

TOWN OF HADLEY, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	56
Schedule of Proportionate Share of the Net Pension Liability	57
Schedule of Contributions	58

Additional Offices:

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

INDEPENDENT AUDITORS' REPORT

To the Selectboard
Town of Hadley, 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 Hadley, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hadley, Massachusetts, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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



September 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hadley, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, employee benefits, interest, intergovernmental, and water activities. The business-type activities include sewer 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be

divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information

which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$19,769,357 (i.e., net position), a change of \$(212,033) in comparison with the (restated) prior year.
- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance surplus of \$9,977,687, a change of \$1,240,132 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,216,914, a change of \$255,600 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$8,499,254, a change of \$2,699,554 in comparison with the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

<u>NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 10,886,429	\$ 10,835,058	\$ 1,173,880	\$ 1,036,803	\$ 12,060,309	\$ 11,871,861
Capital assets	25,859,535	26,166,165	4,517,278	2,563,069	30,376,813	28,729,234
Deferred outflows	414,254	-	27,481	-	441,735	-
Total assets and deferred outflows	37,160,218	37,001,223	5,718,639	3,599,872	42,878,517	40,601,095
Long-term liabilities outstanding	19,841,188	10,233,884	2,503,833	131,148	22,345,021	10,365,032
Other liabilities	577,647	1,759,299	186,832	148,258	764,479	1,907,557
Total liabilities	20,418,835	11,993,183	2,690,665	279,406	23,109,500	12,272,589
Net position:						
Net investment in capital assets	20,689,669	20,622,779	3,012,135	2,427,069	23,701,804	23,049,848
Restricted	5,344,281	5,339,892	-	-	5,344,281	5,339,892
Unrestricted	(9,292,567)	(954,631)	15,839	893,397	(9,276,728)	(61,234)
Total net position	\$ 16,741,383	\$ 25,008,040	\$ 3,027,974	\$ 3,320,466	\$ 19,769,357	\$ 28,328,506

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,672,426	\$ 2,529,414	\$ 801,207	\$ 767,711	\$ 3,473,633	\$ 3,297,125
Operating grants and contributions	3,606,429	4,104,032	-	-	3,606,429	4,104,032
Capital grants and contributions	446,413	470,540	-	-	446,413	470,540
General revenues:						
Property taxes	10,293,306	9,929,879	-	-	10,293,306	9,929,879
Excises	651,059	625,186	-	-	651,059	625,186
Penalties, interest and other taxes	1,149,915	1,130,346	4,846	6,763	1,154,761	1,137,109
Grants and contributions not restricted	728,071	726,811	-	-	728,071	726,811
Investment income	80,708	71,268	5,441	4,931	86,149	76,199
Miscellaneous	57,058	64,528	-	-	57,058	64,528
Total Revenues	<u>19,685,385</u>	<u>19,652,004</u>	<u>811,494</u>	<u>779,405</u>	<u>20,496,879</u>	<u>20,431,409</u>
Expenses:						
General government	1,425,243	1,184,559	-	-	1,425,243	1,184,559
Public safety	2,268,328	2,255,013	-	-	2,268,328	2,255,013
Education	8,673,917	9,046,183	-	-	8,673,917	9,046,183
Public works	2,982,409	2,880,182	-	-	2,982,409	2,880,182
Health and human services	246,572	236,071	-	-	246,572	236,071
Culture and recreation	312,866	327,775	-	-	312,866	327,775
Employee benefits	2,601,848	2,676,876	-	-	2,601,848	2,676,876
Interest	156,820	152,572	-	-	156,820	152,572
Intergovernmental	1,106,218	997,939	-	-	1,106,218	997,939
Sewer operations	-	-	752,213	797,589	752,213	797,589
Total Expenses	<u>19,774,221</u>	<u>19,757,170</u>	<u>752,213</u>	<u>797,589</u>	<u>20,526,434</u>	<u>20,554,759</u>
Change in net position before transfers	(88,836)	(105,166)	59,281	(18,184)	(29,555)	(123,350)
Transfers in (out)	<u>(407,478)</u>	<u>(82,444)</u>	<u>225,000</u>	<u>-</u>	<u>(182,478)</u>	<u>(82,444)</u>
Change in net position	(496,314)	(187,610)	284,281	(18,184)	(212,033)	(205,794)
Net position - beginning of year, as restated	<u>17,237,697</u>	<u>25,195,650</u>	<u>2,743,693</u>	<u>3,338,650</u>	<u>19,981,390</u>	<u>28,534,300</u>
Net position - end of year	<u>\$ 16,741,383</u>	<u>\$ 25,008,040</u>	<u>\$ 3,027,974</u>	<u>\$ 3,320,466</u>	<u>\$ 19,769,357</u>	<u>\$ 28,328,506</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$19,769,357, a change of \$(212,033) from the (restated) prior year.

The largest portion of net position, \$23,701,804, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$5,344,281 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in governmental activities is a deficit of \$(9,292,567). Unrestricted net position in business-type activities is \$15,839 and may be used to meet ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(496,314). Key elements of this change are as follows:

General Fund Operating Results:

Tax revenue collected in excess of budget	\$ 87,693
State and local revenues over budget	295,913
Budgetary appropriations unspent by departments	158,652
Use of free cash (fund balance) and other surplus as funding sources for non-recurring items	(634,306)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current period	(16,694)
Other source/use raised and used in the current year	36,779
Change in Stabilization funds	177,635
Major fund - Water expenditures in excess of revenues	(100,428)
Major fund - Community preservation revenues in excess of expenditures	75,748
Major fund - Capital project bond proceeds and transfers in in excess of expenditures	1,365,407
Non-major fund expenditures and transfers out in excess of revenues	(206,267)
Depreciation expense in excess of principal debt service	(482,625)
Capital expenditures	999,962
Bond proceeds	(1,746,521)
Change in net OPEB obligation	(360,678)
Change in net pension liability, net of deferrals	(121,781)
Changes in accruals and long-term liabilities other than debt	(24,803)
Total	<u><u>\$ (496,314)</u></u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$284,281. Key elements of this change are as follows:

	<u>Sewer</u>
Operating (loss)	\$ 78,377
Non-operating revenue (expense), net	(19,096)
Transfer in	<u>225,000</u>
Change in net position	<u><u>\$ 284,281</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,977,687, a change of \$1,240,132 in comparison with the prior year. Key elements of this change are as follows:

General Fund Operating Results:	
Tax revenue collected in excess of budget	\$ 87,693
State and local revenues over budget	295,913
Budgetary appropriations unspent by departments	158,652
Use of free cash (fund balance) and other surplus as funding sources for non-recurring items	(634,306)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current period	(16,694)
Other source/use raised and used in the current year	36,779
Change in Stabilization funds	177,635
Major fund - Water expenditures in excess of revenues	(100,428)
Major fund - Community preservation revenues in excess of expenditures	75,748
Major fund - Capital project bond proceeds and transfers in in excess of expenditures	1,365,407
Non-major fund expenditures and transfers out in excess of revenues	<u>(206,267)</u>
Total	<u>\$ 1,240,132</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,216,914, while total fund balance was \$3,353,097. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2015</u>	<u>2014 (Restated)</u>	<u>Change</u>	<u>% of Total 2015 General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 3,216,914	\$ 2,961,314	\$ 255,600	22.6%
Total fund balance	\$ 3,353,097	\$ 3,247,425	\$ 105,672	23.5%

¹ Includes the Town's stabilization funds

The fund balance of the general fund changed by \$105,672 during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:		
Tax revenue collected in excess of budget	\$	87,693
State and local revenues over budget		295,913
Budgetary appropriations unspent by departments		158,652
Use of free cash (fund balance) and other surplus as funding sources for non-recurring items		(634,306)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current period		(16,694)
Other source/use raised and used in the current year		36,779
Change in Stabilization funds		<u>177,635</u>
Total	\$	<u><u>105,672</u></u>

Included in the total general fund balance are the Town's stabilization funds with the following balances:

	<u>06/30/15</u>	<u>06/30/14</u>	<u>Change</u>
Stabilization fund	\$ 2,097,442	\$ 2,053,986	\$ 43,456
Capital stabilization fund	89,711	55,543	34,168
Russell School stabilization fund	<u>100,011</u>	<u>-</u>	<u>100,011</u>
	<u>\$ 2,287,164</u>	<u>\$ 2,109,529</u>	<u>\$ 177,635</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$15,839. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$122,109. Major reasons for these amendments include:

- \$25,070 increase in Police Department budget.
- \$42,300 increase in snow and ice budget
- \$23,739 increase in employee benefits budget.
- \$31,000 for Town Hall asbestos project.

All of this increase was funded through the use of free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$30,376,813 (net of accumulated depreciation), a change of \$1,647,579 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and infrastructure.

Major capital asset events during the current fiscal year included the following:

- School text book purchases of \$19,161.
- Public safety vehicles and equipment of \$205,623.
- Library books and equipment of \$51,737.
- Public works vehicles and equipment of \$246,662.
- Town Hall and Senior Center repairs of \$136,931.
- Emergency communication system upgrades of \$167,114.
- Other capital additions of \$40,125.
- Water main repairs of \$132,609.
- Pump stations 1 and 4 upgrades of \$1,785,975.
- Laurana Lane sewer line replacement of \$228,046.
- Sewer vehicle purchase of \$45,000.
- Depreciation expense of \$(1,306,592) for governmental and \$(104,812) for business-type assets.

Long-term debt. At the end of the current fiscal year, total bonded debt and long-term notes outstanding was \$8,499,254, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Mr. David Nixon
Town Administrator
Town of Hadley
100 Middle Street
Hadley, MA 01035

TOWN OF HADLEY, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 7,153,075	\$ 1,148,527	\$ 8,301,602
Investments	3,192,979	-	3,192,979
Receivables:			
Property taxes	96,953	-	96,953
Excises	46,392	-	46,392
User fees	61,260	25,353	86,613
Intergovernmental	257,082	-	257,082
Noncurrent:			
Receivables:			
Property taxes	78,688	-	78,688
Land and construction in progress	1,022,270	2,147,705	3,169,975
Capital assets, net of accumulated depreciation	24,837,265	2,369,573	27,206,838
DEFERRED OUTFLOWS OF RESOURCES	<u>414,254</u>	<u>27,481</u>	<u>441,735</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	37,160,218	5,718,639	42,878,857
LIABILITIES			
Current:			
Warrants payable	179,758	10,334	190,092
Accounts payable	47,240	90,704	137,944
Accrued payroll and withholdings	280,522	7,500	288,022
Retainage payable	-	78,294	78,294
Accrued interest payable	47,797	-	47,797
Other liabilities	22,330	-	22,330
Current portion of long-term liabilities:			
Bonds payable	897,898	92,709	990,607
Landfill closure	7,800	-	7,800
Noncurrent:			
Bonds payable, net of current portion	5,824,356	1,684,291	7,508,647
Landfill closure, net of current portion	109,200	-	109,200
Accrued compensated absences	338,824	32,603	371,427
Net OPEB obligation	4,356,732	143,195	4,499,927
Net pension liability	<u>8,306,378</u>	<u>551,035</u>	<u>8,857,413</u>
TOTAL LIABILITIES	20,418,835	2,690,665	23,109,500
NET POSITION			
Net investment in capital assets	20,689,669	3,012,135	23,701,804
Restricted for:			
State and federal grants	4,676,307	-	4,676,307
Permanent funds:			
Nonexpendable	70,430	-	70,430
Expendable	597,544	-	597,544
Unrestricted	<u>(9,292,567)</u>	<u>15,839</u>	<u>(9,276,728)</u>
TOTAL NET POSITION	<u>\$ 16,741,383</u>	<u>\$ 3,027,974</u>	<u>\$ 19,769,357</u>

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

TOWN OF HADLEY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General government	\$ 1,425,243	\$ 622,877	\$ 327,082	\$ -	\$ (475,284)	\$ -	\$ (475,284)
Public safety	2,268,328	371,924	18,592	-	(1,877,812)	-	(1,877,812)
Education	8,673,917	211,564	3,139,326	-	(5,323,027)	-	(5,323,027)
Public works	2,982,409	1,387,716	5,620	404,888	(1,184,185)	-	(1,184,185)
Health and human services	246,572	42,804	98,046	-	(105,722)	-	(105,722)
Culture and recreation	312,866	35,541	17,763	41,525	(218,037)	-	(218,037)
Employee benefits	2,601,848	-	-	-	(2,601,848)	-	(2,601,848)
Interest	156,820	-	-	-	(156,820)	-	(156,820)
Intergovernmental	1,106,218	-	-	-	(1,106,218)	-	(1,106,218)
Total Governmental Activities	19,774,221	2,672,426	3,606,429	446,413	(13,048,953)	-	(13,048,953)
Business-Type Activities:							
Sewer operations	752,213	801,207	-	-	-	48,994	48,994
Total Business-Type Activities	752,213	801,207	-	-	-	48,994	48,994
Total All Activities	\$ 20,526,434	\$ 3,473,633	\$ 3,606,429	\$ 446,413	(13,048,953)	48,994	(12,999,959)
General Revenues:							
Property taxes					10,293,306	-	10,293,306
Excises					651,059	-	651,059
Penalties, interest and other taxes					1,149,915	4,846	1,154,761
Grants and contributions not restricted to specific programs					728,071	-	728,071
Investment income					80,708	5,441	86,149
Miscellaneous					57,058	-	57,058
Transfers, net					(407,478)	225,000	(182,478)
Total general revenues					12,552,639	235,287	12,787,926
Change in Net Position					(496,314)	284,281	(212,033)
Net Position:							
Beginning of year, as restated					17,237,697	2,743,693	19,981,390
End of year					\$ 16,741,383	\$ 3,027,974	\$ 19,769,357

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

TOWN OF HADLEY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Water Fund</u>	<u>Community Preservation Act Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and short-term investments	\$ 1,890,310	\$ 961,821	\$ 890,521	\$ 1,351,395	\$ 2,059,028	\$ 7,153,075
Investments	1,843,986	51,436	849,615	-	447,942	3,192,979
Receivables:						
Property taxes	173,273	-	2,368	-	-	175,641
Excises	46,392	-	-	-	-	46,392
User fees	-	61,260	-	-	-	61,260
Intergovernmental	75,175	-	-	-	181,907	257,082
TOTAL ASSETS	\$ 4,029,136	\$ 1,074,517	\$ 1,742,504	\$ 1,351,395	\$ 2,688,877	\$ 10,886,429
LIABILITIES						
Warrants payable	\$ 118,179	\$ 19,852	\$ -	\$ 13,661	\$ 28,066	\$ 179,758
Accounts payable	-	-	-	-	47,240	47,240
Accrued payroll and withholdings	262,194	9,222	-	-	9,106	280,522
Other liabilities	825	-	-	-	21,505	22,330
TOTAL LIABILITIES	381,198	29,074	-	13,661	105,917	529,850
DEFERRED INFLOWS OF RESOURCES	294,841	61,260	2,369	-	20,422	378,892
FUND BALANCES						
Nonspendable	-	-	-	-	70,430	70,430
Restricted	-	950,291	-	1,039,228	2,480,956	4,470,475
Committed	35,247	-	1,740,135	298,506	26,626	2,100,514
Assigned	100,936	33,892	-	-	-	134,828
Unassigned	3,216,914	-	-	-	(15,474)	3,201,440
TOTAL FUND BALANCES	3,353,097	984,183	1,740,135	1,337,734	2,562,538	9,977,687
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,029,136	\$ 1,074,517	\$ 1,742,504	\$ 1,351,395	\$ 2,688,877	\$ 10,886,429

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

TOWN OF HADLEY, MASSACHUSETTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total Governmental Fund Balances	\$ 9,977,687
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,859,535
• Certain changes in the net position liability, which are deferred to future reporting periods, are not reported in the governmental funds.	414,254
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	378,892
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(47,797)
• Long-term liabilities, including bonds payable, landfill closure, accrued compensated absences, net OPEB obligation and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(19,841,188)</u>
Net Position of Governmental Activities	<u>\$ 16,741,383</u>

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

TOWN OF HADLEY, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General	Water Fund	Community Preservation Act Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 10,085,342	\$ -	\$ 229,541	\$ -	\$ -	\$ 10,314,883
Excises	651,130	-	-	-	-	651,130
Penalties, interest and other taxes	1,140,794	8,655	466	-	-	1,149,915
Charges for services	546,937	1,169,354	-	-	676,784	2,393,075
Intergovernmental	1,931,732	-	144,278	-	2,040,841	4,116,851
Licenses and permits	221,800	-	-	-	-	221,800
Fines and forfeitures	37,073	-	-	-	-	37,073
Investment income	59,226	4,770	17,282	-	-	81,278
Miscellaneous	37,314	-	-	-	19,149	56,463
Total Revenues	14,711,348	1,182,779	391,567	-	2,736,774	19,022,468
Expenditures:						
Current:						
General government	931,965	-	307,326	16,306	55,237	1,310,834
Public safety	1,816,068	-	-	400,342	216,427	2,432,837
Education	6,032,203	-	-	17,618	1,533,734	7,583,555
Public works	974,920	897,168	3,400	483,760	424,974	2,784,222
Health and human services	226,490	-	-	-	19,988	246,478
Culture and recreation	244,690	-	5,093	21,999	72,554	344,336
Employee benefits	2,116,858	216,537	-	-	-	2,333,395
Debt service	810,002	169,502	-	-	-	979,504
Intergovernmental	1,106,218	-	-	-	-	1,106,218
Total Expenditures	14,259,414	1,283,207	315,819	940,025	2,322,914	19,121,379
Excess (deficiency) of revenues over expenditures	451,934	(100,428)	75,748	(940,025)	413,860	(98,911)
Other Financing Sources (Uses):						
Proceeds from sale of bonds	-	-	-	1,746,521	-	1,746,521
Transfers in	110,360	-	-	558,911	-	669,271
Transfers out	(456,622)	-	-	-	(620,127)	(1,076,749)
Total Other Financing Sources (Uses)	(346,262)	-	-	2,305,432	(620,127)	1,339,043
Change in fund balance	105,672	(100,428)	75,748	1,365,407	(206,267)	1,240,132
Fund Equity, at Beginning of Year, as restated	3,247,425	1,084,611	1,664,387	(27,673)	2,768,805	8,737,555
Fund Equity, at End of Year	\$ 3,353,097	\$ 984,183	\$ 1,740,135	\$ 1,337,734	\$ 2,562,538	\$ 9,977,687

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

TOWN OF HADLEY, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2015

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,240,132
<ul style="list-style-type: none">Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital asset purchases	999,962
Depreciation	(1,306,592)
<ul style="list-style-type: none">Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures, and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	(5,826)
<ul style="list-style-type: none">The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:	
Issuance of debt	(1,746,521)
Repayments of debt	823,967
<ul style="list-style-type: none">In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(1,283)
<ul style="list-style-type: none">Some expenses reported in the statement of activities, such as landfill closure, accrued compensated absences, net OPEB obligation and net pension liability do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	<u>(500,153)</u>
Change in Net Position of Governmental Activities	<u>\$ (496,314)</u>

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

TOWN OF HADLEY, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Property taxes	\$ 9,997,649	\$ 9,997,649	\$ 9,997,649	\$ -
Excises	554,012	554,012	651,130	97,118
Penalties, interest and other taxes	1,084,579	1,084,579	1,140,794	56,215
Charges for services and licences and permits	732,890	732,890	768,737	35,847
Intergovernmental	1,862,643	1,862,643	1,931,732	69,089
Fines and forfeitures	30,000	30,000	37,073	7,073
Investment income	11,832	11,832	15,035	3,203
Miscellaneous	20,306	20,306	37,314	17,008
Transfers in	-	-	10,360	10,360
Other sources	<u>512,197</u>	<u>634,306</u>	<u>634,306</u>	<u>-</u>
Total Revenues and Other Sources	14,806,108	14,928,217	15,224,130	295,913
Expenditures and Other Uses:				
General government	972,388	988,765	928,612	60,153
Public safety	1,743,322	1,783,014	1,777,735	5,279
Education	6,060,000	6,060,000	6,058,864	1,136
Public works	992,846	1,035,146	972,559	62,587
Health and human services	231,129	231,129	226,638	4,491
Culture and recreation	259,292	259,292	245,321	13,971
Employee benefits	2,192,038	2,215,778	2,116,771	99,007
Debt service	808,792	808,792	810,002	(1,210)
Intergovernmental	1,019,456	1,019,456	1,106,218	(86,762)
Transfers out	490,066	490,066	490,066	-
Other uses	<u>36,779</u>	<u>36,779</u>	<u>36,779</u>	<u>-</u>
Total Expenditures and Other Uses	<u>14,806,108</u>	<u>14,928,217</u>	<u>14,769,565</u>	<u>158,652</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>454,565</u>	\$ <u>454,565</u>

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

TOWN OF HADLEY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Business-Type Activities
	<u>Sewer Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,148,527
User fees	25,353
Total current assets	<u>1,173,880</u>
Noncurrent:	
Land and construction in progress	2,147,705
Capital assets, net of accumulated depreciation	2,369,573
Total noncurrent assets	<u>4,517,278</u>
TOTAL ASSETS	5,691,158
DEFERRED OUTFLOWS OF RESOURCES	<u>27,481</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,718,639
LIABILITIES	
Current:	
Warrants payable	10,334
Accounts payable	90,704
Accrued payroll	7,500
Retainage payable	78,294
Current portion of long-term liabilities:	
Bonds payable	92,709
Noncurrent:	
Bonds payable, net of current portion	1,684,291
Accrued compensated absences	32,603
Net OPEB obligation	143,195
Net pension liability	551,035
TOTAL LIABILITIES	<u>2,690,665</u>
NET POSITION	
Net investment in capital assets	3,012,135
Unrestricted	15,839
TOTAL NET POSITION	<u><u>\$ 3,027,974</u></u>

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

TOWN OF HADLEY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities <u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 806,053
Total Operating Revenues	806,053
Operating Expenses:	
Salaries and wages	218,443
Operating expenses	355,926
Capital outlay	750
Depreciation	104,812
Employee benefits	47,745
Total Operating Expenses	727,676
Operating Income	78,377
Nonoperating Revenues (Expenses):	
Investment income	5,441
Interest expense	(24,537)
Total Nonoperating Revenues (Expenses), Net	(19,096)
Income Before Transfers	59,281
Other Financing Sources (Uses):	
Transfer in	225,000
Change in Net Position	284,281
Net Position at Beginning of Year, as restated	2,743,693
Net Position at End of Year	\$ 3,027,974

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

TOWN OF HADLEY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities
	<u>Sewer Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 797,580
Payments to vendors and employees	(456,859)
Net Cash Provided By Operating Activities	340,721
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(2,059,021)
Proceeds of bonds	1,777,000
Repayments of bond anticipation notes	(136,000)
Transfers in	225,000
Interest paid	(24,537)
Net Cash (Used For) Capital and Related Financing Activities	(217,558)
<u>Cash Flows From Investing Activities:</u>	
Investment income	5,441
Net Cash Provided By Investing Activities	5,441
Net Change in Cash and Short-Term Investments	128,604
Cash and Short Term Investments, Beginning of Year	1,019,923
Cash and Short Term Investments, End of Year	\$ 1,148,527
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ 78,377
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	104,812
Changes in assets and liabilities:	
User fees	(8,473)
Warrants and accounts payable and accrued payroll	174,574
Accrued compensated absences	(1,686)
Net OPEB obligation	46,336
Net pension liability, net of deferrals	(53,219)
Net Cash Provided By Operating Activities	\$ 340,721

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

TOWN OF HADLEY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Agency Funds	OPEB Trust Fund
<u>ASSETS</u>		
Cash and short-term investments	\$ 64,328	\$ 944
Investments	<u>29,605</u>	<u>293,596</u>
Total Assets	93,933	294,540
<u>LIABILITIES</u>		
Warrants payable	533	-
Deposits held in custody	91,150	-
Other liabilities	<u>2,250</u>	<u>-</u>
Total Liabilities	<u>93,933</u>	<u>-</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>-</u></u>	\$ <u><u>294,540</u></u>

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

TOWN OF HADLEY, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>OPEB Trust Fund</u>
Additions	
Interest Income	\$ <u>6,283</u>
Net increase before transfers	6,283
Transfer in	<u>164,888</u>
Change in net position	171,171
Net position	
Beginning of year	<u>123,369</u>
End of year	<u>\$ 294,540</u>

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

Town of Hadley, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB-14 (as amended) criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *water fund*, which accounts for operations related to providing the Town's water services and supporting infrastructure. Although the Town voted to adopt enterprise fund legislation for water operations in fiscal year 1994, under the criteria established by GASB, it does not qualify as an enterprise fund since it does not fund all of its own debt / depreciation expense. Accordingly, it is included as a governmental fund under the GASB Statement No. 34 reporting model.
- The *community preservation act fund* is used to account for the state and local revenue set-aside for certain designated projects and activities allowable per Massachusetts legislation.
- The *capital project fund* is used to account for various capital projects legally authorized by the Town.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary fund:

- The *sewer enterprise fund*, which accounts for operation of the Town's wastewater treatment facility and supporting infrastructure.

The *OPEB trust fund* accumulates resources for other post-employment retiree benefits for qualified employees.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in

the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Town consist of certificates of deposit, corporate bonds, equities, federal agency securities and mutual funds. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 ½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$6,808.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if

purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20 - 40
Infrastructure	50
Vehicles	5 - 7
Equipment	10

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance

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

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

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

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

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

K. Use of Estimates

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

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/expenditures (GAAP basis)	\$ 14,711,348	\$ 14,259,414
Other financing sources/uses (GAAP basis)	<u>110,360</u>	<u>456,622</u>
Subtotal (GAAP basis)	14,821,708	14,716,036
Remove the effect of adding the Stabilization fund to General fund per GASB 54	(144,191)	33,444
Adjust tax revenue to accrual basis	(87,693)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(152,877)
Add end of year appropriation carryforwards to expenditures	-	136,183
Recognize use of fund balance as funding source	634,306	-
Other uses raised in the current year	<u>-</u>	<u>36,779</u>
Budgetary basis	<u>\$ 15,224,130</u>	<u>\$ 14,769,565</u>

D. Excess of Expenditures Over Appropriations

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

Police salaries and wages	\$22,364
Intergovernmental expenses	\$86,762
Debt service	\$ 1,210

E. Deficit Fund Equity

The following fund had a deficit balance, as of June 30, 2015:

Chapter 90 fund	\$(15,474)
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This deficit will be eliminated through future intergovernmental revenues.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Law Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town manages custodial credit risk by the diversification and choice of depository.

The Town approved an investment policy in April 2009. The policy limits unsecured bank deposits to no more than 5% of an institution's assets or 10% of the Town's cash balance.

As of June 30, 2015 none of the Town's bank balance of \$8,623,053 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department in the Town's name. This balance includes \$941,392 of the cash and cash equivalents balance in the Town's investment accounts that are held in the Town's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, and the investment policy adopted by the Town in April 2009, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town manages credit risk by the diversification and prudent selection of investment instruments and choice of depository.

Presented below is the actual rating as of year-end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
			<u>AAA/A1</u>	<u>AA/A2</u>
Certificates of deposit	\$ 2,855,058	\$ 2,855,058	\$ -	\$ -
Corporate bonds	9,981	-	-	9,981
Equities	54,370	54,370	-	-
Federal agency securities	252,295	-	252,295	-
Mutual funds	344,476	344,476	-	-
Total investments	\$ <u>3,516,180</u>	\$ <u>3,253,904</u>	\$ <u>252,295</u>	\$ <u>9,981</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As previously noted, the Town adopted an investment policy in April 2009 that limits unsecured bank deposits to no more than 5% of an institution's assets or 10% of the Town's cash balance. In addition, the policy limits the Treasurer to investing in financial instruments included on a list produced annually by the Commonwealth Division of Banks (commonly referred to as the "Legal List of Investments"). The policy further manages this risk by requiring any amount invested in bank accounts or certificates of deposit to be fully insured by FDIC or collateralized by a third party agreement.

\$411,122 of the Town's investments of \$3,516,058 are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and/or excess SIPC.

C. Concentration of Credit Risk

The Town places no limit on the amount they may invest in any one issuer. Investment limits were established in the policy adopted in April 2009, which is detailed above. The Town does not have investments in any one issuer (other than U.S. Treasury securities and mutual funds) greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. For the most part, the policy adopted in April 2009, establishes a one year investment term limit for applicable types of investments, such as U.S. Treasury notes and certificates of deposit, with the exception of trust funds which can be invested over longer periods of time.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt from Disclosure</u>	<u>Investment Maturities in Years</u>			
			<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificates of deposit	\$ 2,855,058	\$ -	\$ 493,623	\$ 1,522,486	\$ 692,646	\$ 146,303
Corporate bonds	9,981	-	-	9,981	-	-
Equities	54,370	54,370	-	-	-	-
Federal agency securities	252,295	-	35,263	217,032	-	-
Mutual funds	344,476	344,476	-	-	-	-
Total investments	<u>\$ 3,516,180</u>	<u>\$ 398,846</u>	<u>\$ 528,886</u>	<u>\$ 1,749,499</u>	<u>\$ 692,646</u>	<u>\$ 146,303</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. While the investment policy adopted in April 2009 does not speak specifically to foreign currency issues, this risk is managed by limiting the Treasurer to investments contained on the “Legal List of Investments”.

5. Taxes Receivable

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

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

Taxes receivable in the general fund at June 30, 2015 consist of the following:

Real Estate		
2015	\$ 86,719	
Prior years	<u>4,178</u>	
		90,897
Personal Property		
2015	688	
Prior years	<u>2,137</u>	
		2,825
Other		<u>863</u>
Subtotal current property taxes		94,585
Tax Liens		71,186
Foreclosures		3,953
Other		<u>3,549</u>
Total		<u>\$ 173,273</u>

6. Intergovernmental Receivables

The balance reported in the governmental funds represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015.

7. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 14,112,862	\$ 54,500	\$ -	\$ 132,902	\$ 14,300,264
Machinery, equipment, and furnishings	9,428,380	468,683	(42,987)	224,100	10,078,176
Infrastructure	<u>20,045,292</u>	<u>132,609</u>	<u>-</u>	<u>-</u>	<u>20,177,901</u>
Total capital assets, being depreciated	43,586,534	655,792	(42,987)	357,002	44,556,341
Less accumulated depreciation for:					
Buildings and improvements	(6,837,310)	(369,851)	-	-	(7,207,161)
Machinery, equipment, and furnishings	(4,784,916)	(528,745)	42,987	-	(5,270,674)
Infrastructure	<u>(6,833,245)</u>	<u>(407,996)</u>	<u>-</u>	<u>-</u>	<u>(7,241,241)</u>
Total accumulated depreciation	<u>(18,455,471)</u>	<u>(1,306,592)</u>	<u>42,987</u>	<u>-</u>	<u>(19,719,076)</u>
Total capital assets, being depreciated, net	25,131,063	(650,800)	-	357,002	24,837,265
Capital assets, not being depreciated:					
Land	898,641	-	-	-	898,641
Construction in progress	<u>136,461</u>	<u>344,170</u>	<u>-</u>	<u>(357,002)</u>	<u>123,629</u>
Total capital assets, not being depreciated	<u>1,035,102</u>	<u>344,170</u>	<u>-</u>	<u>(357,002)</u>	<u>1,022,270</u>
Governmental activities capital assets, net	<u>\$ 26,166,165</u>	<u>\$ (306,630)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,859,535</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,073,516	\$ -	\$ -	\$ 3,073,516
Machinery, equipment, and furnishings	257,527	45,000	-	302,527
Infrastructure	1,872,891	-	-	1,872,891
Total capital assets, being depreciated	5,203,934	45,000	-	5,248,934
Less accumulated depreciation for:				
Buildings and improvements	(1,752,966)	(53,900)	-	(1,806,866)
Machinery, equipment, and furnishings	(107,381)	(15,046)	-	(122,427)
Infrastructure	(914,202)	(35,866)	-	(950,068)
Total accumulated depreciation	(2,774,549)	(104,812)	-	(2,879,361)
Total capital assets, being depreciated, net	2,429,385	(59,812)	-	2,369,573
Capital assets, not being depreciated:				
Land	11,000	-	-	11,000
Construction in progress	122,684	2,014,021	-	2,136,705
Total capital assets, not being depreciated	133,684	2,014,021	-	2,147,705
Business-type activities capital assets, net	<u>\$ 2,563,069</u>	<u>\$ 1,954,209</u>	<u>\$ -</u>	<u>\$ 4,517,278</u>

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

Governmental Activities:	
General government	\$ 109,842
Public safety	194,229
Education	420,960
Public works	553,311
Culture and recreation	28,250
Total depreciation expense - governmental activities	<u>\$ 1,306,592</u>
Business-Type Activities:	
Sewer	<u>\$ 104,812</u>
Total depreciation expense - business-type activities	<u>\$ 104,812</u>

8. Deferred Outflows of Resources

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

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Pension related:		
Net difference between projected and actual pension investment earnings	\$ 263,494	\$ 17,480
Changes in proportion and differences between contributions and proportionate share of pension contributions	<u>150,760</u>	<u>10,001</u>
	<u>\$ 414,254</u>	<u>\$ 27,481</u>

9. Warrants and Accounts Payable

Warrants payable represents 2015 expenditures paid by July 15, 2015 as permitted by law. Accounts payable represent additional 2015 expenditures paid after July 15, 2015.

10. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2015:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ <u>1,111,687</u>	\$ <u>-</u>	\$ <u>(1,111,687)</u>	\$ <u>-</u>

11. Long-Term Debt

A. General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2015
<u>Governmental Activities:</u>			
Municipal purpose of 2009	09/15/19	2.0-3.25	\$ 1,020,000
Municipal purpose refunding of 2009	05/01/20	2.0-3.25	620,000
MWPAT DW-05-19	07/15/26	2.0	3,499,254
Municipal purpose of 2014	05/01/35	2.73	<u>1,583,000</u>
Total Governmental Activities			<u>\$ 6,722,254</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2015
<u>Business-Type Activities:</u>			
Municipal purpose of 2014	05/01/35	2.73	\$ <u>1,777,000</u>
Total Business-Type Activities			<u>\$ 1,777,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 897,898	\$ 149,747	\$ 1,047,645
2017	822,065	129,934	951,999
2018	801,437	110,248	911,685
2019	749,166	90,764	839,930
2020	673,857	72,726	746,583
2021 - 2025	2,057,109	195,442	2,252,551
2026 - 2031	693,044	21,672	714,716
Thereafter	<u>27,678</u>	<u>1,734</u>	<u>29,412</u>
Total	<u>\$ 6,722,254</u>	<u>\$ 772,267</u>	<u>\$ 7,494,521</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 92,709	\$ 49,176	\$ 141,885
2017	88,806	47,320	136,126
2018	89,806	45,544	135,350
2019	82,556	43,748	126,304
2020	88,456	42,098	130,554
2021 - 2025	412,345	178,136	590,481
2026 - 2031	450,000	115,000	565,000
Thereafter	<u>472,322</u>	<u>46,263</u>	<u>518,585</u>
Total	<u>\$ 1,777,000</u>	<u>\$ 567,285</u>	<u>\$ 2,344,285</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2014 (Restated)	Additions	Reductions	Total Balance June 30, 2015	Less Current Portion	Equals Long-Term Portion June 30, 2015
<u>Governmental Activities</u>						
Bonds payable	\$ 5,799,700	\$ 1,746,521	\$ (823,967)	\$ 6,722,254	\$ (897,898)	\$ 5,824,356
Other:						
Landfill closure	124,800	-	(7,800)	117,000	(7,800)	109,200
Accrued compensated absences	313,330	25,494	-	338,824	-	338,824
Net OPEB obligation	3,996,054	360,678	-	4,356,732	-	4,356,732
Net pension liability	7,770,343	536,035	-	8,306,378	-	8,306,378
Total Governmental Activities	<u>\$ 18,004,227</u>	<u>\$ 2,668,728</u>	<u>\$ (831,767)</u>	<u>\$ 19,841,188</u>	<u>\$ (905,698)</u>	<u>\$ 18,935,490</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ -	\$ 1,777,000	\$ -	\$ 1,777,000	\$ (92,709)	\$ 1,684,291
Other:						
Accrued compensated absences	34,289	-	(1,686)	32,603	-	32,603
Net OPEB obligation	96,859	46,336	-	143,195	-	143,195
Net pension liability	576,773	-	(25,738)	551,035	-	551,035
Total Business-Type Activities	<u>\$ 707,921</u>	<u>\$ 1,823,336</u>	<u>\$ (27,424)</u>	<u>\$ 2,503,833</u>	<u>\$ (92,709)</u>	<u>\$ 2,411,124</u>

12. Landfill Closure and Post-Closure Care Costs

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

The \$117,000 reported as landfill liability at June 30, 2015 represents the estimated cost of monitoring the landfill for the next 15 years. This amount is based on what it would cost to perform all closure and post-closure care in 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

13. Deferred Inflows of Resources

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

The deferred inflow of resources balance as of June 30, 2015 consists of unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The

balance of the general fund deferred revenues account is equal to the total of all June 30, 2015 receivable balances.

14. Interfund Fund Transfers

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

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2015:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 110,360	\$ 456,622
Capital project fund	558,911	-
Nonmajor funds:		
Special revenue funds	-	602,537
Trust funds	-	17,590
Subtotal Nonmajor funds	-	620,127
<u>Fiduciary Funds:</u>		
Agency fund	17,590	-
OPEB trust fund	164,888	-
<u>Proprietary Funds:</u>		
Sewer enterprise	225,000	-
Grand Total	\$ <u>1,076,749</u>	\$ <u>1,076,749</u>

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

15. Restricted Net Position

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

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

16. Governmental Funds – Balances

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

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

The following types of fund balances are reported at June 30, 2015:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds, the income portion of permanent trust funds, and capital projects funded by bond issuances.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes remaining balance of capital appropriations for non-lapsing, special article appropriations approved at Town Meeting, the community preservation fund, funds set aside by the Town, and capital project accounts funded by appropriation.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and

surplus to be used in the subsequent year's budget and fund balance (free cash) voted to be used in the subsequent fiscal year.

Unassigned - Represents amounts that are available to be spent in future periods and deficit fund balances.

Following is a breakdown of the Town's fund balances at June 30, 2015:

	General Fund	Water Fund	Community Preservation Act Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 70,430	\$ 70,430
Total Nonspendable	-	-	-	-	70,430	70,430
Restricted						
Special revenue funds	-	868,691	-	-	1,883,412	2,752,103
Water stabilization funds	-	81,600	-	-	-	81,600
Expendable permanent funds	-	-	-	-	597,544	597,544
Bonded capital projects	-	-	-	1,039,228	-	1,039,228
Total Restricted	-	950,291	-	1,039,228	2,480,956	4,470,475
Committed						
Special article balances	35,247	-	-	-	-	35,247
Town set-asides	-	-	-	-	26,626	26,626
Community preservation fund	-	-	1,740,135	-	-	1,740,135
Capital projects funded by appropriation	-	-	-	298,506	-	298,506
Total Committed	35,247	-	1,740,135	298,506	26,626	2,100,514
Assigned						
Encumbrances	100,936	13,892	-	-	-	114,828
Reserved for expenditures	-	20,000	-	-	-	20,000
Total Assigned	100,936	33,892	-	-	-	134,828
Unassigned						
General fund	929,750	-	-	-	-	929,750
Stabilization funds	2,287,164	-	-	-	-	2,287,164
Deficit fund balances	-	-	-	-	(15,474)	(15,474)
Total Unassigned	3,216,914	-	-	-	(15,474)	3,201,440
Total Fund Balance	\$ 3,353,097	\$ 984,183	\$ 1,740,135	\$ 1,337,734	\$ 2,562,538	\$ 9,977,687

17. Subsequent Events

Debt – Subsequent to June 30, 2015, the Town incurred the following additional debt:

	Amount	Interest Rate %	Issue Date	Maturity Date
Bond anticipation note	\$ 387,900	0.74%	06/15/16	06/15/17

18. Commitments and Contingencies

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

Self-Insurance - The Town participates in the Hampshire County Group Insurance Trust to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of June 30, 2015, the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$200,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2015, according to the Trust's audited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$3.4 million, the Trust was in a surplus position of approximately \$23.4 million.

19. Post-Employment Health Care and Life Insurance Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the statement of net position over time.

A. Plan Description

In addition to providing the pension benefits described in the following footnote, the Town provides post-employment health care, dental and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2014, the actuarial valuation date, approximately 72 retirees and 177 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

	Governmental Funds	Sewer Fund	Total
Annual Required Contribution (ARC)	\$ 737,425	\$ 66,852	\$ 804,277
Interest on net OPEB obligation	159,842	3,874	163,716
Adjustment to ARC	<u>(191,024)</u>	<u>(1,759)</u>	<u>(192,783)</u>
Annual OPEB cost	706,243	68,967	775,210
Contributions made	<u>(345,565)</u>	<u>(22,631)</u>	<u>(368,196)</u>
Increase in net OPEB obligation	360,678	46,336	407,014
Net OPEB obligation - beginning of year	<u>3,996,054</u>	<u>96,859</u>	<u>4,092,913</u>
Net OPEB obligation - end of year	<u>\$ 4,356,732</u>	<u>\$ 143,195</u>	<u>\$ 4,499,927</u>

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

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 775,210	47%	\$ 4,499,927
2014	\$ 867,313	23%	\$ 4,092,913
2013	\$ 851,171	27%	\$ 3,428,000
2012	\$ 828,723	22%	\$ 2,865,033
2011	\$ 799,639	21%	\$ 2,218,974
2010	\$ 912,060	15%	\$ 1,589,327

The Town's net OPEB obligation as of June 30, 2015 is recorded as a long-term liability in both the governmental and business-type activities.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 7,113,438
Actuarial value of plan assets	<u>(123,369)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,990,069</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>1.7%</u>
Covered payroll (active plan members)	<u>\$ N/A</u>
UAAL as a percentage of covered payroll	<u>N/A</u>

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

In May 2011, the Town established an OPEB Trust Fund under MGL Chapter 32B, Section 20. The balance in the trust fund was \$294,540 as of June 30, 2015.

F. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return, an initial annual healthcare cost trend rate of 6% which decreases to a 5% long-term rate for all healthcare benefits after a year and compensation increases of 3%. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

20. Hampshire County Retirement System

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

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Hampshire Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the System located at 99 Industrial Avenue Northampton, MA 01060.

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between

the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

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

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

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

The Town's contribution to the System for the year ended June 30, 2015 was \$827,802, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pen-

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

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of approximately \$8.9 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Town's proportion was 4.75 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$896,363. In addition, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 280,974
Changes in proportion and differences between contributions and proportionate share of pension contributions	<u>160,761</u>
Total	<u>\$ 441,735</u>

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

Year ended June 30:	
2016	\$ 83,983
2017	83,983
2018	83,983
2019	83,983
2020	13,740
Thereafter	<u>92,063</u>
Total	<u>\$ 441,735</u>

Actuarial assumptions: A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	1/1/2014
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.875%
Projected salary increases	4.5-7.5%
Inflation rate	3.00%
Post-retirement cost-of-living adjustment	3% of first \$13,000

Mortality rates were based on the RP2000 Table projected 19 years with Scale BB.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period ending December 31, 2013.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	1.00%	0.73%
Large Cap Equities	9.00%	4.61%
Small/Mid Cap Equities	6.00%	4.85%
International Equities (Unhedged)	11.00%	5.10%
International Equities (Hedged)	0.00%	5.34%
Emerging International Equities	6.00%	6.31%
Core Bonds	7.00%	1.42%
High-Yield Bonds	3.00%	2.91%
Bank Loans	3.00%	3.16%
Global Bonds (Unhedged)	3.00%	0.00%
EMD (Local Currency)	6.00%	4.13%
Private Equity	8.00%	6.55%
Private Debt	2.00%	5.10%
Real Estate	8.00%	3.40%
Hedge Funds	11.00%	3.88%
Global Asset Allocation	<u>16.00%</u>	4.17%
Total	<u>100.00%</u>	
Inflation		3.00%
Expected arithmetic nominal return		4.84%

Discount Rate: The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.875%) or 1 percentage-point higher (8.875%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.875%)</u>	<u>Current Discount Rate (7.875%)</u>	<u>1% Increase (8.875%)</u>
June 30, 2015	\$11,160	\$8,857	\$6,962

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

21. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members — two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in

terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.

- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		2014	2013
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timber/natural resources	4.0%	5.0%	5.00%
Total	100.0%		

E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was pro-

jected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

Fiscal Year Ended	1% Decrease to 7%	Current Discount Rate 8%	1% Increase to 9%
June 30, 2013	\$21,426,000	\$17,234,000	\$13,672,000
June 30, 2014	\$20,247,000	\$15,896,000	\$12,200,000

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2014 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$9,625,695 and \$668,743 respectively, based on a proportionate share of 0.061%.

22. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

23. Beginning Fund Balance and Net Position Restatement

The beginning (July 1, 2014) fund balance of the Town has been restated as follows:

<u>Governmental Funds</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>
Fund balance 06/30/14, as previously reported	\$ 3,453,175	\$ 2,563,055
Move Woodchuck Trust funds to expendable trust fund	<u>(205,750)</u>	<u>205,750</u>
Fund balance 06/30/14, as restated	<u>\$ 3,247,425</u>	<u>\$ 2,768,805</u>

In addition, the beginning (July 1, 2014) net position of the Town has been restated as follows:

<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position 06/30/14, as previously reported	\$ 25,008,040	\$ 3,320,466
Record net pension liability in accordance with GASB 68	<u>(7,770,343)</u>	<u>(576,773)</u>
Net position 06/30/14, as restated	<u>\$ 17,237,697</u>	<u>\$ 2,743,693</u>

TOWN OF HADLEY, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

June 30, 2015

(Unaudited)

(Amounts Expressed in Thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/14	\$123	\$7,113	\$6,990	1.7%	N/A	N/A
07/01/12	-	\$7,664	\$7,664	0.0%	\$6,500	117.9%
07/01/10	-	\$6,789	\$6,789	0.0%	\$5,968	113.8%
07/01/08	-	\$7,218	\$7,218	0.0%	\$6,009	120.1%

See Independent Auditor's Report.

TOWN OF HADLEY, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

(Unaudited)

(Amounts expressed in thousands)

<u>Hampshire County Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	4.75%
Proportionate share of the net pension liability for the most recent measurement date	\$ 8,857
Covered payroll for the most recent measurement date	\$ 3,341
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	265.10%
Plan fiduciary net position as a percentage of the total pension liability	58.07%
 <u>Massachusetts Teachers' Retirement System:</u>	
Proportion of the net pension liability for the most recent measurement date	0.061%
The Town's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the Town	<u>9,626</u>
Total net pension liability associated with the Town	<u>\$ 9,626</u>
Covered payroll for the most recent measurement date	\$ 3,710
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.49%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

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

TOWN OF HADLEY, MASSACHUSETTS
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)
(Amounts expressed in thousands)

<u>Hampshire County Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 828
Contributions in relation to the contractually required contribution	<u>(828)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll for the most recent measurement date	\$ 3,341
Contributions as a percentage of covered payroll	24.78%

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

See Independent Auditors' Report.