

TOWN OF HADLEY, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2016

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Additional Offices:

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

INDEPENDENT AUDITORS' REPORT

To the 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hadley, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Melanson Heath

June 2, 2017

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, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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 \$19,211,031 (i.e., net position), a change of \$(499,624) 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 \$8,855,788, a change of \$(1,063,197) in comparison with the restated prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,045,513, a change of \$(171,401) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$7,508,647, a change of \$(990,607) 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>2016</u>	<u>2015 (Restated)</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015 (Restated)</u>
Current and other assets	\$ 10,528,002	\$ 10,886,429	\$ 926,049	\$ 1,173,880	\$ 11,454,051	\$ 12,060,309
Capital assets	26,083,160	25,859,535	4,612,500	4,517,278	30,695,660	30,376,813
Deferred outflows	1,411,678	414,254	91,391	27,481	1,503,069	441,735
Total assets and deferred outflows	38,022,840	37,160,218	5,629,940	5,718,639	43,652,780	42,878,857
Long-term liabilities outstanding	20,546,852	19,841,188	2,526,163	2,503,833	23,073,015	22,345,021
Other liabilities	1,333,617	636,349	35,117	186,832	1,368,734	823,181
Total liabilities	21,880,469	20,477,537	2,561,280	2,690,665	24,441,749	23,168,202
Net position:						
Net investment in capital assets	20,774,746	20,689,669	2,947,952	3,012,135	23,722,698	23,701,804
Restricted	5,377,566	5,285,579	-	-	5,377,566	5,285,579
Unrestricted	(10,009,941)	(9,292,567)	120,708	15,839	(9,889,233)	(9,276,728)
Total net position	\$ 16,142,371	\$ 16,682,681	\$ 3,068,660	\$ 3,027,974	\$ 19,211,031	\$ 19,710,655

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015 (Restated)</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015 (Restated)</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,423,157	\$ 2,672,426	\$ 787,446	\$ 801,207	\$ 3,210,603	\$ 3,473,633
Operating grants and contributions	3,615,906	3,606,429	-	-	3,615,906	3,606,429
Capital grants and contributions	660,832	446,413	-	-	660,832	446,413
General revenues:						
Property taxes	10,679,904	10,293,306	-	-	10,679,904	10,293,306
Excises	684,662	651,059	-	-	684,662	651,059
Penalties, interest and other taxes	1,190,067	1,149,915	-	4,846	1,190,067	1,154,761
Grants and contributions not restricted	959,245	728,071	-	-	959,245	728,071
Investment income	116,526	80,708	4,501	5,441	121,027	86,149
Miscellaneous	111,255	57,058	-	-	111,255	57,058
Total Revenues	<u>20,441,554</u>	<u>19,685,385</u>	<u>791,947</u>	<u>811,494</u>	<u>21,233,501</u>	<u>20,496,879</u>
Expenses:						
General government	1,407,617	1,425,243	-	-	1,407,617	1,425,243
Public safety	2,237,464	2,268,328	-	-	2,237,464	2,268,328
Education	9,213,455	8,673,917	-	-	9,213,455	8,673,917
Public works	3,068,389	2,982,409	-	-	3,068,389	2,982,409
Health and human services	232,797	246,572	-	-	232,797	246,572
Culture and recreation	308,244	312,866	-	-	308,244	312,866
Employee benefits	2,885,342	2,601,848	-	-	2,885,342	2,601,848
Interest	149,181	156,820	-	-	149,181	156,820
Intergovernmental	1,027,375	1,106,218	-	-	1,027,375	1,106,218
Sewer operations	-	-	958,261	752,213	958,261	752,213
Total Expenses	<u>20,529,864</u>	<u>19,774,221</u>	<u>958,261</u>	<u>752,213</u>	<u>21,488,125</u>	<u>20,526,434</u>
Change in net position before transfers	(88,310)	(88,836)	(166,314)	59,281	(254,624)	(29,555)
Transfers in (out)	<u>(452,000)</u>	<u>(407,478)</u>	<u>207,000</u>	<u>225,000</u>	<u>(245,000)</u>	<u>(182,478)</u>
Change in net position	(540,310)	(496,314)	40,686	284,281	(499,624)	(212,033)
Net position - beginning of year, as restated	<u>16,682,681</u>	<u>17,178,995</u>	<u>3,027,974</u>	<u>2,743,693</u>	<u>19,710,655</u>	<u>19,922,688</u>
Net position - end of year	<u>\$ 16,142,371</u>	<u>\$ 16,682,681</u>	<u>\$ 3,068,660</u>	<u>\$ 3,027,974</u>	<u>\$ 19,211,031</u>	<u>\$ 19,710,655</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 \$19,211,031, a change of \$(499,624) from the restated prior year.

The largest portion of net position, \$23,722,698, 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, \$5,377,566 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 \$(10,009,941). Unrestricted net position in business-type activities is \$120,708 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 \$(540,310). Key elements of this change are as follows:

General Fund Operating Results:

Tax revenue collected in excess of budget	\$ 53,086
State and local revenues over budget	144,625
Budgetary appropriations unspent by departments	517,422
Use of free cash (fund balance) and other surplus as funding sources for non-recurring items	(786,069)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current period	(42,612)
Other source/use raised and used in the current year	35,834
Change in Stabilization funds	(136,299)
Major fund - Water expenditures in excess of revenues	(3,440)
Major fund - Community preservation revenues in excess of expenditures	361,263
Major fund - Capital project expenditures in excess of transfers in	(964,113)
Non-major fund expenditures and transfers out in excess of revenues and transfers in	(242,894)
Depreciation expense in excess of principal debt service	(466,205)
Capital asset additions	1,587,728
Change in net OPEB obligation	(339,007)
Change in net pension liability, net of deferrals	(308,040)
Changes in accruals and long-term liabilities other than debt	48,411
Total	<u>\$ (540,310)</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$40,686. Key elements of this change are as follows:

	<u>Sewer</u>
Operating (loss)	\$ (121,640)
Non-operating revenue (expense), net	(44,674)
Transfer in	<u>207,000</u>
Change in net position	<u>\$ 40,686</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 \$8,855,788, a change of \$(1,063,197) 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	\$ 53,086
State and local revenues over budget	144,625
Budgetary appropriations unspent by departments	517,422
Use of free cash (fund balance) and other surplus as funding sources for non-recurring items	(786,069)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current period	(42,612)
Other source/use raised and used in the current year	35,834
Change in Stabilization funds	(136,299)
Major fund - Water expenditures in excess of revenues	(3,440)
Major fund - Community preservation revenues in excess of expenditures	361,263
Major fund - Capital project expenditures in excess of transfers in	(964,113)
Non-major fund expenditures and transfers out in excess of revenues and transfers in	<u>(242,894)</u>
Total	<u>\$ (1,063,197)</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 \$3,045,513, while total fund balance was \$3,139,084. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% of Total 2016 General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 3,045,513	\$ 3,216,914	\$ (171,401)	20.5%
Total fund balance	\$ 3,139,084	\$ 3,353,097	\$ (214,013)	21.2%

¹ Includes the Town's stabilization funds

The fund balance of the general fund changed by \$(214,013) during the current fiscal year. Key elements of this change are as follows:

General Fund Operating Results:	
Tax revenue collected in excess of budget	\$ 53,086
State and local revenues over budget	144,625
Budgetary appropriations unspent by departments	517,422
Use of free cash (fund balance) and other surplus as funding sources for non-recurring items	(786,069)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current period	(42,612)
Other source/use raised and used in the current year	35,834
Change in Stabilization funds	<u>(136,299)</u>
Total	<u>\$ (214,013)</u>

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

	<u>06/30/16</u>	<u>06/30/15</u>	<u>Change</u>
Stabilization fund	\$ 2,117,112	\$ 2,097,442	\$ 19,670
Capital stabilization fund	33,753	89,711	(55,958)
Russell School stabilization fund	<u>-</u>	<u>100,011</u>	<u>(100,011)</u>
	<u>\$ 2,150,865</u>	<u>\$ 2,287,164</u>	<u>\$ (136,299)</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 \$120,708, a change of \$104,869 in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$36,853. Major reasons for these amendments include:

- \$27,800 increase in Police department budget.
- \$ 6,200 increase in employee benefits budget.

- \$ 2,853 increase in Public Works department budget.

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 \$30,695,660 (net of accumulated depreciation), a change of \$318,847 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:

- Public safety vehicles and equipment of \$897,866.
- Public safety complex upgrades of \$18,816.
- School text book purchases of \$29,848.
- School department vehicles and equipment of \$234,033.
- Highway garage improvements of \$102,170.
- Town Hall and Senior Center repairs of \$109,929.
- Library books and equipment of \$46,668.
- Goodwin Memorial Library planning and design of \$56,927.
- Other capital additions of \$14,500.
- Water meters of \$64,380.
- Water main repairs of \$12,591.
- Pump stations 1 and 4 upgrades of \$166,184.
- Laurana Lane sewer line replacement of \$19,157.
- Sewer air driven diaphragm pump of \$14,754.
- Sewer clarifier upgrades of \$26,820.
- Depreciation expense of \$(1,364,103) for governmental and \$(131,693) for business-type assets.

Long-term debt. At the end of the current fiscal year, total bonded debt and long-term notes outstanding was \$7,508,647, 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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 5,657,390	\$ 908,007	\$ 6,565,397
Investments	4,471,481	-	4,471,481
Receivables:			
Property taxes	87,168	-	87,168
Excises	49,195	-	49,195
User fees	38,478	18,042	56,520
Intergovernmental	106,484	-	106,484
Noncurrent:			
Receivables:			
Property taxes	117,806	-	117,806
Land and construction in progress	1,267,588	37,820	1,305,408
Capital assets, net of accumulated depreciation	24,815,572	4,574,680	29,390,252
DEFERRED OUTFLOWS OF RESOURCES	<u>1,411,678</u>	<u>91,391</u>	<u>1,503,069</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	38,022,840	5,629,940	43,652,780
LIABILITIES			
Current:			
Warrants payable	589,413	29,343	618,756
Accrued payroll and withholdings	200,535	5,774	206,309
Accrued interest payable	42,177	-	42,177
Notes payable	387,900	-	387,900
Other liabilities	113,592	-	113,592
Current portion of long-term liabilities:			
Bonds payable	822,065	88,806	910,871
Landfill closure	7,800	-	7,800
Noncurrent:			
Bonds payable, net of current portion	5,002,291	1,595,485	6,597,776
Landfill closure, net of current portion	101,400	-	101,400
Accrued compensated absences	305,715	29,571	335,286
Net OPEB obligation	4,695,739	190,036	4,885,775
Net pension liability	<u>9,611,842</u>	<u>622,265</u>	<u>10,234,107</u>
TOTAL LIABILITIES	21,880,469	2,561,280	24,441,749
NET POSITION			
Net investment in capital assets	20,774,746	2,947,952	23,722,698
Restricted for:			
State and federal grants	4,684,171	-	4,684,171
Permanent funds:			
Nonexpendable	71,780	-	71,780
Expendable	621,615	-	621,615
Unrestricted	<u>(10,009,941)</u>	<u>120,708</u>	<u>(9,889,233)</u>
TOTAL NET POSITION	\$ <u>16,142,371</u>	\$ <u>3,068,660</u>	\$ <u>19,211,031</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, 2016

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General government	\$ 1,407,617	\$ 542,697	\$ 231,051	\$ -	\$ (633,869)	\$ -	\$ (633,869)
Public safety	2,237,464	395,731	27,465	103,000	(1,711,268)	-	(1,711,268)
Education	9,213,455	206,872	3,259,406	-	(5,747,177)	-	(5,747,177)
Public works	3,068,389	1,201,231	2,750	547,832	(1,316,576)	-	(1,316,576)
Health and human services	232,797	44,098	83,430	-	(105,269)	-	(105,269)
Culture and recreation	308,244	32,528	11,804	10,000	(253,912)	-	(253,912)
Employee benefits	2,885,342	-	-	-	(2,885,342)	-	(2,885,342)
Interest	149,181	-	-	-	(149,181)	-	(149,181)
Intergovernmental	1,027,375	-	-	-	(1,027,375)	-	(1,027,375)
Total Governmental Activities	20,529,864	2,423,157	3,615,906	660,832	(13,829,969)	-	(13,829,969)
Business-Type Activities:							
Sewer operations	958,261	787,446	-	-	-	(170,815)	(170,815)
Total Business-Type Activities	958,261	787,446	-	-	-	(170,815)	(170,815)
Total All Activities	\$ 21,488,125	\$ 3,210,603	\$ 3,615,906	\$ 660,832	(13,829,969)	(170,815)	(14,000,784)
General Revenues:							
Property taxes					10,679,904	-	10,679,904
Excises					684,662	-	684,662
Penalties, interest and other taxes					1,190,067	-	1,190,067
Grants and contributions not restricted to specific programs					959,245	-	959,245
Investment income					116,526	4,501	121,027
Miscellaneous					111,255	-	111,255
Transfers, net					(452,000)	207,000	(245,000)
Total general revenues and transfers					13,289,659	211,501	13,501,160
Change in Net Position					(540,310)	40,686	(499,624)
Net Position:							
Beginning of year, as restated					16,682,681	3,027,974	19,710,655
End of year					\$ 16,142,371	\$ 3,068,660	\$ 19,211,031

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

TOWN OF HADLEY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<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	\$ 1,531,284	\$ 1,030,261	\$ 148,439	\$ 893,625	\$ 2,053,781	\$ 5,657,390
Investments	2,038,938	-	1,952,959	-	479,584	4,471,481
Receivables:						
Property taxes	202,369	-	2,605	-	-	204,974
Excises	49,195	-	-	-	-	49,195
User fees	-	38,478	-	-	-	38,478
Intergovernmental	67,250	-	-	-	39,234	106,484
TOTAL ASSETS	\$ 3,889,036	\$ 1,068,739	\$ 2,104,003	\$ 893,625	\$ 2,572,599	\$ 10,528,002
LIABILITIES						
Warrants payable	\$ 235,270	\$ 45,463	\$ -	\$ 132,104	\$ 176,576	\$ 589,413
Accrued payroll and withholdings	195,035	4,056	-	-	1,444	200,535
Notes payable	-	-	-	387,900	-	387,900
Other liabilities	833	-	-	-	112,759	113,592
TOTAL LIABILITIES	431,138	49,519	-	520,004	290,779	1,291,440
DEFERRED INFLOWS OF RESOURCES	318,814	38,477	2,605	-	20,878	380,774
FUND BALANCES						
Nonspendable	-	-	-	-	71,780	71,780
Restricted	-	925,743	-	187,978	2,335,808	3,449,529
Committed	27,161	-	2,101,398	326,435	27,477	2,482,471
Assigned	66,410	55,000	-	-	-	121,410
Unassigned	3,045,513	-	-	(140,792)	(174,123)	2,730,598
TOTAL FUND BALANCES	3,139,084	980,743	2,101,398	373,621	2,260,942	8,855,788
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,889,036	\$ 1,068,739	\$ 2,104,003	\$ 893,625	\$ 2,572,599	\$ 10,528,002

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, 2016

Total Governmental Fund Balances	\$ 8,855,788
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,083,160
• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	1,411,678
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	380,774
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(42,177)
• 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>(20,546,852)</u>
Net Position of Governmental Activities	<u>\$ 16,142,371</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, 2016

	<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>
Revenues:						
Property taxes	\$ 10,413,310	\$ -	\$ 237,261	\$ -	\$ -	\$ 10,650,571
Excises	681,861	-	-	-	-	681,861
Penalties, interest and other taxes	1,179,284	10,349	434	-	-	1,190,067
Charges for services	500,179	1,189,418	-	-	446,754	2,136,351
Intergovernmental	2,062,524	-	139,507	-	2,054,284	4,256,315
Licenses and permits	270,230	-	-	-	-	270,230
Fines and forfeitures	38,903	-	-	-	-	38,903
Investment income	75,578	4,909	19,157	-	16,882	116,526
Miscellaneous	-	-	-	-	111,255	111,255
Total Revenues	<u>15,221,869</u>	<u>1,204,676</u>	<u>396,359</u>	<u>-</u>	<u>2,629,175</u>	<u>19,452,079</u>
Expenditures:						
Current:						
General government	949,306	-	13,575	264,394	94,690	1,321,965
Public safety	1,857,069	-	-	808,302	272,709	2,938,080
Education	6,473,940	-	-	233,055	1,352,136	8,059,131
Public works	946,826	815,035	-	147,369	690,875	2,600,105
Health and human services	206,180	-	-	-	26,533	232,713
Culture and recreation	252,470	-	21,521	7,480	94,278	375,749
Employee benefits	2,231,425	224,034	-	-	-	2,455,459
Debt service	883,652	169,047	-	-	-	1,052,699
Intergovernmental	1,027,375	-	-	-	-	1,027,375
Total Expenditures	<u>14,828,243</u>	<u>1,208,116</u>	<u>35,096</u>	<u>1,460,600</u>	<u>2,531,221</u>	<u>20,063,276</u>
Excess (deficiency) of revenues over expenditures	393,626	(3,440)	361,263	(1,460,600)	97,954	(611,197)
Other Financing Sources (Uses):						
Transfers in	39,655	-	-	496,487	1,800	537,942
Transfers out	(647,294)	-	-	-	(342,648)	(989,942)
Total Other Financing Sources (Uses)	<u>(607,639)</u>	<u>-</u>	<u>-</u>	<u>496,487</u>	<u>(340,848)</u>	<u>(452,000)</u>
Change in fund balance	(214,013)	(3,440)	361,263	(964,113)	(242,894)	(1,063,197)
Fund Equity, at Beginning of Year, as restated	<u>3,353,097</u>	<u>984,183</u>	<u>1,740,135</u>	<u>1,337,734</u>	<u>2,503,836</u>	<u>9,918,985</u>
Fund Equity, at End of Year	<u>\$ 3,139,084</u>	<u>\$ 980,743</u>	<u>\$ 2,101,398</u>	<u>\$ 373,621</u>	<u>\$ 2,260,942</u>	<u>\$ 8,855,788</u>

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, 2016

Net Changes in Fund Balances - Total Governmental Funds	\$ (1,063,197)
<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	1,587,728
Depreciation	(1,364,103)
<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.	1,882
<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:	
Repayments of debt	897,898
<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.	5,620
<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 (net of deferrals), do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	<u>(606,138)</u>
Change in Net Position of Governmental Activities	<u>\$ (540,310)</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, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues and Transfers In:				
Property taxes	\$ 10,360,224	\$ 10,360,224	\$ 10,360,224	\$ -
Excises	651,128	651,128	681,861	30,733
Penalties, interest and other taxes	1,200,792	1,200,792	1,179,284	(21,508)
Charges for services and licences and permits	738,119	738,119	770,409	32,290
Intergovernmental	1,984,507	1,984,507	2,062,524	78,017
Fines and forfeitures	55,947	55,947	38,903	(17,044)
Investment income	15,034	15,034	17,516	2,482
Miscellaneous	-	-	-	-
Transfers in	-	36,853	76,508	39,655
Total Revenues and Transfers In	15,005,751	15,042,604	15,187,229	144,625
Expenditures and Transfers Out:				
General government	1,029,966	1,035,666	936,828	98,838
Public safety	1,879,084	1,907,384	1,841,808	65,576
Education	6,467,522	6,467,522	6,470,018	(2,496)
Public works	1,012,908	1,015,761	937,255	78,506
Health and human services	216,021	216,021	206,000	10,021
Culture and recreation	261,079	261,079	251,270	9,809
Employee benefits	2,362,376	2,362,376	2,231,425	130,951
Debt service	883,687	883,687	883,652	35
Intergovernmental	1,153,557	1,153,557	1,027,375	126,182
Transfers out	489,786	489,786	489,786	-
Total Expenditures and Transfers Out	15,755,986	15,792,839	15,275,417	517,422
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(750,235)	(750,235)	(88,188)	662,047
Other Financing Sources/Uses:				
Use of free cash:				
Operating budget	543,083	543,083	-	(543,083)
Transfer to Stabilization funds	242,986	242,986	-	(242,986)
Other sources	3,372	3,372	-	(3,372)
Other uses	(39,206)	(39,206)	-	39,206
Total Other Financing Sources/Uses	750,235	750,235	-	(750,235)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (88,188)	\$ (88,188)

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

TOWN OF HADLEY, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Business-Type Activities
	<u>Sewer Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 908,007
User fees	18,042
Total current assets	<u>926,049</u>
Noncurrent:	
Land and construction in progress	37,820
Capital assets, net of accumulated depreciation	4,574,680
Total noncurrent assets	<u>4,612,500</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>91,391</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,629,940</u>
LIABILITIES	
Current:	
Warrants payable	29,343
Accrued payroll	5,774
Current portion of long-term liabilities:	
Bonds payable	88,806
Noncurrent:	
Bonds payable, net of current portion	1,595,485
Accrued compensated absences	29,571
Net OPEB obligation	190,036
Net pension liability	622,265
TOTAL LIABILITIES	<u>2,561,280</u>
NET POSITION	
Net investment in capital assets	2,947,952
Unrestricted	120,708
TOTAL NET POSITION	<u><u>\$ 3,068,660</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, 2016

	Business-Type Activities
	<u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 787,446
Total Operating Revenues	787,446
Operating Expenses:	
Salaries and wages	271,695
Operating expenses	456,596
Capital outlay	1,371
Depreciation	131,693
Employee benefits	47,731
Total Operating Expenses	909,086
Operating Income (Loss)	(121,640)
Nonoperating Revenues (Expenses):	
Investment income	4,501
Interest expense	(49,175)
Total Nonoperating Revenues (Expenses), Net	(44,674)
Income (Loss) Before Transfers	(166,314)
Transfers:	
Transfer in	207,000
Change in Net Position	40,686
Net Position at Beginning of Year	3,027,974
Net Position at End of Year	\$ 3,068,660

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, 2016

	Business-Type Activities
	<u>Sewer Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 794,757
Payments to vendors and employees	<u>(877,979)</u>
Net Cash (Used For) Operating Activities	(83,222)
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfer in	<u>207,000</u>
Net Cash Provided By Noncapital Financing Activities	207,000
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(226,915)
Repayments of bond anticipation notes	(92,709)
Interest paid	<u>(49,175)</u>
Net Cash (Used For) Capital and Related Financing Activities	(368,799)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>4,501</u>
Net Cash Provided By Investing Activities	<u>4,501</u>
Net Change in Cash and Short-Term Investments	(240,520)
Cash and Short Term Investments, Beginning of Year	<u>1,148,527</u>
Cash and Short Term Investments, End of Year	<u><u>\$ 908,007</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ (121,640)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	131,693
Changes in assets and liabilities:	
User fees	7,311
Warrants and accounts payable and accrued payroll	(151,715)
Accrued compensated absences	(3,032)
Net OPEB obligation	46,841
Net pension liability, net of deferrals	<u>7,320</u>
Net Cash (Used For) Operating Activities	<u><u>\$ (83,222)</u></u>

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

TOWN OF HADLEY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	OPEB Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 2,558	\$ 60,541
Investments	<u>549,687</u>	<u>57,103</u>
Total Assets	552,245	117,644
<u>LIABILITIES</u>		
Warrants payable	-	1,158
Deposits held in custody	-	112,301
Other liabilities	<u>-</u>	<u>4,185</u>
Total Liabilities	<u>-</u>	<u>117,644</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u>552,245</u>	\$ <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, 2016

	<u>OPEB Trust Fund</u>
Additions:	
Interest Income	\$ <u>12,705</u>
Net increase before transfers	12,705
Transfer in	<u>245,000</u>
Change in net position	257,705
Net position:	
Beginning of year	<u>294,540</u>
End of year	\$ <u><u>552,245</u></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 2016, it was determined that no entities met the required GASB-14 (as amended) criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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 *other post-employment trust fund* is used to accumulate resources for health and life insurance benefits for retired 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 2016 tax levy reflected an excess capacity of \$1,604.

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 and proprietary fund 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)	\$ 15,221,869	\$ 14,828,243
Other financing sources/uses (GAAP basis)	<u>39,655</u>	<u>647,294</u>
Subtotal (GAAP basis)	15,261,524	15,475,537
Remove the effect of adding the Stabilization fund to General fund per GASB 54	(21,209)	(157,508)
Adjust tax revenue to accrual basis	(53,086)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(136,183)
Add end of year appropriation carryforwards to expenditures	<u>-</u>	<u>93,571</u>
Budgetary basis	<u>\$ 15,187,229</u>	<u>\$ 15,275,417</u>

D. Deficit Fund Equity

The following funds had deficit balances as of June 30, 2016:

Special Revenue Funds:

Chapter 90 fund	\$ (29,082)
State 911 support fund	(6,764)
Public safety chapter 46 fund	(128,254)
SPED fund	<u>(10,023)</u>
Total Special Revenue Funds	<u>\$ (174,123)</u>

Capital Project Funds:

School bus fund	\$ (61,922)
DPW facilities fund	<u>(78,870)</u>
Total Capital Project Funds	<u>\$ (140,792)</u>

These deficits will be eliminated through future intergovernmental revenues, bond proceeds, and transfers from other funds.

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, 2016 none of the Town's bank balance of \$6,970,723 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department 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:

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year End			
			AA+	A	A-	BBB-
Certificates of deposit	\$ 4,082,370	\$ 4,082,370	\$ -	\$ -	\$ -	\$ -
Corporate bonds	60,242	-	-	10,057	20,099	30,086
Equities	61,628	61,628	-	-	-	-
Federal agency securities	297,296	-	297,296	-	-	-
Mutual funds	576,735	576,735	-	-	-	-
Total investments	\$ <u>5,078,271</u>	\$ <u>4,720,733</u>	\$ <u>297,296</u>	\$ <u>10,057</u>	\$ <u>20,099</u>	\$ <u>30,086</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.

\$745,901 of the Town's investments of \$5,078,271 are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities; however, all of these investments are held in the Town's name. 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. As of June 30, 2016, 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:

Investment Type	Fair Value	Exempt from Disclosure	Investment Maturities in Years		
			Less than 1	1-5	6-10
Certificates of deposit	\$ 4,082,370	\$ -	\$ 1,532,535	\$ 2,449,735	\$ 100,100
Corporate bonds	60,242	-	-	60,242	-
Equities	61,628	61,628	-	-	-
Federal agency securities	297,296	-	-	297,296	-
Mutual funds	576,735	576,735	-	-	-
Total investments	<u>\$ 5,078,271</u>	<u>\$ 638,363</u>	<u>\$ 1,532,535</u>	<u>\$ 2,807,273</u>	<u>\$ 100,100</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”.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of June 30, 2016:

Description	Fair Value	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Debt securities				
Corporate bonds	\$ 60,242	\$ -	\$ 60,242	\$ -
Equities	61,628	61,628	-	-
Federal agency securities	297,296	-	297,296	-
Mutual funds	576,735	576,735	-	-
Total	\$ 995,901	\$ 638,363	\$ 357,538	\$ -

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, 2016 consist of the following:

Real Estate		
2016	\$ 66,570	
Prior years	<u>15,628</u>	
		82,198
Personal Property		
2016	732	
Prior years	<u>2,773</u>	
		<u>3,505</u>
Subtotal current property taxes		85,703
Tax Liens		106,042
Foreclosures		3,953
Other		<u>6,671</u>
Total		<u>\$ 202,369</u>

6. Intergovernmental Receivables

The balance reported in the governmental funds represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016.

7. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 14,300,264	\$ 122,170	\$ -	\$ -	\$ 14,422,434
Machinery, equipment, and furnishings	10,078,176	1,202,473	(66,276)	5,176	11,219,549
Infrastructure	20,177,901	12,591	-	-	20,190,492
Total capital assets, being depreciated	44,556,341	1,337,234	(66,276)	5,176	45,832,475
Less accumulated depreciation for:					
Buildings and improvements	(7,207,161)	(376,402)	-	-	(7,583,563)
Machinery, equipment, and furnishings	(5,270,674)	(587,861)	66,276	-	(5,792,259)
Infrastructure	(7,241,241)	(399,840)	-	-	(7,641,081)
Total accumulated depreciation	(19,719,076)	(1,364,103)	66,276	-	(21,016,903)
Total capital assets, being depreciated, net	24,837,265	(26,869)	-	5,176	24,815,572
Capital assets, not being depreciated:					
Land	898,641	-	-	-	898,641
Construction in progress	123,629	250,494	-	(5,176)	368,947
Total capital assets, not being depreciated	1,022,270	250,494	-	(5,176)	1,267,588
Governmental activities capital assets, net	\$ 25,859,535	\$ 223,625	\$ -	\$ -	\$ 26,083,160

	<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	302,527	14,754	-	317,281
Infrastructure	1,872,891	-	2,322,046	4,194,937
Total capital assets, being depreciated	5,248,934	14,754	2,322,046	7,585,734
Less accumulated depreciation for:				
Buildings and improvements	(1,806,866)	(53,900)	-	(1,860,766)
Machinery, equipment, and furnishings	(122,427)	(20,284)	-	(142,711)
Infrastructure	(950,068)	(57,509)	-	(1,007,577)
Total accumulated depreciation	(2,879,361)	(131,693)	-	(3,011,054)
Total capital assets, being depreciated, net	2,369,573	(116,939)	2,322,046	4,574,680
Capital assets, not being depreciated:				
Land	11,000	-	-	11,000
Construction in progress	2,136,705	212,161	(2,322,046)	26,820
Total capital assets, not being depreciated	2,147,705	212,161	(2,322,046)	37,820
Business-type activities capital assets, net	\$ 4,517,278	\$ 95,222	\$ -	\$ 4,612,500

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

Governmental Activities:	
General government	\$ 111,158
Public safety	242,651
Education	406,640
Public works	571,650
Culture and recreation	<u>32,004</u>
Total depreciation expense - governmental activities	\$ <u>1,364,103</u>
Business-Type Activities:	
Sewer	\$ <u>131,693</u>
Total depreciation expense - business-type activities	\$ <u>131,693</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, 2016:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Pension related:		
Net difference between projected and actual pension investment earnings	\$ 995,646	\$ 64,458
Changes in proportion and differences between contributions and proportionate share of pension contributions	<u>416,032</u>	<u>26,933</u>
	\$ <u>1,411,678</u>	\$ <u>91,391</u>

9. **Warrants Payable**

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

10. **Anticipation Notes Payable**

The Town had the following note outstanding at June 30, 2016:

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2016</u>
Bond anticipation	0.74	06/15/16	06/15/17	\$ <u>387,900</u>

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

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>-</u>	\$ <u>387,900</u>	\$ <u>-</u>	\$ <u>387,900</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:

	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2016</u>
<u>Governmental Activities:</u>			
Municipal purpose of 2009	09/15/19	2.0-3.25	\$ 775,000
Municipal purpose refunding of 2009	05/01/20	2.0-3.25	465,000
MWPAT DW-05-19	07/15/26	2.0	3,238,647
Municipal purpose of 2014	05/01/35	2.73	<u>1,345,709</u>
Total Governmental Activities			\$ <u>5,824,356</u>

	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2016</u>
<u>Business-Type Activities:</u>			
Municipal purpose of 2014	05/01/35	2.73	\$ <u>1,684,291</u>
Total Business-Type Activities			\$ <u>1,684,291</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 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	424,560	58,366	482,926
2022 - 2026	1,960,856	149,103	2,109,959
2027 - 2031	374,737	10,493	385,230
Thereafter	17,678	886	18,564
Total	<u>\$ 5,824,356</u>	<u>\$ 622,520</u>	<u>\$ 6,446,876</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	88,456	40,328	128,784
2022 - 2026	413,889	166,208	580,097
2027 - 2031	450,000	101,500	551,500
Thereafter	382,322	31,363	413,685
Total	<u>\$ 1,684,291</u>	<u>\$ 518,109</u>	<u>\$ 2,202,400</u>

C. Changes in General Long-Term Liabilities

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

	<u>Total Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2016</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion June 30, 2016</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 6,722,254	\$ -	\$ (897,898)	\$ 5,824,356	\$ (822,065)	\$ 5,002,291
Other:						
Landfill closure	117,000	-	(7,800)	109,200	(7,800)	101,400
Accrued compensated absences	338,824	-	(33,109)	305,715	-	305,715
Net OPEB obligation	4,356,732	339,007	-	4,695,739	-	4,695,739
Net pension liability	8,306,378	1,305,464	-	9,611,842	-	9,611,842
Total Governmental Activities	<u>\$ 19,841,188</u>	<u>\$ 1,644,471</u>	<u>\$ (938,807)</u>	<u>\$ 20,546,852</u>	<u>\$ (829,865)</u>	<u>\$ 19,716,987</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 1,777,000	\$ -	\$ (92,709)	\$ 1,684,291	\$ (88,806)	\$ 1,595,485
Other:						
Accrued compensated absences	32,603	-	(3,032)	29,571	-	29,571
Net OPEB obligation	143,195	46,841	-	190,036	-	190,036
Net pension liability	551,035	71,230	-	622,265	-	622,265
Total Business-Type Activities	<u>\$ 2,503,833</u>	<u>\$ 118,071</u>	<u>\$ (95,741)</u>	<u>\$ 2,526,163</u>	<u>\$ (88,806)</u>	<u>\$ 2,437,357</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 \$109,200 reported as landfill liability at June 30, 2016 represents the estimated cost of monitoring the landfill for the next 14 years. This amount is based on what it would cost to perform all closure and post-closure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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, 2016 consists of unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance of the general fund deferred revenues account is equal to the total of all June 30, 2016 receivable balances.

14. Interfund Fund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 39,655	\$ 647,294
Capital project fund	496,487	-
Nonmajor funds:		
Special revenue funds	1,800	342,648
Subtotal Nonmajor funds	1,800	342,648
<u>Proprietary Funds:</u>		
Sewer enterprise	207,000	-
<u>Fiduciary Funds:</u>		
OPEB trust fund	245,000	-
Grand Total	<u>\$ 989,942</u>	<u>\$ 989,942</u>

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, 2016:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds, including the Town's water fund, 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, 2016:

	General Fund	Water Fund	Community Preservation Act Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 71,780	\$ 71,780
Total Nonspendable	-	-	-	-	71,780	71,780
Restricted						
Special revenue funds	-	833,884	-	-	1,714,193	2,548,077
Water stabilization funds	-	91,859	-	-	-	91,859
Expendable permanent funds	-	-	-	-	621,615	621,615
Bonded capital projects	-	-	-	187,978	-	187,978
Total Restricted	-	925,743	-	187,978	2,335,808	3,449,529
Committed						
Special article balances	27,161	-	-	-	-	27,161
Town set-asides	-	-	-	-	27,477	27,477
Community preservation fund	-	-	2,101,398	-	-	2,101,398
Capital projects funded by appropriation	-	-	-	326,435	-	326,435
Total Committed	27,161	-	2,101,398	326,435	27,477	2,482,471
Assigned						
Encumbrances	66,410	-	-	-	-	66,410
Reserved for expenditures	-	55,000	-	-	-	55,000
Total Assigned	66,410	55,000	-	-	-	121,410
Unassigned						
General fund	894,648	-	-	-	-	894,648
Stabilization funds *	2,150,865	-	-	-	-	2,150,865
Deficit fund balances	-	-	-	(140,792)	(174,123)	(314,915)
Total Unassigned	3,045,513	-	-	(140,792)	(174,123)	2,730,598
Total Fund Balance	\$ 3,139,084	\$ 980,743	\$ 2,101,398	\$ 373,621	\$ 2,260,942	\$ 8,855,788

* Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

17. **Subsequent Events**

Debt

Subsequent to June 30, 2016, the Town incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate %</u>	<u>Anticipated Closing Date</u>
MCWT Interim Loan DW-16-03 (for water infrastructure improvement)	\$ 249,971	0.00%	12/31/18

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, 2016, the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$250,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2016, according to the Trust's audited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$3.7 million, the Trust was in a surplus position of approximately \$21 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 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

	Governmental Funds	Sewer Fund	Total
Annual Required Contribution (ARC)	\$ 782,716	\$ 70,958	\$ 853,674
Interest on net OPEB obligation	175,738	4,259	179,997
Adjustment to ARC	<u>(192,376)</u>	<u>(407)</u>	<u>(192,783)</u>
Annual OPEB cost	766,078	74,810	840,888
Contributions made	<u>(427,071)</u>	<u>(27,969)</u>	<u>(455,040)</u>
Increase in net OPEB obligation	339,007	46,841	385,848
Net OPEB obligation - beginning of year	<u>4,356,732</u>	<u>143,195</u>	<u>4,499,927</u>
Net OPEB obligation - end of year	<u>\$ 4,695,739</u>	<u>\$ 190,036</u>	<u>\$ 4,885,775</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
2016	\$ 840,888	54%	\$ 4,885,775
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, 2016 is recorded as a long-term liability in both the governmental and business-type activities.

E. Funded Status and Funding Progress

The funded status of the plan as of 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 \$552,245 as of June 30, 2016.

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.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

the duties of the Group position for at least 12 months immediately prior to retirement.

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

Participant Refunds

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

Participants Contributions

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

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

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

Employer Contributions

The Town's contribution to the System for the year ended June 30, 2016 was \$917,931, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

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

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

At June 30, 2016, the Town reported a liability of approximately \$10.2 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014, rolled forward to December 31, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 4.93 percent, which was an increase of 0.18 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Town recognized pension expense of \$1,233,293. In addition, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,060,104
Changes in proportion and differences between contributions and proportionate share of pension contributions	442,965
Total	<u>\$ 1,503,069</u>

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

Year ended June 30:

2017	\$ 307,829
2018	307,829
2019	307,829
2020	307,829
2021	42,803
Thereafter	<u>228,950</u>
Total	<u>\$ 1,503,069</u>

D. Actuarial assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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	2.00%	0.00%
Large Cap Equities	11.00%	4.37%
Small/Mid Cap Equities	6.00%	4.61%
International Equities	13.50%	4.85%
Emerging Equities	7.00%	6.31%
Core Bonds	7.00%	0.86%
High-Yield Bonds	5.00%	2.67%
Global Bonds	3.00%	-0.24%
EMD (Local Currency)	6.00%	3.40%
Bank Loans	4.00%	2.91%
Private Equity	10.00%	6.31%
Private Debt	3.00%	4.85%
Real Estate (Core)	10.00%	3.40%
Hedge Funds	5.00%	3.40%
Global Asset Allocation	7.50%	2.61%
Total	100.00%	

E. 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.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875 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, 2016	\$12,735	\$10,234	\$8,254

G. Pension Plan Fiduciary Net Position

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

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, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

- (a) 7.5% 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-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	2.4%
Private equity	10.0%	8.5%
Real estate	10.0%	6.5%
Value added fixed income	10.0%	5.8%
Hedge funds	9.0%	5.8%
Portfolio completion strategies	4.0%	5.5%
Timber/natural resources	4.0%	6.6%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 projected 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):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
June 30, 2015	\$25,449,000	\$20,489,643	\$16,221,000

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 2015 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$12,176,137 and \$987,593 respectively, based on a proportionate share of 0.06%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide statement of activities.

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 Net Position and Fund Balance Restatement

The beginning (July 1, 2015) net position and fund balance of the Town has been restated as follows:

<u>Governmental Activities/Funds</u>	<u>Governmental Activities</u>	<u>Nonmajor Funds</u>
Net position/fund balance 06/30/15, as previously reported	\$ 16,741,383	\$ 2,562,538
Reclassify student activity funds from fund balance to liability	(58,702)	(58,702)
Net position/fund balance 06/30/15, as restated	<u>\$ 16,682,681</u>	<u>\$ 2,503,836</u>

24. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, replacing Statement No. 43 and 57, which is required to be implemented for fiscal year 2017. Included are requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, 43, and 50. Management's current

assessment is that this pronouncement will not have a significant impact on the Plan's financial statements, though the additional note disclosures and required supplementary information will be significant.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred out-flows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB. Management's current assessment is that this pronouncement will have an impact by increasing net OPEB liability, and as a result, decreasing the unrestricted net position on the government-wide financial statements.

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

June 30, 2016

(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 Auditors' Report.

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

JUNE 30, 2016

(Unaudited)

(Amounts expressed in thousands)

Hampshire County Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	4.93%	\$ 10,234	\$ 3,505	291.98%	55.29%
June 30, 2015	4.75%	\$ 8,857	\$ 3,341	265.10%	58.07%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.06%	-	\$ 12,176	\$ 12,176	\$ 3,767	-	55.38%
June 30, 2015	0.06%	-	\$ 9,626	\$ 9,626	\$ 3,713	-	61.64%

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

See Independent Auditors' Report.

TOWN OF HADLEY, MASSACHUSETTS
SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

(Amounts expressed in thousands)

Hampshire County Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 918	\$ 918	-	\$ 3,505	26.19%
June 30, 2015	\$ 828	\$ 828	-	\$ 3,341	24.78%

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

See Independent Auditors' Report.