair value, which is determined using selected bases. Short-term investments with maturity dates of not more than ninety days from date of purchase are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash and certificates of deposit are reported at carrying value, which reasonably estimates fair value. Additional cash and investment information, and fair values are presented in these notes.

D. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

E. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle and boat excise three years or more years old as uncollectible for financial reporting purposes. The Town estimates 3% of outstanding water and 50% of ambulance charges to be uncollectible. Additionally, the Town considers ambulance charges three years or more years old as uncollectible for financial reporting purposes. Outstanding real estate taxes and septic betterments are secured by tax liens, and therefore considered to be fully collectable.

F. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings	40 years
➤ Building and land improvements	20 years
➤ Machinery and Equipment	5 - 10 years
➤ Infrastructure	50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

G. Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, and post closure monitoring costs for municipal landfills.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

H. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

I. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

- Assigned fund balance – consist of amounts that are constrained by the Town’s intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations.
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

K. Total Columns

The total column presented on the government-wide financial statements represents consolidated financial information. The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

Note 3. Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as “Proposition 2 ½” limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year’s allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls (“new growth”). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

B. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

C. Fund Equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2012, the classification of the Town's fund balances can be detailed as follows:

	General Fund	Solid Waste Fund	Other Governmental Funds	Total
Restricted:				
General government	\$ -	\$ -	\$ 214,287	\$ 214,287
Public safety			52,231	52,231
Education			199,608	199,608
Public works		548,204	475,162	1,023,366
Human services			109,987	109,987
Culture & recreation			56,919	56,919
Debt service	-	-	307,987	307,987
subtotal	-	548,204	1,416,181	1,964,385
Committed:				
General government	354,184			354,184
Public safety	324,986			324,986
Education	12,500			12,500
Public works	1,245,035			1,245,035
Human services	6,450			6,450
Culture & recreation	13,900	-	-	13,900
subtotal	1,957,055	-	-	1,957,055
Assigned:				
General government	5,809			5,809
Public safety	2,864			2,864
Education	88,153			88,153
Public works	595			595
Human services	2,077			2,077
Culture & recreation	218	-	-	218
subtotal	99,716	-	-	99,716
Unassigned	1,479,412	-	(15,128)	1,464,284
Total	<u>\$ 3,536,183</u>	<u>\$ 548,204</u>	<u>\$ 1,401,053</u>	<u>\$ 5,485,440</u>

When applicable other assigned fund balances represent appropriations of existing fund balance to fund the fiscal year 2012 operating budget.

TOWN OF HALIFAX, MASSACHUSETTS

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The Town's stabilization funds are reported with the General fund since the fund is designed to maintain funds set aside by town meeting votes, and is not funded by a specific revenue source. In accordance with Massachusetts General Law Chapter 40, Section 5B, for the purpose of creating one or more stabilization funds, towns may appropriate in any year an amount not exceeding, in the aggregate, 10% of the amount raised in the preceding fiscal year by taxation of real estate and personal property and the aggregate amount in such funds may not exceed 10% of the equalized valuation. At annual or special town meeting the Town with two-thirds vote may create a stabilization fund, specify or change the purpose of any stabilization fund, and appropriate into or out of any such fund. The Town's stabilization funds and year end balances are as follows:

Stabilization fund	\$ 826,747
Water protection stabilization fund	\$ 232,688

As of June 30, 2012 the Town reported fund deficits from other funds as listed below:

<u>Fund Name</u>	<u>Fund Type</u>	<u>Fund Deficit</u>
PSAP support & incentive grant	Special revenue fund	\$ 8,299
Kindergarten full day grant	Special revenue fund	5,036
EMD 911 training grant	Special revenue fund	1,557
ARRA education jobs grant	Special revenue fund	<u>236</u>
		<u>\$ 15,128</u>

Fund deficits identified above that relate to cost reimbursement grants and will be covered by subsequent billings to awarding agencies. Receivables offset by deferred revenue have been recorded in the fund basis financial statements. Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town may have deficit fund balances in the capital projects funds. These deficits will be funded through long-term borrowing.

D. Restricted Net Assets

Certain net assets reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's Stabilization Fund and receipts reserved for appropriation from proceeds of sale of real estate and insurance reimbursements are classified as unrestricted net assets because they are available for appropriation to fund the general operations of the Town.

Restricted net assets on the government-wide statement of net assets consist of the following:

Capital Project Fund Balances	\$ 190,019
Special Revenue Fund Balances:	
Road repair fund	1,594,245
Solid Waste fund	548,204
Cemetery perpetual care fund	254,553
Other special revenue funds	<u>1,074,818</u>
Total restricted net assets	<u>\$ 3,661,839</u>

Note 4. Cash, Cash Equivalents and Investments

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally

TOWN OF HALIFAX, MASSACHUSETTS

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guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2012 deposits totaled \$8,202,839 and had a carrying amount of \$7,862,599. Of the deposit amounts, \$7,378,592 was exposed to custodial credit risk at June 30, 2012 as it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

The Town does not have a formal investment policy; however, the Town's only investments consist of \$109,466 invested in money market mutual funds and certificates of deposits which are classified as a cash equivalent.

Note 5. Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Assets and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net Assets.

The Town includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate and personal property taxes	\$ 644,949	\$ 10,500	\$ 634,449	\$ 528,137
Tax liens, deferrals and foreclosures	708,109		708,109	708,109
Motor vehicle and boat excise	142,763	26,500	116,263	142,763
Charges for service – ambulance fees	688,934	344,500	344,434	688,934
Septic betterments	82,823		82,823	82,823
Departmental and other	43,790		43,790	43,790
Intergovernmental:				
School Building Assistance	225,286		225,286	225,286
Commonwealth highway awards	1,594,245		1,594,245	1,594,245
Commonwealth – other	30,372		30,372	30,372
Totals on a governmental fund basis	<u>4,161,271</u>	<u>-</u>	<u>-</u>	<u>\$ 4,044,459</u>
Totals on an entity wide basis	<u>\$ 4,161,271</u>	<u>\$ 381,500</u>	<u>\$ 3,779,771</u>	

Receivables for the Town's business-type activities consist of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 106,635	\$ 5,200	\$ 101,435
Unbilled water rates	<u>130,000</u>	<u>1,900</u>	<u>128,100</u>
Totals	<u>\$ 236,635</u>	<u>\$ 7,100</u>	<u>\$ 229,535</u>

TOWN OF HALIFAX, MASSACHUSETTS
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June 30, 2012

Note 6. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 3,478,170	\$ 139,000	\$ -	\$ 3,617,170
Capital assets being depreciated:				
Buildings and related improvements	12,025,141	84,952		12,110,093
Improvements other than buildings	1,408,018			1,408,018
Equipment, machinery & vehicles	3,026,739	287,405	58,231	3,255,913
Infrastructure	<u>26,014,080</u>	<u>-</u>	<u>-</u>	<u>26,014,080</u>
Sub-total	42,473,978	372,357	58,231	42,788,104
Less accumulated depreciation:				
Buildings and related improvements	6,869,156	328,478	1,588	7,196,046
Improvements other than buildings	422,111	67,310		489,421
Equipment, machinery & vehicles	2,097,359	219,833	24,947	2,292,245
Infrastructure	<u>12,353,534</u>	<u>582,400</u>	<u>-</u>	<u>12,935,934</u>
Sub-total	<u>21,742,160</u>	<u>1,198,021</u>	<u>26,535</u>	<u>22,913,646</u>
Governmental capital assets, net	<u>\$ 24,209,988</u>	<u>\$ (686,664)</u>	<u>\$ 31,696</u>	<u>\$ 23,491,628</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$ 626,301	\$ -	\$ -	\$ 626,301
Capital assets being depreciated:				
Buildings and related improvements	47,853			47,853
Equipment, machinery & vehicles	340,287	19,775	23,150	336,912
Infrastructure	<u>12,300,994</u>	<u>-</u>	<u>-</u>	<u>12,300,994</u>
Sub-total	12,689,134	19,775	23,150	12,685,759
Less accumulated depreciation:				
Buildings and related improvements	30,159	960		31,119
Equipment, machinery & vehicles	252,297	28,778	23,150	257,925
Infrastructure	<u>4,168,497</u>	<u>187,886</u>	<u>-</u>	<u>4,356,383</u>
Sub-total	<u>4,450,953</u>	<u>217,624</u>	<u>23,150</u>	<u>4,645,427</u>
Business-type activities capital assets, net	<u>\$ 8,864,482</u>	<u>\$ (197,849)</u>	<u>\$ -</u>	<u>\$ 8,666,633</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 25,911
Public safety	249,775
Education	189,695
Public works	716,610
Health and human services	6,167
Culture and recreation	<u>9,783</u>
Total depreciation expense – governmental activities	<u>\$ 1,198,021</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Business-type activities:

Water/Total depreciation expense \$ 217,624

Note 7. Interfund Balances and Activity

There are no amounts due to or from governmental funds. Interfund transfers, for the fiscal year ended June 30, 2012, consisted of the following:

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Other Governmental Funds</u>	<u>Business-type Enterprise Fund</u>
Amounts transferred from Receipts Reserved for Appropriation and Revolving Funds to fund operating budget	\$ 22,843	\$ -	\$ (22,843)	\$ -
General fund transfers to special revenue funds	(18,049)		18,049	
General fund transfers to fiduciary OPEB Trust Fund	(35,778)			
Amounts transferred from other funds to fund indirect costs appropriated in general fund, net	<u>6,167</u>	<u>(6,167)</u>	<u>-</u>	<u>-</u>
Totals on governmental fund basis	(24,817)	(6,167)	(4,794)	-
Amounts transferred from other funds to fund indirect costs appropriated in general fund, net	51,167			(51,167)
Net activity of Stabilization funds included in General fund on governmental fund basis and not on budgetary basis	<u>5,778</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals on budgetary basis	<u>\$ 32,128</u>	<u>\$ (6,167)</u>	<u>\$ (4,794)</u>	<u>\$ (51,167)</u>

Note 8. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

<u>Purpose</u>	<u>Balance July 01, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
Governmental activities:					
MWPAT, Septic Betterment, dtd 8/1/02, subsidized interest, due 2021	\$ 103,800	\$ -	\$ 10,400	\$ 93,400	\$ 10,400
MWPAT, Pool Program, dtd 11/16/05, 0%, due 2025	150,000		10,000	140,000	10,000
School Refurbishment Refunding Bond, dtd 12/15/03, 2.8% - 4.0%, matures 2012	615,000		310,000	305,000	305,000
Landfill capping, dtd 9/15/07, 3.8% - 5.0%, due 2023	1,090,000		95,000	995,000	95,000
Police Station Construction, dtd 4/1/01, 4.0% - 4.7%, due 2016	<u>675,000</u>	<u>-</u>	<u>135,000</u>	<u>540,000</u>	<u>135,000</u>
Total bonds payable	2,633,800	-	560,400	2,073,400	555,400
Landfill closure and monitoring liability	604,000		124,000	480,000	20,000
Other post employment benefits	2,192,482	1,067,208	336,970	2,922,720	
Compensated absences	<u>858,600</u>	<u>-</u>	<u>30,000</u>	<u>828,600</u>	<u>-</u>
Total governmental activities noncurrent liabilities	<u>\$ 6,288,882</u>	<u>\$ 1,067,208</u>	<u>\$ 1,051,370</u>	<u>\$ 6,304,720</u>	<u>\$ 575,400</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

	<u>Balance July 01, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
Business-type activities:					
Water bond, 4.53%, matures 2016	\$ 600,000	\$ -	\$ 75,000	\$525,000	\$ 75,000
Total bonds payable	600,000		75,000	525,000	75,000
Other post employment benefits	72,224	31,111		103,335	
Compensated absences	<u>11,200</u>	<u>400</u>	<u>-</u>	<u>11,600</u>	<u>-</u>
Total business-type activities					
noncurrent liabilities	<u>\$ 683,424</u>	<u>\$ 31,511</u>	<u>\$ 75,000</u>	<u>\$ 639,935</u>	<u>\$ 75,000</u>

Long-term debt

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that approximately 33.7 % of the debt service payments relating to the septic bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MWPAT (and MWPAT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide financial statements; however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2012, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 555,400	\$ 74,227	\$ 629,627	\$ 75,000	\$ 24,375	\$ 99,375
2014	245,400	58,929	304,329	75,000	21,075	96,075
2015	245,400	48,894	294,294	75,000	17,700	92,700
2016	245,400	38,162	283,562	75,000	14,250	89,250
2017	110,400	26,732	137,132	75,000	10,725	85,725
2018 – 2022	581,400	68,872	650,272	150,000	10,763	160,763
2023 – 2027	<u>90,000</u>	<u>1,856</u>	<u>91,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,073,400</u>	<u>\$ 317,672</u>	<u>\$ 2,391,072</u>	<u>\$525,000</u>	<u>\$ 98,888</u>	<u>\$ 623,888</u>

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Unissued debt authorizations consist of the following at June 30, 2012:

<u>Purpose</u>	<u>Year(s) Authorized</u>	<u>Amount</u>
Repair, renovate and paint water tower	2012	\$ 700,000
Total authorized and unissued		<u>\$ 700,000</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

The Town pays assessments, which include debt service payments to other local governmental units providing services on behalf of the Town (commonly referred to as overlapping debt.) The Town is indirectly liable, through its assessments to these governments, for this debt. However, the debt is not considered against the Town's debt limits or reported on the Town's Statement of Net Assets. The Town pays assessments to the Silver Lake Regional School District and to Plymouth County that may include indirect debt service payments.

Lease obligations

A. Operating leases

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payments for non-cancelable operating leases are immaterial as of June 30, 2012.

B. Capital leases

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The Town does not have any material capital lease obligation outstanding as of June 30, 2012.

Note 9. Temporary Borrowings

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund.

The Town had no temporary borrowings at anytime during the year ended June 30, 2012.

Proceeds from bond anticipation notes are not considered permanent funding sources; the Town may have deficit fund balances in the Capital Projects Fund. Deficits, if any, will be funded through long-term borrowing.

Note 10. Employee Benefits

A. Retirement Benefits

Plan Description

The Town of Halifax, Massachusetts contributes for eligible employees to the Plymouth County Retirement Association (the Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The Association provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

plan members and beneficiaries. The Association is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five member board. The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute.

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The Town's current year contribution which was equal to its required contribution is \$763,459, representing approximately 1.6% of the system wide employer assessments. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the System for the years ending June 30, 2011 and 2010 were \$720,586 and \$653,339 respectively, which were equal to the required contributions for each year.

As noted above, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Accounting Principles Generally Accepted in the United States require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, \$1,122,043 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town is included in the accompanying Statement of Activities as Education operating contributions and expense and in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and education expenditures. These on-behalf payments are not part of the local budget and therefore, are not included in the accompanying budgetary basis statements.

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Assets for both governmental and business-type activities.

C. Other Post Employment Benefits

Plan Description

The Town administers a single employer defined benefit plan which provides health and prescription drug benefits to substantially all retired employees and their spouses (plan members). Eligibility to retire under the Town's plan is based upon meeting one of the following conditions:

- i. At least 10 years of creditable service are eligible at age 55;
- ii. At least 20 years of creditable serve are eligible at any age.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

The number of participants as of June 30, 2011, the effective date of the OPEB valuation was 186, which includes retirees, beneficiaries, and dependents of 61 and active members of 125. Benefits were paid to retirees, beneficiaries and dependents during the fiscal year ended June 30, 2012 and are paid on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. The required contribution is based on pay as you go financing requirements. For fiscal year 2012, the Town contributed approximately \$337,000 to health, dental and life insurance programs on behalf of retirees. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The Town contributes at least 50% of the insurance premiums with the remainder funded through retiree contributions.

The Town has accepted provisions of MGL Chapter 32B, Section 20 which allow for the Town to establish a separate OPEB liability trust fund. During fiscal year 2012, the Town transferred \$30,000 from free cash and \$5,778 from the pension stabilization fund to establish the trust fund. At the May 2012 Annual Town Meeting, the Town voted to appropriate \$35,000 from overlay surplus to the trust fund. This amount has been reported as committed fund balance in the General fund as of June 30, 2012.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

	Governmental Activities	Business-type Activities
Annual required contribution (ARC)	\$ 1,047,923	\$ 31,130
Interest on net OPEB obligation	87,699	2,889
ARC adjustment	(189,610)	(6,246)
Amortization of gains and losses	<u>121,196</u>	<u>3,338</u>
Annual OPEB cost	1,067,208	31,111
Contributions made	<u>(336,970)</u>	<u>-</u>
Increase in net OPEB obligation	730,238	31,111
Net OPEB obligation, beginning of year	<u>2,192,482</u>	<u>72,224</u>
Net OPEB obligation, end of year	<u>\$ 2,922,720</u>	<u>\$ 103,335</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Governmental Activities:

Fiscal Year	Annual OPEB	Percentage of	Net OPEB
<u>Ended</u>	<u>Cost</u>	<u>Annual OPEB</u>	<u>Obligation</u>
<u>Cost Contributed</u>			
6/30/2012	\$ 1,067,208	31.57%	\$ 2,922,720
6/30/2011	\$ 1,065,286	31.63%	\$ 2,192,482
6/30/2010	\$ 986,664	26.39%	\$ 1,464,166

Business-type Activities:

Fiscal Year	Annual OPEB	Percentage of	Net OPEB
<u>Ended</u>	<u>Cost</u>	<u>Annual OPEB</u>	<u>Obligation</u>
<u>Cost Contributed</u>			
6/30/2012	\$ 31,111	00.00%	\$ 103,335
6/30/2011	\$ 24,075	00.00%	\$ 72,224
6/30/2010	\$ 27,874	25.92%	\$ 48,149

Funding Status and Schedule of Funding Progress

The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis.

	(a)	(b)	(b) - (a)	(b) / (a)	(c)	[(b)-(a)]/(c)
Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Accrued	AAL	Ratio	Payroll	Percentage
<u>Date</u>	<u>Assets</u>	<u>Liability</u>	<u>(UAAL)</u>			<u>of Covered</u>
		<u>(AAL)</u>				<u>Payroll</u>
1/1/2011	\$ 30,000	\$ 11,244,212	\$ 11,214,212	0.27%	N/A	N/A
1/1/2010	\$ -	\$ 10,977,707	\$ 10,977,707	0.00%	\$ 8,009,000	137.1%
7/1/2009	\$ -	\$ 10,711,202	\$ 10,711,202	0.00%	\$ 7,664,000	139.8%
7/1/2008	\$ -	\$ 10,247,192	\$ 10,247,192	0.00%	\$ 7,334,100	139.7%

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

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions and methods were utilized in the July 1, 2011:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.00% per annum, pay as you go scenario
- Healthcare Trend Rates:

Fiscal year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Medical	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%	5.0%
Dental	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%

- General Inflation Assumption: 3.5% per annum
- Compensation Increases: 4.5% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Level dollar amortization over 30 years at transition
- Remaining Amortization Period: 27 years at July 1, 2011

Note 11. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2012, \$480,000 has been reported on the Town's statement of net assets as an estimated liability for post-closure monitoring costs of the landfill. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 12. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, unemployment claims and natural disasters. The Town carries commercial insurance for all risk except health insurance and unemployment claims.

The Town belongs to the Mayflower Municipal Health Group (Group), formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Town both pay premiums to the Fund based upon a 50% (Town) and 50% (Employee). The Town budgets, annually, in the general fund for its estimated share of contributions. The Group reinsures itself for claims in excess of \$250,000 per person annually. Net assets of the Group at June 30, 2011 were \$17,126,912 (audited).

The Town is self insured for unemployment compensation. The liability for the unemployment compensation program was not material at June 30, 2012.

Note 13. Commitments and Contingencies

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

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

Note 14. Future GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Town believes are applicable to its financial statements.

Current pronouncements

The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No.53.*, which is required to be implemented in fiscal year 2012. This pronouncement addresses financial reporting issues involving hedge accounting surrounding derivative instruments. The Town doesn't believe this pronouncement will impact the Town's financial statements.

Future pronouncements

The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. This pronouncement's objective is to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented in fiscal year 2013. This pronouncement modifies requirements for the inclusion of component units in the financial reporting entity. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. This pronouncement will continue the codification of all generally accepted accounting principles for state and local governments into a single source.

The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position*, which is required to be implemented in fiscal year 2013. The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statements elements by providing guidance where none previously existed. The Town doesn't believe this pronouncement will materially impact the Town's financial statements; however, the Town's government-wide statements will report its net position at year end and change for the year rather than net assets.

The GASB issued Statement #65, *Item Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. 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. The requirements of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Town doesn't believe this pronouncement will have a material effect upon the Town's financial statements.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

The GASB issued Statement #66, *Technical Corrections-2012-an amendment of GASB Statements #10 and #62*, which is required to be implemented in fiscal year 2014. 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 #54, Fund Balance Reporting and Governmental Fund Type Definitions, and # 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service fees. The requirements of this statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial statements. The Town doesn't believe this pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #67, *Financial Reporting for Pension Plans-an amendment of GASB Statement #25*, which is required to be implemented in fiscal year 2014. The objective of this statement is to improve financial reporting and disclosure of state and local governmental pension plans. This statement replaces the requirements of Statements #25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and #50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement does not apply to the Town and as such the Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which is required to be implemented in fiscal year 2015. The pronouncement requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The pronouncement will have an effect upon the Town's financial statements.

SUPPLEMENTARY INFORMATION

TOWN OF HALIFAX, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress for the Town's Retiree Benefit Plan
June 30, 2012

Funding Status and Schedule of Funding Progress

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The unfunded actuarial accrued liability was determined using the level dollar thirty year amortization basis.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) – (a) Unfunded AAL (UAAL)	(b) / (a) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAAL as a Percentage of Covered Payroll
1/1/2011	\$ 30,000	\$ 11,244,212	\$ 11,214,212	0.27%	N/A	N/A
1/1/2010	\$ -	\$ 10,977,707	\$ 10,977,707	0.00%	\$ 8,009,000	137.1%
7/1/2009	\$ -	\$ 10,711,202	\$ 10,711,202	0.00%	\$ 7,664,000	139.8%
7/1/2008	\$ -	\$ 10,247,192	\$ 10,247,192	0.00%	\$ 7,334,100	139.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The valuation reflected a closed group, and does not reflect any new entrants after the valuation date of July 1, 2011. The valuation assumed retiree contributions increased with the same trend rate as health care claims. Significant actuarial assumptions used in the valuation are as follows:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.0% per annum
- Healthcare Trend Rates:

Fiscal year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Medical	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%	5.0%
Dental	8.0%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%

- General Inflation Assumption: 3.5% per annum
- Compensation Increases: 4.5% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Level dollar amortization over 30 years at transition
- Remaining Amortization Period: 27 years at July 1, 2011

TOWN OF HALIFAX, MASSACHUSETTS
 Budgetary Comparison Schedule - General Fund
 For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 13,018,774	\$ 13,018,774	\$ 13,138,394	\$ 119,620
Excise taxes	750,000	750,000	873,484	123,484
Licenses, fees and permits	126,950	126,950	130,785	3,835
Penalties and interest	133,900	133,900	188,129	54,229
Investment interest	4,100	4,100	3,404	(696)
Charges for services	220,000	220,000	246,770	26,770
Departmental and other	80,000	80,000	156,625	76,625
Intergovernmental	<u>3,752,740</u>	<u>3,783,948</u>	<u>3,838,213</u>	<u>54,265</u>
Total revenues	18,086,464	18,117,672	18,575,804	458,132
Expenditures				
General government	3,827,131	3,618,592	3,442,384	176,208
Public safety	2,344,203	2,360,874	2,279,998	80,876
Education	10,432,410	10,331,785	10,307,911	23,874
Public works	1,832,167	861,120	828,528	32,592
Human services	442,520	430,438	416,633	13,805
Culture and recreation	341,328	340,210	333,204	7,006
State and county assessments	119,698	119,698	108,483	11,215
Debt service	<u>635,400</u>	<u>635,400</u>	<u>630,400</u>	<u>5,000</u>
Total expenditures	<u>19,974,857</u>	<u>18,698,117</u>	<u>18,347,541</u>	<u>350,576</u>
Revenues over (under) expenditures	(1,888,393)	(580,445)	228,263	808,708
Other financing sources (uses)				
Transfers in from other funds	80,177	80,177	80,177	
Transfers out to other funds	<u>(30,000)</u>	<u>(48,049)</u>	<u>(48,049)</u>	
Total other financing sources (uses)	<u>50,177</u>	<u>32,128</u>	<u>32,128</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	(1,838,216)	(548,317)	260,391	<u>\$ 808,708</u>
Fund balance, beginning of year			<u>2,744,494</u>	
Fund balance, end of year			<u>\$ 3,004,885</u>	
Other budget items				
Free cash appropriations	458,815	458,815		
Bond premium	1,373	1,373		
Overlay surplus	177,037	177,037		
Carryover encumbrances	<u>1,200,991</u>	<u>(88,908)</u>		
Total other budget items	<u>1,838,216</u>	<u>548,317</u>		
Net budget	<u>\$</u>	<u>\$</u>		

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

TOWN OF HALIFAX, MASSACHUSETTS
 Budgetary Comparison Schedule - Solid Waste Fund
 For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 129,400	\$ 129,400	\$ 344,355	\$ 214,955
Investment interest	<u>500</u>	<u>500</u>	<u>459</u>	<u>(41)</u>
Total revenues	129,900	129,900	344,814	214,914
Expenditures				
Public works/Total	<u>336,884</u>	<u>336,884</u>	<u>317,023</u>	<u>19,861</u>
Revenues over (under) expenditures	(206,984)	(206,984)	27,791	234,775
Other financing sources (uses)				
Transfers out to other funds	<u>(6,167)</u>	<u>(6,167)</u>	<u>(6,167)</u>	
Total other financing sources (uses)	<u>(6,167)</u>	<u>(6,167)</u>	<u>(6,167)</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	(213,151)	(213,151)	21,624	<u>\$ 234,775</u>
Fund balance, beginning of year			<u>526,580</u>	
Fund balance, end of year			<u>\$ 548,204</u>	
Other budget items				
Carryover encumbrances	484	484		
Solid Waste Retained Earnings	<u>212,667</u>	<u>212,667</u>		
Total other budget items	<u>213,151</u>	<u>213,151</u>		
Net budget	<u>\$</u>	<u>\$</u>		

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

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Supplementary Information

June 30, 2012

Note 1. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Statements of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2012, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$ 18,575,804	\$ 18,347,541	\$ 32,128
Net activity of stabilization funds	426		(5,778)
Adjustment for water fund indirect costs paid from general fund		(51,167)	(51,167)
Adjustment of property tax revenues to modified accrual basis	(37,909)		
State funded teacher's pension	<u>1,122,043</u>	<u>1,122,043</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 19,660,364</u>	<u>\$ 19,418,417</u>	<u>\$ (24,817)</u>

There are no differences between the budgetary-basis and GAAP-basis results for the Solid Waste Fund for the fiscal year ended June 30, 2012.