

**TOWN OF ASHFIELD, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2016

Report on Internal Control  
Over Financial Reporting and  
On Compliance and Other Matters  
Year Ended June 30, 2016

**TOWN OF ASHFIELD, MASSACHUSETTS**

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**YEAR ENDED JUNE 30, 2016**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the business-type activities and the aggregate remaining fund information of the Town of Ashfield, Massachusetts, (the "Town") 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**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

Management did not obtain an actuarial valuation of its other postemployment benefit plan within thirty-six months of the beginning of the year. Accounting principles generally accepted in the United States of America require that other postemployment benefits plans with a total membership of 200 or less perform an actuarial valuation at least triennially. The amount by which this departure would affect the liabilities, net position and expenses of the governmental and business-type activities is not reasonably determinable.

In our opinion, except for the effects of not obtaining an actuarial valuation of its other postemployment benefit plan within thirty-six months of the beginning of the year, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of the Town's proportionate share of the net pension liability and the Town's contributions to pension plan, the funding progress and contribution funding for other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over the financial reporting and compliance.



Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
February 10, 2017

**TOWN OF ASHFIELD, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,304,789	\$ 101,897	\$ 1,406,686
Receivables, net of allowance for uncollectible accounts:			
Real estate and personal property taxes	148,541	-	148,541
Excise taxes	15,519	-	15,519
User fees	-	109,307	109,307
Departmental and other	138,127	-	138,127
Intergovernmental	325,460	-	325,460
Capital assets not being depreciated	321,111	113,500	434,611
Capital assets, net of accumulated depreciation	4,389,112	2,829,377	7,218,489
<b>Total Assets</b>	<u>6,642,659</u>	<u>3,154,081</u>	<u>9,796,740</u>
<b>Deferred Outflows of Resources</b>	<u>96,041</u>	<u>-</u>	<u>96,041</u>
<b>Liabilities</b>			
Warrants and accounts payable	33,546	1,814	35,360
Accrued payroll and withholdings	7,086	-	7,086
Other liability	3,972	-	3,972
Noncurrent liabilities:			
Due within one year	87,417	386	87,803
Due in more than one year	1,845,263	25,789	1,871,052
<b>Total Liabilities</b>	<u>1,977,284</u>	<u>27,989</u>	<u>2,005,273</u>
<b>Net Position</b>			
Net Investment in capital assets	3,600,361	2,942,877	6,543,238
Restricted:			
Nonexpendable permanent funds	28,772	-	28,772
Expendable permanent funds	43,207	-	43,207
Other purposes	246,921	-	246,921
Unrestricted	842,155	183,215	1,025,370
<b>Total Net Position</b>	<u>\$ 4,761,416</u>	<u>\$ 3,126,092</u>	<u>\$ 7,887,508</u>

See accompanying notes to basic financial statements.

TOWN OF ASHFIELD, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 447,754	\$ 24,985	\$ 49,177	\$ -	\$ (373,592)		\$ (373,592)
Public safety	309,775	8,257	7,248	-	(294,270)		(294,270)
Education	2,454,826	-	133,318	-	(2,321,508)		(2,321,508)
Public works	864,110	70,236	2,600	532,782	(258,492)		(258,492)
Health and human services	51,588	69,438	30,865	-	48,715		48,715
Culture and recreation	126,798	18,453	39,951	-	(68,394)		(68,394)
Debt service	44,043	-	-	-	(44,043)		(44,043)
	<u>4,298,894</u>	<u>191,369</u>	<u>263,159</u>	<u>532,782</u>	<u>(3,311,584)</u>		<u>(3,311,584)</u>
<b>Business-type activities:</b>							
Sewer	258,106	121,026	-	-		(137,080)	(137,080)
Total business-type activities	<u>258,106</u>	<u>121,026</u>	<u>-</u>	<u>-</u>		<u>(137,080)</u>	<u>(137,080)</u>
<b>Total Primary Government</b>	<b>\$ 4,557,000</b>	<b>\$ 312,395</b>	<b>\$ 263,159</b>	<b>\$ 532,782</b>	<b>(3,311,584)</b>	<b>(137,080)</b>	<b>(3,448,664)</b>
<b>General Revenues:</b>							
					3,539,169	-	3,539,169
					171,143	-	171,143
					188,455	-	188,455
					33,985	-	33,985
					12,880	-	12,880
					<u>3,945,632</u>	<u>-</u>	<u>3,945,632</u>
					634,048	(137,080)	496,968
<b>Net Position:</b>							
					<u>4,127,368</u>	<u>3,263,172</u>	<u>7,390,540</u>
					<u>\$ 4,761,416</u>	<u>\$ 3,126,092</u>	<u>\$ 7,887,508</u>

See accompanying notes to basic financial statements.

TOWN OF ASHFIELD, MASSACHUSETTS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 958,264	\$ 25,348	\$ 321,177	\$ 1,304,789
Receivables, net of allowance:				
Real estate and personal property taxes	148,541	-	-	148,541
Excise taxes	15,519	-	-	15,519
Departmental and other	138,127	-	-	138,127
Intergovernmental	-	-	325,460	325,460
Due from other funds	356,304	-	-	356,304
<b>Total Assets</b>	<u>1,616,755</u>	<u>25,348</u>	<u>646,637</u>	<u>2,288,740</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 1,616,755</u>	<u>\$ 25,348</u>	<u>\$ 646,637</u>	<u>\$ 2,288,740</u>
<b>Liabilities:</b>				
Warrants and accounts payable	\$ 27,110	\$ 4,159	\$ 2,277	\$ 33,546
Accrued payroll and withholdings	7,086	-	-	7,086
Other liabilities	3,972	-	-	3,972
Due to other funds	-	-	356,304	356,304
<b>Total Liabilities</b>	<u>38,168</u>	<u>4,159</u>	<u>358,581</u>	<u>400,908</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues - property taxes	148,541	-	-	148,541
Unavailable revenues - excise taxes	15,519	-	-	15,519
Unavailable revenues - other	138,127	-	-	138,127
<b>Total Deferred Inflow of Resources</b>	<u>302,187</u>	<u>-</u>	<u>-</u>	<u>302,187</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	28,772	28,772
Restricted	-	21,189	290,128	311,317
Committed	108,662	-	-	108,662
Assigned	177,097	-	-	177,097
Unassigned	990,641	-	(30,844)	959,797
<b>Total Fund Balances</b>	<u>1,276,400</u>	<u>21,189</u>	<u>288,056</u>	<u>1,585,645</u>
<b>Total Liabilities, Deferred Inflows of Resources,     and Fund Balance</b>	<u>\$ 1,616,755</u>	<u>\$ 25,348</u>	<u>\$ 646,637</u>	<u>\$ 2,288,740</u>

See accompanying notes to basic financial statements.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2016**

<b>Total Governmental Fund Balances</b>		<b>\$</b>	<b>1,585,645</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,710,223
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds..			302,187
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds:			
Net difference between projected and actual earnings on pension plan investments	93,041		
Changes in proportion and differences between employer contributions and proportionate share of contributions and changes in assumptions	<u>3,000</u>		
Net effect of reporting pension related deferred outflows and inflows			96,041
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:			
Bonds and notes payable	(1,109,862)		
Compensated absences	(10,377)		
Other postemployment benefits	(197,345)		
Net pension liability	<u>(615,096)</u>		
Net effect of reporting long-term liabilities			<u>(1,932,680)</u>
<b>Net Position of Governmental Activities</b>		<b>\$</b>	<b><u>4,761,416</u></b>

See accompanying notes to basic financial statements.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016**

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Real estate and personal property taxes, net	\$ 3,677,700	\$ -	\$ -	\$ 3,677,700
Intergovernmental	340,737	-	592,130	932,867
Motor vehicle and other excises	195,485	-	-	195,485
Licenses and permits	603	-	-	603
Departmental and other revenue	92,816	-	29,042	121,858
Penalties and interest on taxes	33,985	-	-	33,985
Fines and forfeitures	3,375	-	-	3,375
Contributions and donations	-	30,293	3,924	34,217
Investment income	3,050	-	9,830	12,880
<b>Total Revenues</b>	<u>4,347,751</u>	<u>30,293</u>	<u>634,926</u>	<u>5,012,970</u>
<b>Expenditures:</b>				
Current:				
General government	376,160	-	16,379	392,539
Public safety	239,091	-	10,887	249,978
Education	2,454,826	-	-	2,454,826
Public works	687,760	167,000	563,934	1,418,694
Health and human services	46,342	-	4,500	50,842
Culture and recreation	68,969	10,744	32,990	112,703
Pension and fringe benefits	135,584	-	-	135,584
State and county assessments	2,951	-	-	2,951
Debt service:				
Principal	101,823	-	-	101,823
Interest	44,043	-	-	44,043
<b>Total Expenditures</b>	<u>4,157,549</u>	<u>177,744</u>	<u>628,690</u>	<u>4,963,983</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>190,202</u>	<u>(147,451)</u>	<u>6,236</u>	<u>48,987</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from debt issuance	-	167,000	-	167,000
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>167,000</u>	<u>-</u>	<u>167,000</u>
<b>Net Change in Fund Balances</b>	190,202	19,549	6,236	215,987
<b>Fund Balances, Beginning</b>	<u>1,086,198</u>	<u>1,640</u>	<u>281,820</u>	<u>1,369,658</u>
<b>Fund Balances, Ending</b>	<u>\$ 1,276,400</u>	<u>\$ 21,189</u>	<u>\$ 288,056</u>	<u>\$ 1,585,645</u>

See accompanying notes to basic financial statements.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

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**Net Change in Fund Balances - Total Governmental Fund Balances** **\$ 215,987**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital outlays	842,625
Depreciation	<u>(248,791)</u>

Net effect of reporting capital assets 593,834

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. During the year, the following activity was recorded:

Debt issues	(167,000)
Repayments of debt	<u>101,823</u>

Net effect of reporting long-term debt (65,177)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (80,028)

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

Pension benefits	<u>(30,568)</u>
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Net effect of reporting long-term liabilities (30,568)

**Change in Net Position of Governmental Activities** **\$ 634,048**

See accompanying notes to basic financial statements.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<u>Business-Type Enterprise Fund Sewer</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 101,897
Receivables, net:	
User charges	<u>109,307</u>
Total current assets	<u>211,204</u>
Noncurrent assets:	
Capital assets, not being depreciated	113,500
Capital assets, net of depreciation	<u>2,829,377</u>
Total noncurrent assets	<u>2,942,877</u>
<b>Total Assets</b>	<u>3,154,081</u>
<b>Liabilities</b>	
Current liabilities:	
Warrants and accounts payable	1,814
Compensated absences	<u>386</u>
Total current liabilities	<u>2,200</u>
Noncurrent liabilities:	
Compensated absences	1,159
Other postemployment benefits	<u>24,630</u>
Total noncurrent liabilities	<u>25,789</u>
<b>Total Liabilities</b>	<u>27,989</u>
<b>Net Position</b>	
Net investment in capital assets	2,942,877
Unrestricted	<u>183,215</u>
<b>Total Net Position</b>	<u>\$ 3,126,092</u>

See accompanying notes to basic financial statements.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2016**

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	<u>Business-Type Enterprise Fund Sewer</u>
<b>Operating Revenues</b>	
Charges for services	\$ 103,166
Other	17,860
Total Operating Revenues	<u>121,026</u>
<b>Operating Expenses</b>	
Personel costs	64,390
Operating costs	57,771
Depreciation	135,945
Total Operating Expenses	<u>258,106</u>
<b>Operating Income (Loss)</b>	<u>(137,080)</u>
<b>Change in Net Position</b>	(137,080)
Net Position - Beginning	<u>3,263,172</u>
Net Position - Ending	<u>\$ 3,126,092</u>

See accompanying notes to basic financial statements.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016**

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	<u>Business-Type Enterprise Fund</u> <u>Sewer</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from users	\$ 117,025
Payments to employees	(64,390)
Payments to vendors	<u>(55,957)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(3,322)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(3,322)
<b>Cash and Cash Equivalents</b>	
Beginning of year	<u>105,219</u>
End of year	<u><u>\$ 101,897</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities</b>	
Operating income (loss)	\$ (137,080)
Depreciation expense	135,945
Changes in assets and liabilities:	
Receivables (net)	(4,001)
Liabilities (net)	<u>1,814</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (3,322)</u></u>

TOWN OF ASHFIELD, MASSACHUSETTS

FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016

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	Private Purpose Trust Funds	Agency Fund
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 160,600	\$ 49,867
Investments	19,436	-
Loans receivable	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u>180,036</u>	<u>49,867</u>
<b>Liabilities:</b>		
Warrants payable	-	1,316
Agency liabilities	-	14,057
Due to other governments	<u>-</u>	<u>34,494</u>
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 49,867</u>
<b>Net Position:</b>		
Held in trust for other purposes	<u>180,036</u>	
<b>Total Net Position</b>	<u>\$ 180,036</u>	

See accompanying notes to basic financial statements.

TOWN OF ASHFIELD, MASSACHUSETTS

FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2016

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	Private Purpose Trust Funds
<b>Additions:</b>	
Investment income	\$ 397
<b>Total Additions</b>	<u>397</u>
<b>Deductions:</b>	
Health and human service assistance	<u>5,298</u>
<b>Total Deductions</b>	<u>5,298</u>
<b>Change in Net Position</b>	(4,901)
Total Net Position - Beginning	<u>184,937</u>
Total Net Position - Ending	<u><u>\$ 180,036</u></u>

See accompanying notes to basic financial statements.

## TOWN OF ASHFIELD, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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#### **I. Summary of Significant Accounting Policies**

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

##### **A. Reporting Entity**

The Town is located in Franklin County, approximately 120 miles northwest of Boston. The Town is bordered by the Town of Plainfield on the west, the Towns of Cummington and Goshen on the southwest and south, the Town of Ashfield on the east and the Town of Buckland and Hawley on the north and northwest. The Town was incorporated in 1765. The governing structure utilizes an open town meeting, with an elected three-member Select Board, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, and street maintenance.

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

The Town is a member community of the Mohawk Regional School District that provides educational services to nine area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2016, the Town's share of the operating and debt service expenses was \$2,095,247. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 24 Ashfield Road, Shelburne Falls, MA 01370.

##### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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 service. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable for.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are

reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

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

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

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

The government reports the following major governmental funds:

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

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

The *Nonmajor Governmental Funds* consist of special revenue and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

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

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

The government reports the following fiduciary funds:

Private-Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used for educational scholarships and needy citizen benefit funds.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for private public safety details and employee payroll withholdings. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity**

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Sewer user fees are billed periodically multiple times annually based on the individual meter readings and are subject to interest and penalties if not paid by the respective due dates. Property taxes, motor vehicle excise taxes and sewer user fees are recorded as receivables in the fiscal year of the levy.

Real estate taxes and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental and other receivables are shown net of allowance for uncollectible balances based on historical trends and specific account analysis.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and improvements	10-40 years
Machinery and equipment	3-15 years
Vehicles	3-15 years
Infrastructure	20-50 years

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

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

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

Compensated Absences – The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused sick leave (subject to certain limitations) at their current rates of pay. Compensated absence liability related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that is reported on the government-wide statement of net position, which relates to outflows from changes in the net pension liability. This will be recognized in pension expense in future years as more fully described in Note III, subsection A.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources, property taxes, excise, and other. These amounts are deferred and recognized as an inflow of resource in the period that the amounts become available.

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

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

*Nonexpendable permanent funds* - represents the endowment portion of donor restricted trusts that support governmental programs.

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

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

*Fund Equity* – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

*Nonspendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

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

*Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town

Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

*Assigned* represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Administrator to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

*Stabilization Funds* – The Town maintains a stabilization fund which may be used for any municipal purpose upon two-thirds vote of the Town Meeting. The balance of the fund totals \$491,785 at June 30, 2016, and is reported as unassigned fund balance in the general fund.

*Encumbrances* - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Administrator as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$16,464 of encumbrances from normal purchasing activity in the general fund as assigned and \$108,662 of encumbrances from Town Meeting votes in the General Fund as committed. There are no encumbrances reported in any other fund.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 28,772	\$ 28,772
Restricted:				
General government	-	-	117,249	117,249
Public safety	-	-	18,004	18,004
Education	-	-	500	500
Public works	-	1,640	7,674	9,314
Culture and recreation	-	19,549	56,412	75,961
Health and Human Services	-	-	90,289	90,289
Committed:				
General Government	64,574	-	-	64,574
Public Safety	-	-	-	-
Public Works	17,919	-	-	17,919
Culture and Recreation	26,169	-	-	26,169
Assigned:				
General Government	6,654	-	-	6,654
Public Safety	1,826	-	-	1,826
Public Works	5,287	-	-	5,287
Health and Human Services	300	-	-	300
Culture and Recreation	2,397	-	-	2,397
Subsequent years' budget	160,633	-	-	160,633
Unassigned	990,641	-	(30,844)	959,797
Totals	<u>\$ 1,276,400</u>	<u>\$ 21,189</u>	<u>\$ 288,056</u>	<u>\$ 1,585,645</u>

**E. Excess of Expenditures Over Appropriations and Deficits**

The Town has incurred a deficit in the Chapter 90 nonmajor governmental fund totaling \$30,844. This deficit will be funded through available funds or grant proceeds during fiscal year 2017 and have been reported as unassigned in the above table.

**F. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## II. Detailed Notes to All Funds

### A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds. State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$1,555,368 and the bank balance of \$1,661,413. Of the Town's balance, \$1,097,703 was covered by either federal depository insurance or by the depositors' insurance fund, and the remainder was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of cash includes \$10,203 of bank certificates of deposit with maturities of less than one year.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. The Town's investments in equity mutual funds totaling \$19,436 are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The Town does not have a formal investment policy related to custodial credit risk.

Fair Value of Investments - The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* - Inputs are quoted prices in active markets for identical investments at the measurement date.

- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2016:

	<u>6/30/16</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments by fair value level</b>				
Debt securities:				
MMDT	\$ 61,785	\$ -	\$ 61,785	\$ -
Total debt securities	61,785	-	61,785	-
Equity securities:				
Equity mutual funds	19,436	-	19,436	-
Total equity securities	19,436	-	19,436	-
Total investments by fair value level	<u>\$ 81,221</u>	<u>\$ -</u>	<u>\$ 81,221</u>	<u>\$ -</u>

The equity securities classified in Level 2 are valued at the published fair value per share (unit). The State Treasurer’s investment pool (MMDT) is classified in Level 2 based on the composition and fair value of the underlying investments contained within this pool, which can be determined using inputs other than quoted prices that are observable either directly or indirectly.

Interest Rate Risk – The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates. The Town’s investment in MMDT has a weighted average maturity of less than 60 days.

Concentration of Credit Risk – Exposure from this risk is relative to the diversity of investment holdings by the Town or System, and the potential significant loss that could be realized should the invested party or parties fail or are unable to meet its or their obligations to investors. The Town doesn’t place a limit on the amount that may be invested in any one issuer.

The Town has 76% of its investments with the MMDT.

Credit Risk – The Town has not adopted a formal policy related to credit risk. The Town’s investment in MMDT is unrated.

**B. Receivables**

Receivables as of year-end for the Town’s major governmental funds and non-major governmental funds in the aggregate, include the applicable allowance for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 148,541	\$ -	\$ 148,541
Excise	15,519	-	15,519
Tax liens and possessions	138,127	-	138,127
Intergovernmental	325,460	-	325,460
Total Governmental Receivable	\$ 627,647	\$ -	\$ 627,647

Receivables as of year-end for the Town’s sewer enterprise fund are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Sewer user charges	\$ 109,307	\$ -	\$ 109,307
Total Business-Type Receivable	\$ 109,307	\$ -	\$ 109,307

Governmental funds report deferred inflows of resources in connections with receivables for revenues that are considered unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 148,541	\$ -	\$ 148,541
Excise	15,519	-	15,519
Tax liens	138,127	-	138,127
Total	\$ 302,187	\$ -	\$ 302,187

### C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 321,111	\$ -	\$ -	\$ 321,111
Construction in progress	167,678	-	(167,678)	-
Total capital assets not being depreciated	<u>488,789</u>	<u>-</u>	<u>(167,678)</u>	<u>321,111</u>
Capital assets being depreciated:				
Buildings and improvements	2,057,774	-	-	2,057,774
Infrastructure	2,437,287	771,304	-	3,208,591
Machinery and equipment	578,393	-	-	578,393
Vehicles	1,050,062	238,998	-	1,289,060
Total capital assets being depreciated	<u>6,123,516</u>	<u>1,010,302</u>	<u>-</u>	<u>7,133,818</u>
Less accumulated depreciation for:				
Buildings and improvements	(899,484)	(61,232)	-	(960,716)
Infrastructure	(424,396)	(102,143)	-	(526,539)
Machinery and equipment	(384,360)	(28,018)	-	(412,378)
Vehicles	(787,676)	(57,397)	-	(845,073)
Total accumulated depreciation	<u>(2,495,916)</u>	<u>(248,790)</u>	<u>-</u>	<u>(2,744,706)</u>
Total capital assets being depreciated, net	<u>3,627,600</u>	<u>761,512</u>	<u>-</u>	<u>4,389,112</u>
Governmental activities capital assets, net	<u>\$ 4,116,389</u>	<u>\$ 761,512</u>	<u>\$ (167,678)</u>	<u>\$ 4,710,223</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities - Sewer:</i>				
Capital assets not being depreciated:				
Land	\$ 113,500	\$ -	\$ -	\$ 113,500
Total capital assets not being depreciated	<u>113,500</u>	<u>-</u>	<u>-</u>	<u>113,500</u>
Capital assets being depreciated:				
Buildings and improvements	24,916	-	-	24,916
Infrastructure	5,379,869	-	-	5,379,869
Total capital assets being depreciated	<u>5,404,785</u>	<u>-</u>	<u>-</u>	<u>5,404,785</u>
Less accumulated depreciation for:				
Buildings and improvements	(934)	(623)	-	(1,557)
Infrastructure	(2,438,529)	(135,322)	-	(2,573,851)
Total accumulated depreciation	<u>(2,439,463)</u>	<u>(135,945)</u>	<u>-</u>	<u>(2,575,408)</u>
Total capital assets being depreciated, net	<u>2,965,322</u>	<u>(135,945)</u>	<u>-</u>	<u>2,829,377</u>
Sewer capital assets, net	<u>\$ 3,078,822</u>	<u>\$ (135,945)</u>	<u>\$ -</u>	<u>\$ 2,942,877</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
General government	\$ 6,586	Sewer	\$ 135,945
Public safety	25,108	Total Business-Type Activities	<u>\$ 135,945</u>
Culture and recreation	6,034		
Public works	211,062		
	<u>\$ 248,790</u>		

#### D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Chapter 90 Highway Fund - Nonmajor governmental fund	\$ 356,304
Total		<u>\$ 356,304</u>

The outstanding balances between funds result mainly from the timing difference between the dates that (1) reimbursable expenditures occur, (2) the intergovernmental reimbursements are received and (3) the payments to the general fund are received.

There were no interfund transfers during the year ended June 30, 2016.

## E. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary debt are accounted for in the general fund and enterprise funds, respectively. There was no temporary notes activity during the fiscal year.

## F. Long-Term Obligations

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

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

The following reflects the current year activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental Activities:</u>					
Bonds and notes payable	\$ 1,044,685	\$ 167,000	\$ (101,823)	\$ 1,109,862	\$ 84,823
Compensated absences	10,377	1,037	(1,037)	10,377	2,594
Other postemployment benefits	197,345	-	-	197,345	-
Net pension liability	491,699	201,141	(77,744)	615,096	-
Total Governmental Activities	<u>\$ 1,744,106</u>	<u>\$ 369,178</u>	<u>\$ (180,604)</u>	<u>\$ 1,932,680</u>	<u>\$ 87,417</u>
<u>Business-Type Activities:</u>					
Compensated absences	\$ 1,545	\$ 1,545	\$ (1,545)	\$ 1,545	\$ 386
Other postemployment benefits	24,630	-	-	24,630	-
Total Business-Type Activities	<u>\$ 26,175</u>	<u>\$ 1,545</u>	<u>\$ (1,545)</u>	<u>\$ 26,175</u>	<u>\$ 386</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the sewer enterprise fund.

The following is a summary of long-term debt obligations as of June 30, 2016:

Description of Issue	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance
<u>Governmental Activities:</u>					
General Obligation Bonds	0.53 - 4.125%	\$ 1,044,685	\$ -	\$ (34,823)	\$ 1,009,862
State House note	1.90%	-	167,000	(67,000)	100,000
Total Bonds and Notes Payable		<u>\$ 1,044,685</u>	<u>\$ 167,000</u>	<u>\$ (101,823)</u>	<u>\$ 1,109,862</u>

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

Year Ending June 30,	Principal			Interest		
	Balance	Subsidy	Net Amount	Balance	Subsidy	Net Amount
2017	\$ 84,823	\$ -	\$ 84,823	\$ 43,880	\$ -	\$ 43,880
2018	84,823	-	84,823	42,120	-	42,120
2019	34,823	-	34,823	39,734	-	39,734
2020	34,823	-	34,823	37,347	-	37,347
2021	34,823	-	34,823	35,911	-	35,911
2021-2026	174,115	-	174,115	158,008	-	158,008
2027-2031	174,115	-	174,115	122,097	-	122,097
2032-2036	174,115	-	174,115	86,186	-	86,186
2037-2041	174,115	-	174,115	50,275	-	50,275
2042-2045	139,287	-	139,287	14,364	-	14,364
Total	<u>\$ 1,109,862</u>	<u>\$ -</u>	<u>\$ 1,109,862</u>	<u>\$ 629,922</u>	<u>\$ -</u>	<u>\$ 629,922</u>

The Town had no authorized and unissued debt as of June 30, 2016.

### **III. Other Information**

#### **A. Retirement System**

Pension Plan Description – The Town contributes to the Franklin Regional Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 32 of Massachusetts General Laws (MGL) and is administered by the Franklin Regional Retirement Board. Stand-alone financial statements for the year ended December 31, 2015 were issued and are available at the Retirement Office, 278 Main Street, Suite 311, Greenfield, MA 01301.

Current membership in the System for all employers as of January 1, 2014, the date of the latest actuarial valuation was as follows:

Active and inactive employees	951
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	
	<u>1,111</u>
	<u>2,062</u>

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age.

The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2015.

Contributions Requirements – The System has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$74,532 to the System in fiscal year 2016, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town’s contributions as a percentage of covered payroll was approximately 20.7% in fiscal year 2016.

Net Pension Liability – At June 30, 2016, the Town reported a liability of \$615,096 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2015. There were no material changes made in this update to the actuarial assumptions (see below) nor were there any material changes to the System’s benefit terms since the actuarial valuation.

The Town’s proportion of the net pension liability is based on a projection of the Town’s long-term share of contributions to the System relative to the projected contributions of all employers. The Town’s proportion was approximately 1.32% at December 31, 2015, which was consistent with the proportion measured at January 1, 2014.

Pension Expense – The Town recognized \$105,100 in pension expense in the statement of activities in fiscal year 2016.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ 93,041	\$ -
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>3,000</u>	<u>-</u>
Total	<u><u>\$ 96,041</u></u>	<u><u>\$ -</u></u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

<u>Year ended June 30,</u>		
2017	\$	24,278
2018		24,278
2019		24,279
2020		23,206
Total	\$	<u>96,041</u>

The significant actuarial assumptions used in the January 1, 2014 actuarial valuation were rolled forward to the measurement date of December 31, 2015 as follows:

Actuarial cost method:	Entry age normal cost method
Amortization method:	Prior year's total contribution increased by 4.0% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035; ERI liability amortized in level payments
Remaining amortization period:	As of July 1, 2015, 4 years remaining for 2002 ERI liability, 5 years remaining for 2003 ERI liability, 8 years remaining for 2010 ERI liability, and 20 years for remaining unfunded liability
Asset valuation method:	The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of: <ul style="list-style-type: none"> <li>a) 75% of gains and losses of the prior year,</li> <li>b) 50% of gains and losses of the second prior year and</li> <li>c) 25% of gains and losses of the third year.</li> </ul> Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value
Inflation:	2.2% per year
Investment rate of return:	7.75%
Projected salary increases:	4.25% per year, including longevity
Cost of living adjustments:	3% on the first \$16,000 of retirement income
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected 22 years with Scale AA (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected 17 years with Scale AA (gender distinct).
Disabled life mortality:	RP-2000 Healthy Annuitant Mortality Table set forward 2 years projected to 2017 with Scale AA

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation. The target allocation and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
PRIT core	45%	6.40%
Large cap equity	12%	7.90%
Mid cap equity	5%	9.90%
Small cap equity	10%	7.60%
International equity	5%	5.20%
Real estate	10%	7.90%
Fixed income	13%	3.20%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2014 actuarial valuation report was 7.75%, which was a reduction from the previous discount rate of 7.875%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary 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.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
Town’s proportionate share of the net pension liability	\$ 863,750	\$ 615,096	\$ 403,183

**B. Other Postemployment Benefits (OPEB)**

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

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 35% of the calculated contributions and the remainder of the cost is funded by the Town. The Town currently contributes enough money

to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town’s annual OPEB cost is calculated based on the annual required contribution “ARC” of the employer. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement #45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

Opinion Modification – The Town did not obtain an actuarial valuation that allowed for determining a net OPEB obligation for the fiscal years ended June 30, 2015 and June 30, 2016. As a result the opinion for the governmental and business-type activities was modified. The net OPEB obligation reported in these financial statements represents the OPEB obligation as reported at June 30, 2014.

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2016	N/A	N/A	\$ 221,975
June 30, 2015	N/A	N/A	\$ 221,975
June 30, 2014	\$ 68,616	30.6%	\$ 221,975

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2016 for the most recent actuarial valuation performed as of June 30, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 689,938
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 689,938
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (annually payroll of active employees covered by the plan)	\$ 482,272
UAAL as a percentage of covered payroll	143.06%

The projection of future benefit payments of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The significant methods and assumptions used in the latest actuarial valuation are as follows:

Actuarial cost method	Entry age normal actuarial cost method
Amortization method	Level dollar amount open basis
Remaining amortization period	25 years
Interest discount rate	3%
Average salary increase	3%
Healthcare/Medical cost trend rate	8% for 2014 and 5% thereafter

### **C. Risk Financing**

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

### **D. Commitments and Contingencies**

The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2016.

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

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

### **E. Implementation of New GASB Pronouncements**

#### Current Year Implementations –

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addressed accounting and financial reporting issues relating to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes. The provisions of this Statement became effective for the Town in fiscal year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68*. The objective of GASB 73 was to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement established requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes

of providing those pensions. In addition, it established requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement were effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016 (fiscal year 2017). The provisions of this Statement became effective for the Town in fiscal year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 76 was to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted principles, or GAAP. This Statement reduced the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the Town's financial statements.

In December 2015, the GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 established criteria for which an external investment pool may qualify to measure its investment value at amortized cost versus fair value. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the Town's financial statements.

*Future Implementations* –

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 requires the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 are

applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state of local governmental employer. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. This Statement is not expected to have a material effect on the Town's financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 apply to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. Such component units should be included in the reporting entity financial statements using the blending method. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements. In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016 (fiscal year 2018) and should be applied retroactively. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 73 was to address issues raised with respect to previously issued statements related to pensions. Specifically, the Statement addressed issues regarding (i) the presentation of payroll-related measures in required supplementary information, (ii) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting and (iii) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The requirements for this Statement are effective for reporting periods beginning after June 15, 2016 (fiscal year 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017; earlier application is encouraged. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

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**I. Budgetary Basis of Accounting**

*Budgetary Information* – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and approved by the Town Meeting members at the Town’s annual meeting. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within the departmental budget. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unassigned fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2016, the original budget remained consistent with the final budget.

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

*Budgetary-to-GAAP Reconciliation* – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2016, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis	\$ -	\$ -	\$ 4,346,896
Stabilization investment income	-	855	855
Revenues on a GAAP basis	<u>\$ -</u>	<u>\$ 855</u>	<u>\$ 4,347,751</u>
Expenditures on a budgetary basis	\$ -	\$ -	\$ 4,157,549
	-	-	-
Expenditures on a GAAP basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,157,549</u>
Other financing sources (uses) on a budgetary basis	\$ -	\$ -	\$ (69,500)
Stabilization transfers, net	-	69,500	69,500
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ 69,500</u>	<u>\$ -</u>

**TOWN OF ASHFIELD, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
YEAR ENDED JUNE 30, 2016**

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**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
*(dollar amounts are in thousands)*

	Year Ended December 31,	
	2015	2014
Town's proportion of the net pension liability (asset)	1.320%	1.310%
Town's proportionate share of the net pension liability (asset)	\$ 615	\$ 492
Town's covered-employee payroll	\$ 363	\$ 404
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	169.4%	121.8%
Plan fiduciary net position as a percentage of the total pension liability	71.73%	75.98%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO PENSION PLAN**  
*(dollar amounts are in thousands)*

	Year Ended December 31,	
	2015	2014
Actuarially determined contribution	\$ 75	\$ 75
Contributions in relation to the actuarially determined contribution	<u>75</u>	<u>75</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 363	\$ 404
Contributions as a percentage of covered-employee payroll	20.7%	18.6%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB  
YEAR ENDED JUNE 30, 2016**

**SCHEDULES OF FUNDING PROGRESS**

**Other Postemployment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/2010	-	689,938	689,938	0.0%	482,272	143.1%

**SCHEDULES OF CONTRIBUTION FUNDING**

**Other Postemployment Benefits**

Year Ended June 30,	Annual OPEB Cost	(A) Actual Contributions	Percentage Contributed
2016	N/A	N/A	N/A
2015	N/A	N/A	N/A
2014	\$ 68,616	\$ 20,979	30.6%
2013	66,155	23,873	36.1%
2012	49,418	23,873	48.3%

N/A - Information not available.

See accompanying independent auditor's report.

**TOWN OF ASHFIELD, MASSACHUSETTS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Property taxes	\$ 3,675,694	\$ 3,675,694	\$ 3,677,700		\$ 3,677,700	\$ 2,006
Intergovernmental	290,745	290,745	340,737		340,737	49,992
Motor vehicle and other excises	178,500	178,500	195,485		195,485	16,985
Licenses and permits	500	500	603		603	103
Departmental and other revenue	65,500	65,500	92,816		92,816	27,316
Penalties and interest on taxes	20,000	20,000	33,985		33,985	13,985
Fines and forfeits	2,000	2,000	3,375		3,375	1,375
Investment income	1,500	1,500	2,195		2,195	695
Total Revenues	<u>4,234,439</u>	<u>4,234,439</u>	<u>4,346,896</u>		<u>4,346,896</u>	<u>112,457</u>
<b>Expenditures:</b>						
General government	468,865	487,265	376,160	\$ 71,227	447,387	39,878
Public safety	249,235	249,235	239,091	1,826	240,917	8,318
Education	2,586,560	2,562,560	2,454,826	-	2,454,826	107,734
Public works	748,384	758,784	687,760	23,207	710,967	47,817
Health and human services	61,190	61,190	46,342	300	46,642	14,548
Culture and recreation	98,534	98,534	68,969	28,566	97,535	999
Pension and fringe benefits	159,910	155,110	135,584	-	135,584	19,526
State and county tax assessments	2,950	2,950	2,951	-	2,951	(1)
Debt service	152,417	152,417	145,866	-	145,866	6,551
Total Expenditures	<u>4,528,045</u>	<u>4,528,045</u>	<u>4,157,549</u>	<u>125,126</u>	<u>4,282,675</u>	<u>245,370</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	7,900	7,900	-		-	(7,900)
Transfers out	(65,000)	(65,000)	(69,500)		(69,500)	4,500
Total Other Financing Sources (Uses)	<u>(57,100)</u>	<u>(57,100)</u>	<u>(69,500)</u>		<u>(69,500)</u>	<u>(3,400)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Uses of Prior Year Budgetary Fund Balance	<u>(350,706)</u>	<u>(350,706)</u>	<u>\$ 119,847</u>		<u>\$ (5,279)</u>	<u>\$ 354,427</u>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	112,243	112,243				
Use of free cash	238,463	238,463				
Total Other Budgetary Items	<u>350,706</u>	<u>350,706</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ashfield, Massachusetts (the "Town"), 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 and have issued our report thereon dated February 10, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
February 10, 2017