

TOWN OF GRANBY, MASSACHUSETTS

**Report on the Examination
Of Basic Financial Statements**

For the Year Ended June 30, 2015

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Independent Auditor's Report

To the Honorable Select Board
Town of Granby, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Granby, Massachusetts, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability for Other Post Employment Benefits (OPEB) in governmental activities and, accordingly, has not recorded an expense for the current period change in the OPEB liability. Accounting principles generally accepted in the United States of America require that an actuarial determined OPEB liability be accrued, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities has not been determined.

Adverse Opinion on the Governmental Activities

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Granby, Massachusetts, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Granby, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information

directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2016, on our consideration of the Town of Granby, Massachusetts' 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 of Granby, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

September 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Granby we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$19,114,575 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$18,974,291 or an increase of \$140,284 (1%).
- As required by GASB Statement No. 68, in fiscal year 2015 the Town recognized their total net pension liability of \$8,566,026 along with a deferred outflow related to pension of \$271,731 and a deferred inflow related to pension of \$103,387 on the statement of net position for the first time.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$9,679,233, showing a decrease of \$126,487 (1%) in comparison with the prior year.
- The General Fund's total fund balance decreased \$11,888 (.2%) to \$7,639,964. The ending fund balance is 42.5% of revenues and the sale of foreclosure property and 42.5% of expenditures and transfers out.
- Total liabilities of the Town decreased by \$103,925 (1%) to \$12,243,128 during the fiscal year. This change was mainly the result of the net decreases in warrants and accounts payable of \$181,852 and in compensated absences of \$123,972 and an increase in net pension liability of \$210,456.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$292,549. The key factors that attributed to the free cash amount for fiscal year 2015 were unexpended/unencumbered appropriations of \$213,300, excess over budget – State and local receipts of \$351,900 and prior year free cash not appropriated of \$500.
- The Town's enterprise funds certified free cash is as follows:
 - Sewer Fund \$ 230,926.
 - Solid Waste Fund \$ 252,524.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer and solid waste activities

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The Town of Granby adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and solid waste activities.

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

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

Financial Highlights

Statement of Net Position Highlights

| | Governmental Activities | | |
|---|-------------------------|----------------------|-------------------|
| | 2015 | 2014 | Change |
| Assets: | | | |
| Current assets | \$ 11,810,033 | \$ 12,023,776 | \$ (213,743) |
| Capital assets | 17,643,888 | 17,451,658 | 192,230 |
| Total assets | 29,453,921 | 29,475,434 | (21,513) |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | 271,731 | - | 271,731 |
| Liabilities: | | | |
| Current liabilities (excluding debt) | 1,302,345 | 1,597,898 | (295,553) |
| Current debt | 389,000 | 306,040 | 82,960 |
| Noncurrent liabilities (excluding debt) | 8,709,371 | 8,598,092 | 111,279 |
| Noncurrent debt | 1,142,400 | 1,048,400 | 94,000 |
| Total liabilities | 11,543,116 | 11,550,430 | (7,314) |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions | 103,387 | - | 103,387 |
| Net Position: | | | |
| Net investment in capital assets | 16,112,488 | 16,097,218 | 15,270 |
| Restricted | 1,510,138 | 1,227,056 | 283,082 |
| Unrestricted | 456,523 | 600,730 | (144,207) |
| Total net position | \$ 18,079,149 | \$ 17,925,004 | \$ 154,145 |

| | Business-Type Activities | | |
|--------------------------------------|--------------------------|---------------------|--------------------|
| | 2015 | 2014 | Change |
| Assets: | | | |
| Current assets | \$ 580,420 | \$ 651,550 | \$ (71,130) |
| Capital assets | 1,155,018 | 1,194,360 | (39,342) |
| Total assets | 1,735,438 | 1,845,910 | (110,472) |
| Liabilities: | | | |
| Current liabilities (excluding debt) | 25,012 | 4,554 | 20,458 |
| Current debt | 35,000 | 117,069 | (82,069) |
| Noncurrent debt | 640,000 | 675,000 | (35,000) |
| Total liabilities | 700,012 | 796,623 | (96,611) |
| Net Position: | | | |
| Net investment in capital assets | 480,018 | 431,161 | 48,857 |
| Restricted | 29,156 | 29,156 | - |
| Unrestricted | 526,252 | 588,970 | (62,718) |
| Total net position | \$ 1,035,426 | \$ 1,049,287 | \$ (13,861) |

Financial Highlights
Statement of Activities Highlights

| | Governmental Activities | | |
|---|--------------------------------|----------------------|--------------------|
| | 2015 | 2014 | Change |
| Program Revenues: | | | |
| Charges for services | \$ 1,244,801 | \$ 1,765,328 | \$ (520,527) |
| Operating grants and contributions | 7,503,235 | 8,538,066 | (1,034,831) |
| Capital grants and contributions | 701,130 | 701,650 | (520) |
| General Revenues: | | | |
| Property taxes | 10,338,074 | 9,667,899 | 670,175 |
| Motor vehicle excise and other taxes | 787,558 | 768,584 | 18,974 |
| Penalties and interest on taxes | 56,066 | 74,738 | (18,672) |
| Nonrestricted grants | 872,204 | 842,233 | 29,971 |
| Unrestricted investment income | 40,350 | 37,398 | 2,952 |
| Gain/(Loss) on sale of foreclosure property | (81,414) | (90,950) | 9,536 |
| Miscellaneous | - | 744 | (744) |
| Total revenues | 21,462,004 | 22,305,690 | (843,686) |
| Expenses: | | | |
| General government | 1,087,308 | 1,089,168 | (1,860) |
| Public safety | 2,381,274 | 2,136,125 | 245,149 |
| Public works | 965,517 | 883,539 | 81,978 |
| Education | 11,367,469 | 11,163,110 | 204,359 |
| Health and human services | 286,107 | 295,427 | (9,320) |
| Culture and recreation | 250,269 | 239,159 | 11,110 |
| Employee benefits and insurance | 3,491,281 | 4,359,346 | (868,065) |
| State assessments | 1,034,753 | 873,144 | 161,609 |
| Interest | 37,291 | 33,394 | 3,897 |
| Total expenses | 20,901,269 | 21,072,412 | (171,143) |
| Net (expenses) revenues | 560,735 | 1,233,278 | (672,543) |
| Transfers | (406,590) | (58,076) | (348,514) |
| Change in net position | 154,145 | 1,175,202 | (1,021,057) |
| Net position - beginning of year | 17,925,004 | 16,749,802 | 1,175,202 |
| Net position - end of year | \$ 18,079,149 | \$ 17,925,004 | \$ 154,145 |

| | Business-Type Activities | | |
|---|--------------------------|---------------------|--------------------|
| | 2015 | 2014 | Change |
| Program Revenues: | | | |
| Charges for services | \$ 172,818 | \$ 347,106 | \$ (174,288) |
| Operating grants and contributions | 3,659 | 5,284 | (1,625) |
| Total revenues | 176,477 | 352,390 | (175,913) |
| Expenses: | | | |
| Sewer | 238,772 | 222,331 | 16,441 |
| Solid waste | 358,156 | 214,709 | 143,447 |
| Total expenses | 596,928 | 437,040 | 159,888 |
| Net (expenses) revenues | (420,451) | (84,650) | (335,801) |
| Transfers | 406,590 | 58,076 | 348,514 |
| Change in net position | (13,861) | (26,574) | 12,713 |
| Net position - beginning of year | 1,049,287 | 1,075,861 | (26,574) |
| Net position - end of year | \$ 1,035,426 | \$ 1,049,287 | \$ (13,861) |

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,114,575 at the close of fiscal year 2015.

Net position of \$16,592,506 (87%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$1,539,294 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$982,775 (5%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net position increased by \$154,145 (1%) during the current fiscal year, which reflects the general fund's results of operation. The key elements of the increase in net position for fiscal year 2015 was attributed to the acquisition of \$1,239,455 in new capital assets and of (\$89,214) in the sale of foreclosure properties exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$958,011.

There was a decrease of \$13,861 (1%) in net position reported in the business-type activities. Of this, there was a decrease attributed to the sewer fund of \$54,157 and an increase attributed to solid waste of \$40,296.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,679,233 a decrease of \$126,487 (1%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance - \$21,694 (1%).
- Restricted fund balance - \$1,230,308 (13%).
- Committed fund balance - \$1,117,024 (11%).
- Assigned fund balance - \$1,739,739 (18%).
- Unassigned fund balance - \$5,570,468 (57%).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$7,639,964 decreasing \$11,888 (.2%) from the prior year. Of the \$7,639,964, the unassigned amount is \$5,900,225 (77%) and the assigned amount is \$1,739,739 (23%). General fund revenues were \$855,917 (5%) less than the prior fiscal year and expenditures also decreased by \$445,491 (2%). Other activity in the General fund was net transfers to other funds of \$582,820 and the sale of foreclosure property of \$7,800.

The main components of the increases in general fund revenues as compared to the prior year were related to increases in property taxes of \$524,896 (6%) and intergovernmental receipts of \$103,291 (2%) and decreases in licenses, permits and fees of \$529,878 (79%) and in intergovernmental - "on-behalf" payments of \$1,001,997 (49%) from the prior year due to the implementation of GASB Statement No. 68.

The major changes in general fund expenditures from the prior fiscal year were as follows:

- Decrease in General government expenditures of \$88,952 (8%).
- Increase in Education expenditures of \$332,088 (4%).
- Decrease in Employee benefits and insurance expenditures of \$910,177 (21%).
- Increase in state assessments of \$161,609 (19%).

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The *Sewer Fund* has accumulated a net position of \$782,902 used in the financing and operations of the Town's sewer system. The sewer fund shows a decrease of \$54,157 (6%). This was due to operating expenses exceeding operating revenues by \$72,882, investment income of \$504, intergovernmental receipts (Massachusetts Clean Water Trust subsidies) of \$1,499, interest expense of \$26,827 and net transfers in from the General fund of \$43,549. The operating revenues decreased by \$86,469 (38%) while operating expenses increased by \$20,579 (11%) over the prior year.

The *Solid Waste Fund* has accumulated a net position of \$252,524 used to account for the landfill and recycling activities. The landfill fund shows an increase of \$40,296 (19%) attributed mainly to operating expenditures exceeding operating revenues by \$324,401, investment income of \$456, intergovernmental receipts of \$1,200 and net transfers in from the General fund of \$363,041. The operating revenues decreased by \$87,819 (72%) while operating expenses increased by \$143,447 (67%) over the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2015 was \$16,941,100. This was an increase of \$589,783 (4%) over the previous year's budget.

There was an increase between the original budget and the final amended budget. The changes are attributed to the Town amending specific budget operating line items at the special town meetings in March 2015 and June 2015.

General fund expenditures were less than budgeted by \$588,013. Of the \$588,013 in under budgeted expenditures, \$374,667 has been carried over to fiscal year 2016.

There is a negative variance in the Town's property taxes of \$22,377 as collections did not meet budgeted expectations. The overall the total revenues exceeded budget expectations.

There was a negative variance in state assessments of \$39,529 due to higher assessments in special education (SPED) of \$1,360 and in the charter school sending tuitions of \$15,824 than expenses and higher payments in the school choice sending tuitions of \$56,713 than actual assessments.

Overall the variance with the final budget was a positive \$542,832 consisting of a revenue surplus of \$329,486 and an appropriation surplus of \$213,346.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$17,643,888 and \$1,155,018, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Public safety complex carport for \$4,299.
- Police vehicle purchase for \$36,466.
- Highway vehicle purchases for \$239,527.
- Road improvements for \$356,974.
- School equipment purchase for \$50,910.
- School in-ground oil tank replacement for \$6,720.
- Schools' improvements for \$505,628.
- Library construction for \$38,931.
- Sold the Kellogg Building (old Town Hall).

There was an additional \$4 in sewer infrastructure to complete the project during the current fiscal year in the business-type funds.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2015, totaled \$1,531,400; of which \$825,000 is for school improvements, \$160,000 for the comprehensive wastewater management plan, \$20,000 for various Town building improvements, \$486,800 for departmental vehicles and equipment and \$39,600 for the Dufresne Pond Dam repairs.

The business-type funds have total long term debt of \$675,000 for the Five Corners sewer project.

Please refer to notes 4D and 4F for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Granby operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2015 do not reflect the fiscal year 2016 Town Meeting action with the exception of the fund balance (free cash) and stabilization fund amounts. The Annual Town Meeting on May 15, 2015 authorized a fiscal year 2016 operating and capital budget as follows:

| | |
|--------------------------------------|---------------|
| From raise and appropriate | \$ 15,873,355 |
| From ambulance fees | 256,465 |
| From offset receipts | 2,357 |
| From sewer receipts | 193,564 |
| From solid waste receipts | 13,896 |
| From Other Available Funds: | |
| General Fund: | |
| Unassigned fund balance: | |
| Free cash | 1,113,072 |
| Capital needs stabilization fund | 252,000 |
| Non-major Governmental Funds: | |
| Ambulance | 1,294 |
| | <hr/> |
| | \$ 17,706,003 |
| | <hr/> |

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2015

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents | \$ 10,423,661 | \$ 536,584 | \$ 10,960,245 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 401,268 | - | 401,268 |
| Tax liens | 61,032 | - | 61,032 |
| Excise taxes | 119,357 | - | 119,357 |
| User charges | - | 43,285 | 43,285 |
| Departmental | 148,339 | - | 148,339 |
| Special assessments | - | 551 | 551 |
| Due from other governments | 634,682 | - | 634,682 |
| Inventory | 21,694 | - | 21,694 |
| Total current assets | 11,810,033 | 580,420 | 12,390,453 |
| NONCURRENT: | | | |
| Capital Assets, net of accumulated depreciation: | | | |
| Nondepreciable | 5,734,435 | - | 5,734,435 |
| Depreciable | 11,909,453 | 1,155,018 | 13,064,471 |
| Total noncurrent assets | 17,643,888 | 1,155,018 | 18,798,906 |
| Total Assets | 29,453,921 | 1,735,438 | 31,189,359 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | 271,731 | - | 271,731 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants and accounts payable | 250,161 | 23,978 | 274,139 |
| Accrued payroll | 857,814 | - | 857,814 |
| Employee withholdings | 83,490 | - | 83,490 |
| Accrued interest | 13,488 | 1,034 | 14,522 |
| Other | 61,556 | - | 61,556 |
| Compensated absences | 35,836 | - | 35,836 |
| Bonds payable | 389,000 | 35,000 | 424,000 |
| Total current liabilities | 1,691,345 | 60,012 | 1,751,357 |
| NONCURRENT: | | | |
| Compensated absences | 143,345 | - | 143,345 |
| Net Pension Liability | 8,566,026 | - | 8,566,026 |
| Bonds payable | 1,142,400 | 640,000 | 1,782,400 |
| Total noncurrent liabilities | 9,851,771 | 640,000 | 10,491,771 |
| Total Liabilities | 11,543,116 | 700,012 | 12,243,128 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows Related to Pensions | 103,387 | - | 103,387 |
| NET POSITION | | | |
| Net Investment in capital assets | 16,112,488 | 480,018 | 16,592,506 |
| Restricted for: | | | |
| Federal & state grants | 310,535 | - | 310,535 |
| Capital projects | 373,761 | 29,156 | 402,917 |
| Permanent funds | 271,142 | - | 271,142 |
| Other purposes | 554,700 | - | 554,700 |
| Unrestricted | 456,523 | 526,252 | 982,775 |
| Total Net Position | \$ 18,079,149 | \$ 1,035,426 | \$ 19,114,575 |

The Notes to the Financial Statements are an integral part of this Statement.

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

| | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 1,087,308 | \$ 97,548 | \$ 5,052 | \$ - | \$ (984,708) | \$ - | \$ (984,708) |
| Public safety | 2,381,274 | 690,743 | 64,366 | - | (1,626,165) | - | (1,626,165) |
| Public works | 965,517 | 18,400 | 1,239 | 422,301 | (523,577) | - | (523,577) |
| Education | 11,367,469 | 343,685 | 6,270,753 | 178,829 | (4,574,202) | - | (4,574,202) |
| Health and human services | 286,107 | 43,277 | 87,921 | - | (154,909) | - | (154,909) |
| Culture and recreation | 250,269 | 51,148 | 14,828 | 100,000 | (84,293) | - | (84,293) |
| Employee benefits and insurance | 3,491,281 | - | 1,059,076 | - | (2,432,205) | - | (2,432,205) |
| State assessments | 1,034,753 | - | - | - | (1,034,753) | - | (1,034,753) |
| Interest | 37,291 | - | - | - | (37,291) | - | (37,291) |
| Total Governmental Activities | 20,901,269 | 1,244,801 | 7,503,235 | 701,130 | (11,452,103) | - | (11,452,103) |
| Business Type Activities: | | | | | | | |
| Sewer | 238,772 | 139,063 | 2,003 | - | - | (97,706) | (97,706) |
| Solid waste | 358,156 | 33,755 | 1,656 | - | - | (322,745) | (322,745) |
| Total Business-Type Activities | 596,928 | 172,818 | 3,659 | - | - | (420,451) | (420,451) |
| Total Primary Government | \$ 21,498,197 | \$ 1,417,619 | \$ 7,506,894 | \$ 701,130 | \$ (11,452,103) | \$ (420,451) | \$ (11,872,554) |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | 10,338,074 | - | 10,338,074 |
| Motor vehicle excise and other taxes | | | | | 787,558 | - | 787,558 |
| Penalties & interest on taxes | | | | | 56,066 | - | 56,066 |
| Grants & contributions not restricted to specific programs | | | | | 872,204 | - | 872,204 |
| Unrestricted investment income | | | | | 40,350 | - | 40,350 |
| Gain/(Loss) on Sale of Foreclosure Property | | | | | (81,414) | - | (81,414) |
| Transfers, Net | | | | | (406,590) | 406,590 | - |
| Total General Revenues & Transfers | | | | | 11,606,248 | 406,590 | 12,012,838 |
| Change in Net Position | | | | | 154,145 | (13,861) | 140,284 |
| Net Position: | | | | | | | |
| Beginning of year (as restated) | | | | | 17,925,004 | 1,049,287 | 18,974,291 |
| End of year | | | | | \$ 18,079,149 | \$ 1,035,426 | \$ 19,114,575 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRANBY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 8,670,818 | \$ 1,752,843 | \$ 10,423,661 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 401,268 | - | 401,268 |
| Tax liens | 61,032 | - | 61,032 |
| Excise taxes | 119,357 | - | 119,357 |
| Departmental | - | 148,339 | 148,339 |
| Due from other governments | 54,852 | 579,830 | 634,682 |
| Inventory | - | 21,694 | 21,694 |
| Total Assets | \$ 9,307,327 | \$ 2,502,706 | \$ 11,810,033 |
| Liabilities: | | | |
| Warrants and accounts payable | \$ 156,411 | \$ 93,750 | \$ 250,161 |
| Accrued payroll | 835,215 | 22,599 | 857,814 |
| Employee withholdings | 83,490 | - | 83,490 |
| Other | 61,556 | - | 61,556 |
| Total Liabilities | 1,136,672 | 116,349 | 1,253,021 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenue | 530,691 | 347,088 | 877,779 |
| Fund Balances: | | | |
| Nonspendable | - | 21,694 | 21,694 |
| Restricted | - | 1,230,308 | 1,230,308 |
| Committed | - | 1,117,024 | 1,117,024 |
| Assigned | 1,739,739 | - | 1,739,739 |
| Unassigned | 5,900,225 | (329,757) | 5,570,468 |
| Total Fund Balance | 7,639,964 | 2,039,269 | 9,679,233 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 9,307,327 | \$ 2,502,706 | \$ 11,810,033 |

The Notes to the Financial Statements are an integral part of this Statement.

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

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|--|---|
| Revenues: | | | |
| Property taxes | \$ 10,267,982 | \$ - | \$ 10,267,982 |
| Intergovernmental | 5,605,805 | 2,222,726 | 7,828,531 |
| Excise and other taxes | 806,457 | - | 806,457 |
| Charges for services | - | 1,082,521 | 1,082,521 |
| Licenses, permits, fees | 139,559 | - | 139,559 |
| Interest on taxes | 56,066 | - | 56,066 |
| Investment Income | 40,350 | 5,390 | 45,740 |
| Gifts and donations | - | 42,053 | 42,053 |
| Other | - | 25,824 | 25,824 |
| Intergovernmental - "on-behalf" payments | 1,059,076 | - | 1,059,076 |
| Total Revenues | 17,975,295 | 3,378,514 | 21,353,809 |
| Expenditures: | | | |
| Current: | | | |
| General government | 975,534 | 58,774 | 1,034,308 |
| Public safety | 1,325,993 | 835,905 | 2,161,898 |
| Public works | 695,465 | 533,703 | 1,229,168 |
| Education | 9,221,086 | 2,558,418 | 11,779,504 |
| Health and human services | 226,826 | 35,708 | 262,534 |
| Culture and recreation | 146,113 | 129,835 | 275,948 |
| Employee benefits and insurance | 3,449,169 | - | 3,449,169 |
| State assessments | 1,034,753 | - | 1,034,753 |
| Debt service: | | | |
| Principal | 306,040 | - | 306,040 |
| Interest | 31,184 | - | 31,184 |
| Total Expenditures | 17,412,163 | 4,152,343 | 21,564,506 |
| Excess of Revenues Over (Under) Expenditures | 563,132 | (773,829) | (210,697) |
| Other Financing Sources (Uses): | | | |
| Operating transfers in | - | 176,230 | 176,230 |
| Operating transfers out | (582,820) | - | (582,820) |
| Proceeds from issuance of bonds and notes | - | 483,000 | 483,000 |
| Sale of foreclosure property | 7,800 | - | 7,800 |
| Total Other Financing Sources (Uses) | (575,020) | 659,230 | 84,210 |
| Net Change in Fund Balances | (11,888) | (114,599) | (126,487) |
| Fund Balances, Beginning of Year | 7,651,852 | 2,153,868 | 9,805,720 |
| Fund Balances, End of Year | \$ 7,639,964 | \$ 2,039,269 | \$ 9,679,233 |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANBY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2015

| | | |
|---|----------------|-----------------------------|
| Total Governmental Fund Balances | | \$ 9,679,233 |
| Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 17,643,888 |
| Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis. | | 877,779 |
| Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions. | | 168,344 |
| Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds: | | |
| Bonds Payable | \$ (1,531,400) | |
| Net Pension Liability | (8,566,026) | |
| Compensated Absences | (179,181) | (10,276,607) |
| In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due. | | (13,488) |
| Net Position of Governmental Activities | | <u><u>\$ 18,079,149</u></u> |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANBY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (126,487)

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 are reported as depreciation expense:

| | | |
|--------------------------|------------------|---------|
| Capital Outlay Purchases | \$ 1,239,455 | |
| Sale of Capital Assets | (89,214) | |
| Depreciation | <u>(958,011)</u> | 192,230 |

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. 189,609

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds.

Neither transaction, however, has any effect on net position:

| | | |
|-------------------------------|----------------|-----------|
| Proceeds from Bonds and Notes | (483,000) | |
| Repayment of Debt Principal | <u>306,040</u> | (176,960) |

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 governmental funds:

| | | |
|--|----------------|---------------|
| Net Change in Compensated Absences | 123,972 | |
| Net Change in Net Pension Liability | (210,456) | |
| Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions | 168,344 | |
| Net Change in Accrued Interest on Long-Term Debt | <u>(6,107)</u> | <u>75,753</u> |

Change in Net Position of Governmental Activities \$ 154,145

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

| | Budgeted Amounts | | | Actual Budgetary Basis | Amounts Carried Forward to Next Year | Variance with Final Budget Positive (Negative) |
|---|--|--------------------|-----------------|------------------------------|---|---|
| | Amounts Carried Forward from Prior Year | Original Budget | Final Budget | | | |
| Revenues: | | | | | | |
| Property Taxes | \$ - | \$ 10,342,359 | \$ 10,342,359 | \$ 10,319,982 | \$ - | \$ (22,377) |
| Intergovernmental | - | 5,562,080 | 5,562,080 | 5,605,805 | - | 43,725 |
| Excise and Other Taxes | - | 577,000 | 577,000 | 806,457 | - | 229,457 |
| Licenses, Permits, Fees | - | 87,230 | 87,230 | 139,559 | - | 52,329 |
| Interest on Taxes | - | 35,000 | 35,000 | 36,002 | - | 1,002 |
| Interest on Investments | - | 15,000 | 15,000 | 40,350 | - | 25,350 |
| Total Revenues | - | 16,618,669 | 16,618,669 | 16,948,155 | - | 329,486 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 143,761 | 1,253,286 | 1,387,698 | 975,534 | 233,162 | 179,002 |
| Public Safety | 23,376 | 1,300,092 | 1,385,806 | 1,325,993 | 52,730 | 7,083 |
| Public Works | 37,575 | 665,619 | 719,835 | 695,465 | 21,860 | 2,510 |
| Education | 42,835 | 9,134,778 | 9,279,053 | 9,221,086 | 37,915 | 20,052 |
| Health and Human Services | - | 252,002 | 262,822 | 226,826 | - | 35,996 |
| Culture and Recreation | 13,500 | 136,609 | 156,589 | 146,113 | 10,000 | 476 |
| Employee Benefits and Insurance | 19,000 | 2,388,147 | 2,411,826 | 2,390,093 | 19,000 | 2,733 |
| State Assessments | - | 995,224 | 995,224 | 1,034,753 | - | (39,529) |
| Debt Service: | | | | | | |
| Principal | - | 306,040 | 306,040 | 306,040 | - | - |
| Interest | - | 36,207 | 36,207 | 31,184 | - | 5,023 |
| Total Expenditures | 280,047 | 16,468,004 | 16,941,100 | 16,353,087 | 374,667 | 213,346 |
| Excess of Revenues Over (Under) Expenditures | (280,047) | 150,665 | (322,431) | 595,068 | (374,667) | 542,832 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | - | 155,400 | 155,400 | 155,400 | - | - |
| Operating Transfers Out | - | (1,465,527) | (1,509,076) | (1,509,076) | - | - |
| Sale of foreclosure property | - | - | - | 7,800 | - | 7,800 |
| Total Other Financing Sources (Uses) | - | (1,310,127) | (1,353,676) | (1,345,876) | - | 7,800 |
| Net Change in Budgetary Fund Balance | (280,047) | (1,159,462) | (1,676,107) | \$ (750,808) | \$ (374,667) | \$ 550,632 |
| Other Budgetary Items: | | | | | | |
| Free cash and other reserves | - | 1,163,333 | 1,399,931 | | | |
| Prior year deficits | - | (3,871) | (3,871) | | | |
| Prior year encumbrances | 280,047 | - | 280,047 | | | |
| Total Other Budgetary Items | 280,047 | 1,159,462 | 1,676,107 | | | |
| NET BUDGET | \$ - | \$ - | \$ - | | | |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANBY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2015

| | <u>Revenues</u> | <u>Expenditures</u> |
|--|----------------------|----------------------|
| Reported on a Budgetary Basis | \$ 16,948,155 | \$ 16,353,087 |
| <u>Adjustments:</u> | | |
| Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes | 20,064 | - |
| Recognition of Intergovernmental Revenue - "on behalf payments" | 1,059,076 | - |
| Recognition of Expenditures - "on behalf payments" | - | 1,059,076 |
| Net Decrease in Revenue from Recording 60-Day Receipts | (52,000) | - |
| Reported on a GAAP Basis | <u>\$ 17,975,295</u> | <u>\$ 17,412,163</u> |

The Notes to the Financial Statements are an integral part of this Statement.

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

| | | Business-Type Activities Enterprise Funds | | |
|---|-----------|--|-------------------|---------------------|
| | | Sewer Fund | Solid Waste | Total |
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents | \$ | 260,436 | \$ 276,148 | \$ 536,584 |
| User Charges, net of allowance for uncollectibles | | 43,285 | - | 43,285 |
| Special assessments | | 551 | - | 551 |
| Total current assets | | 304,272 | 276,148 | 580,420 |
| NONCURRENT: | | | | |
| Capital Assets, net of accumulated depreciation | | | | |
| Depreciable | | 1,155,018 | - | 1,155,018 |
| Total noncurrent assets | | 1,155,018 | - | 1,155,018 |
| Total Assets | | 1,459,290 | 276,148 | 1,735,438 |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Warrants and accounts payable | | 354 | 23,624 | 23,978 |
| Accrued interest | | 1,034 | - | 1,034 |
| Bonds payable | | 35,000 | - | 35,000 |
| Total current liabilities | | 36,388 | 23,624 | 60,012 |
| NONCURRENT: | | | | |
| Bonds payable | | 640,000 | - | 640,000 |
| Total noncurrent liabilities | | 640,000 | - | 640,000 |
| Total Liabilities | | 676,388 | 23,624 | 700,012 |
| NET POSITION | | | | |
| Net Investment in capital assets | | 480,018 | - | 480,018 |
| Restricted for capital | | 29,156 | - | 29,156 |
| Unrestricted | | 273,728 | 252,524 | 526,252 |
| Total Net Position | \$ | 782,902 | \$ 252,524 | \$ 1,035,426 |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Business-Type Activities Enterprise Funds | | |
|---|--|-------------------|---------------------|
| | Sewer Fund | Solid Waste | Total |
| Operating Revenues: | | | |
| Charges for services | \$ 139,063 | \$ 33,755 | \$ 172,818 |
| Total Operating Revenues | <u>139,063</u> | <u>33,755</u> | <u>172,818</u> |
| Operating Expenses: | | | |
| Salaries and wages | 17,160 | 4,092 | 21,252 |
| Operating expenses | 155,439 | 354,064 | 509,503 |
| Depreciation | 39,346 | - | 39,346 |
| Total Operating Expenses | <u>211,945</u> | <u>358,156</u> | <u>570,101</u> |
| Operating Income (Loss) | <u>(72,882)</u> | <u>(324,401)</u> | <u>(397,283)</u> |
| Non-Operating Revenues (Expenses): | | | |
| Investment income | 504 | 456 | 960 |
| Intergovernmental | 1,499 | 1,200 | 2,699 |
| Interest expense | (26,827) | - | (26,827) |
| Total Operating Expenses | <u>(24,824)</u> | <u>1,656</u> | <u>(23,168)</u> |
| Income (Loss) Before Operating Transfers | <u>(97,706)</u> | <u>(322,745)</u> | <u>(420,451)</u> |
| Operating Transfers: | | | |
| Transfers in/(out) | 43,549 | 363,041 | 406,590 |
| Total Operating Transfers | <u>43,549</u> | <u>363,041</u> | <u>406,590</u> |
| Change in Net Position | <u>(54,157)</u> | <u>40,296</u> | <u>(13,861)</u> |
| Net Position at Beginning of Year | <u>837,059</u> | <u>212,228</u> | <u>1,049,287</u> |
| Net Position at End of Year | <u>\$ 782,902</u> | <u>\$ 252,524</u> | <u>\$ 1,035,426</u> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

| | Business-Type Activities Enterprise Fund | | |
|---|---|------------------------|-------------------|
| | Sewer Fund | Solid Waste | Total |
| Cash Flows From Operating Activities: | | | |
| Receipts from customers and users | \$ 190,284 | \$ 33,755 | \$ 224,039 |
| Payments to vendors | (155,085) | (332,478) | (487,563) |
| Payments to employees | (17,160) | (4,092) | (21,252) |
| Net Cash Provided by (Used for) Operating Activities | 18,039 | (302,815) | (284,776) |
| Cash Flows from Noncapital Financing Activities: | | | |
| Transfers in | 43,549 | 363,041 | 406,590 |
| Net Cash Provided by (Used for) Noncapital Financing Activities | 43,549 | 363,041 | 406,590 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Intergovernmental aid | 31,811 | 1,200 | 33,011 |
| Principal payments on bonds and notes | (117,069) | - | (117,069) |
| Interest expense | (28,309) | - | (28,309) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (113,567) | 1,200 | (112,367) |
| Cash Flows from Investing Activities: | | | |
| Investment income | 504 | 456 | 960 |
| Net Cash Provided by (Used for) Investing Activities | 504 | 456 | 960 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (51,475) | 61,882 | 10,407 |
| Cash and Cash Equivalents at Beginning of Year | 311,911 | 214,266 | 526,177 |
| Cash and Cash Equivalents at End of Year | \$ 260,436 | \$ 276,148 | \$ 536,584 |

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

| | | | |
|--|--------------------|---------------------|---------------------|
| Operating Income (Loss) | \$ (72,882) | \$ (324,401) | \$ (397,283) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 39,346 | - | 39,346 |
| Decrease (increase) in assets: | | | |
| User charges receivable | 42,310 | - | 42,310 |
| Special assessments receivable | 8,911 | - | 8,911 |
| Increase (decrease) in liabilities: | | | |
| Warrants and accounts payable | 354 | 21,586 | 21,940 |
| Total Adjustments | 90,921 | 21,586 | 112,507 |
| Net Cash Provided by (Used for) Operating Activities | \$ 18,039 | \$ (302,815) | \$ (284,776) |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRANBY, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

| | Private Purpose Trust Funds | Agency Funds |
|----------------------------------|--|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 215,113 | \$ 64,369 |
| Total Assets | 215,113 | 64,369 |
| LIABILITIES | | |
| Due to student groups | - | 48,847 |
| Escrows & deposits | - | 15,522 |
| Total Liabilities | - | 64,369 |
| NET POSITION | | |
| Held in trust for other purposes | \$ 215,113 | \$ - |

The Notes to the Financial Statements are an integral part of this Statement.

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

| | Private Purpose Trust Funds |
|--|--|
| Additions: | |
| Contributions | \$ 1,433 |
| Investment income | 3,183 |
| Total Additions | 4,616 |
| Deductions: | |
| Educational scholarships | 2,420 |
| Total Deductions | 2,420 |
| Change in Net Position | 2,196 |
| Net Position at Beginning of Year | 212,917 |
| Net Position at End of Year | \$ 215,113 |

The Notes to the Financial Statements are an integral part of this Statement

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Granby, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1768 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Select Board.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2015, it was determined that no entities met the required GASB-39 and GASB-61 criteria of component units.

The Town is responsible for electing the governing boards of the Granby Housing Authority and the Pathfinder Regional Vocational – Technical High School District. These are autonomous entities in the Town. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board. Audited financial statements are available from the respective organizations. A description of the related organizations is as follows:

Granby Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Pathfinder Regional Vocational - Technical High School District - A regional school district made up of eight communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects one district committee member for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

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

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Fund Financial Statements

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),
- and
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental funds combined.

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

Proprietary and fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments, internally dedicated resources are reported.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Fund Financial Statements

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

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *solid waste fund* is used to account for the landfill and recycling activities.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *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 and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the government reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

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

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

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

All investments are carried at fair value.

F. Accounts Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2014 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2015 on June 30, 2014, that were due on August 1, 2014 and November 3, 2014 and actual bills on December 31, 2014 that were due on February 2, 2015 and May 1, 2015.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2015 is \$10,415,071.

The total amount raised by taxation was \$10,413,921.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise taxes. Excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation for motor vehicle excise is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated and based on historical trends and specific account analysis.

User Charges

User charges consist of sewer that is levied semi-annually based on individual meter readings and usage and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed each year and are included as a lien on the property owner's tax bill. Liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is estimated and based on historical trends and specific account analysis.

Special Assessments

Special assessments consist of sewer betterments in the business-type fund.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Departmental

Departmental consists of ambulance, police off-duty and septic loans.

The ambulance allowance for uncollectibles is estimated and based on historical trends and specific account analysis. The police off-duty and septic loan receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

H. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, 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 at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

| Capital Asset Type | Years |
|--------------------------------|--------------|
| Buildings and renovations | 10-40 |
| Machinery, equipment and other | 3-10 |
| Infrastructure | 20-50 |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

J. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

In addition to liabilities, the *Statement of Net 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 and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet 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 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 a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property taxes, excise taxes, departmental receipts and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Capital projects" represents amounts restricted for capital purposes.

"Permanent funds" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

“Other purposes” represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts 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 is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town’s policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

L. Long-term Debt

Long-term debt is reported as liabilities in the government-wide statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

M. 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 and vacation leave which is (subject to certain limitations) at their current rates of pay.

N. Pension Benefits

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Hampshire County Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
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the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

O. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 55%, 65%, 70% and 74% of insurance premiums for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

P. 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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The significant departure of the financial statements from generally accepted accounting principles is that management has not recorded a liability for Other Post-Employment Benefits (OPEB) in governmental activities and, accordingly, has not recorded an expense for the current period change in the OPEB liability. Accounting principles generally accepted in the United States of America require that an actuarial determined OPEB liability be accrued, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- The finance committee submits a budget at the annual Town meeting for adoption.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2015, the Town incurred a final budget deficit of \$1,676,107 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

| | |
|---------------------------|--------------|
| Unassigned fund balance: | |
| Free cash votes | \$ 1,399,931 |
| Overlay deficits | (3,871) |
| Prior year's encumbrances | 280,047 |
| | <hr/> |
| | \$ 1,676,107 |
| | <hr/> |

B. Deficit Fund Balance

The following special revenue funds have deficits at June 30, 2015 as measured by the fund balances of the individual projects.

- The green community grant fund has a deficit fund balance of \$13,958. This deficit increased over the prior year. The deficit will need to be eliminated through additional grant receipts or upon the issuance of an appropriation.
- The school lunch fund has a deficit fund balance of \$107,899. This deficit increased over the prior year. The deficit will need to be eliminated upon the issuance of an appropriation.
- The school choice program fund has a deficit fund balance of \$14,254. The deficit will need to be eliminated through operations or upon the issuance of an appropriation.
- The State special education reimbursement fund has a deficit fund balance of \$193,646. The deficit will need to be eliminated through the issuance of an appropriation.

4. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government has a deposit policy for custodial credit risk. Deposits at June 30, 2015 were \$11,574,027. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2015, the Town had no investments that met the above criteria.

B. Receivables

At June 30, 2015, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|-------------------------|---|-----------------------|
| Major and nonmajor governmental funds: | | | |
| Property taxes | \$ 401,268 | \$ - | \$ 401,268 |
| Tax liens | 61,032 | - | 61,032 |
| Excise taxes | 134,855 | (15,498) | 119,357 |
| Departmental | 331,090 | (182,751) | 148,339 |
| Due from other governments | 634,682 | - | 634,682 |
| | <u>\$ 1,562,927</u> | <u>\$ (198,249)</u> | <u>\$ 1,364,678</u> |

At June 30, 2015, receivables for the business-type activities consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---------------------|-------------------------|---|-----------------------|
| Sewer Fund: | | | |
| User charges | \$ 43,355 | \$ (1,212) | \$ 42,143 |
| Tax liens | 1,142 | - | 1,142 |
| Special assessments | 551 | - | 551 |
| | <u>\$ 45,048</u> | <u>\$ (1,212)</u> | <u>\$ 43,836</u> |

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The composition of amounts due from other governments as of June 30, 2015 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits

\$ 54,837

Others

15

\$ 54,852

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch

10,072

U.S. Department of Homeland Security:

Pass through Massachusetts Emergency

Management Agency

4,009

Commonwealth of Massachusetts:

Department of Elementary & Secondary Education:

School lunch

925

Special education reimbursement fund

74,972

Executive Office of Public Safety and Homeland Security

Public Safety Grants

8,264

Massachusetts School Building Authority:

School Building Assistance - Capital Portion

129,943

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds

351,645

579,830

\$

634,682

C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:

Property taxes

\$ 308,268

Tax liens

61,032

Excise taxes

119,357

Due from other governments

42,034

\$

530,691

Nonmajor governmental funds:

Departmental

148,339

Due from other governments

198,749

347,088

\$

877,779

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

D. Capital Assets

Capital assets for the governmental and business-type activities for the year ended June 30, 2015, are as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 688,938 | \$ - | \$ (89,214) | \$ 599,724 |
| Construction in progress | 5,557,455 | 480,679 | (903,423) | 5,134,711 |
| Total capital assets not being depreciated | 6,246,393 | 480,679 | (992,637) | 5,734,435 |
| Capital assets being depreciated: | | | | |
| Buildings and Renovations | 17,556,472 | 743,722 | (193,178) | 18,107,016 |
| Machinery, equipment and other | 3,533,811 | 326,903 | (72,936) | 3,787,778 |
| Infrastructure | 4,154,133 | 591,574 | - | 4,745,707 |
| Total capital assets being depreciated | 25,244,416 | 1,662,199 | (266,114) | 26,640,501 |
| Less accumulated depreciation for: | | | | |
| Buildings and Renovations | 9,352,571 | 481,966 | (193,178) | 9,641,359 |
| Machinery, equipment and other | 2,615,926 | 281,321 | (72,936) | 2,824,311 |
| Infrastructure | 2,070,654 | 194,724 | - | 2,265,378 |
| Total accumulated depreciation | 14,039,151 | 958,011 | (266,114) | 14,731,048 |
| Total capital assets being depreciated, net | 11,205,265 | 704,188 | - | 11,909,453 |
| Total governmental activities capital assets, net | \$ 17,451,658 | \$ 1,184,867 | \$ (992,637) | \$ 17,643,888 |

| Business-type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in Progress | \$ 10,840 | \$ 4 | \$ (10,844) | - |
| Total capital assets not being depreciated | 10,840 | 4 | (10,844) | - |
| Capital assets being depreciated: | | | | |
| Infrastructure | 2,551,462 | 10,844 | - | 2,562,306 |
| Total capital assets being depreciated | 2,551,462 | 10,844 | - | 2,562,306 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 1,367,942 | 39,346 | - | 1,407,288 |
| Total accumulated depreciation | 1,367,942 | 39,346 | - | 1,407,288 |
| Total capital assets being depreciated, net | 1,183,520 | (28,502) | - | 1,155,018 |
| Total business-type activities capital assets, net | \$ 1,194,360 | \$ (28,498) | \$ (10,844) | \$ 1,155,018 |

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

Governmental Activities:

| | |
|--|-------------------|
| General government | \$ 51,998 |
| Public safety | 379,097 |
| Public works | 343,576 |
| Education | 155,953 |
| Health and human services | 21,166 |
| Culture and recreation | 6,221 |
| Total depreciation expense - governmental activities | <u>\$ 958,011</u> |

Business-type Activities:

| | |
|------------|------------------|
| Sewer fund | <u>\$ 39,346</u> |
|------------|------------------|

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2015, are summarized below:

| Transfers Out: | Transfers In: | | |
|----------------|----------------------------------|-----------------------|-------------------|
| | Nonmajor Governmental fund | Business-type fund | Total |
| General fund | \$ 176,230 | \$ 406,590 | <u>\$ 582,820</u> |

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

F. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

| | Interest Rate | Date Issued | Final Maturity Date | Original Amount Issued | Outstanding June 30, 2015 |
|--|--------------------------|------------------------|------------------------------------|---------------------------------------|--------------------------------------|
| Inside Debt: | | | | | |
| Municipal Purpose Loan of 2009: | | | | | |
| West Street School Roof | 2.25-4.00% | 12/15/09 | 12/15/29 | \$ 801,000 | \$ 575,000 |
| State House Loan of 2011: | | | | | |
| Comprehensive Wastewater Management Plan | 2.00% | 08/01/11 | 08/01/16 | 400,000 | 160,000 |
| State House Loan of 2012: | | | | | |
| Highway Vehicle and Equipment | 1.90% | 12/28/12 | 12/28/17 | 188,000 | 112,800 |
| Refunding Notes: | | | | | |
| West Street School Storage Tank | 1.90% | 08/01/14 | 08/01/15 | 120,000 | 120,000 |
| Public Works Pickup Truck | 1.90% | 08/01/14 | 08/01/15 | 45,000 | 45,000 |
| Public Works Dump Truck | 1.90% | 08/01/14 | 08/01/15 | 59,000 | 59,000 |
| Schools' Security Systems | 1.90% | 08/01/14 | 08/01/15 | 130,000 | 130,000 |
| Public Works Lift Truck | 1.90% | 08/01/14 | 08/01/15 | 129,000 | 129,000 |
| Vacuum Tanker Truck | 0.56% | 02/20/15 | 02/19/16 | 59,000 | 59,000 |
| Durfresne Pond Dam Repairs | 0.54% | 04/23/15 | 04/22/16 | 79,200 | 39,600 |
| Public Works Vehicle | 0.54% | 04/23/15 | 04/22/16 | 52,000 | 26,000 |
| Counsel on Aging Elevator | 0.54% | 04/23/15 | 04/22/16 | 40,000 | 20,000 |
| Self Contained Breathing Apparatus | 0.54% | 04/23/15 | 04/22/16 | 104,000 | 52,000 |
| Fire Department Equipment | 0.54% | 04/23/15 | 04/22/16 | 8,000 | 4,000 |
| Total Inside Debt | | | | | <u>1,531,400</u> |
| Total governmental type debt | | | | | <u><u>\$ 1,531,400</u></u> |

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2015 are as follows:

| Year | Principal | Interest | Total |
|-------------|---------------------|-------------------|---------------------|
| 2016 | \$ 389,000 | \$ 35,879 | \$ 424,879 |
| 2017 | 330,000 | 29,420 | 359,420 |
| 2018 | 179,200 | 23,496 | 202,696 |
| 2019 | 136,600 | 19,621 | 156,221 |
| 2020 | 136,600 | 16,435 | 153,035 |
| 2021-2025 | 200,000 | 50,750 | 250,750 |
| 2026-2029 | 160,000 | 12,800 | 172,800 |
| | <u>\$ 1,531,400</u> | <u>\$ 188,401</u> | <u>\$ 1,719,801</u> |

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

General obligation bond currently outstanding of the business-type fund is as follows:

| | Interest Rate | Date Issued | Final Maturity Date | Original Amount Issued | Outstanding June 30, 2015 |
|---------------------------------|--------------------------|------------------------|------------------------------------|---------------------------------------|--------------------------------------|
| Inside Debt: | | | | | |
| Sewer Fund: | | | | | |
| Municipal Purpose Loan of 2009: | | | | | |
| Five Corners Sewer | 2.25-4.00% | 12/15/09 | 12/15/29 | \$ 830,000 | \$ 675,000 |
| Total business-type debt | | | | | <u>\$ 675,000</u> |

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2015 are as follows:

| Year | Principal | Interest | Total |
|-------------|-------------------|-------------------|-------------------|
| 2016 | \$ 35,000 | \$ 24,331 | \$ 59,331 |
| 2017 | 35,000 | 23,325 | 58,325 |
| 2018 | 35,000 | 22,275 | 57,275 |
| 2019 | 40,000 | 21,100 | 61,100 |
| 2020 | 40,000 | 19,750 | 59,750 |
| 2021-2025 | 220,000 | 75,563 | 295,563 |
| 2026-2029 | 270,000 | 28,000 | 298,000 |
| | <u>\$ 675,000</u> | <u>\$ 214,344</u> | <u>\$ 889,344</u> |

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

A summary of the changes in governmental activities long term debt during the year is as follows:

| | Balance July 1, 2014 | Additions | Reductions | Balance June 30, 2015 | Amounts Due within One Year |
|----------------------------------|-------------------------|------------|------------|--------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Bond Payable: | | | | | |
| General obligation bonds | \$ 1,010,400 | \$ - | \$ 162,600 | \$ 847,800 | \$ 162,600 |
| Refunding notes | 344,040 | 483,000 | 143,440 | 683,600 | 226,400 |
| Compensated absences | 303,153 | 10,440 | 134,412 | 179,181 | 35,836 |
| Net pension liability | 8,355,570 | 210,456 | - | 8,566,026 | - |
| Governmental activity | | | | | |
| Long-term liabilities | \$ 10,013,163 | \$ 703,896 | \$ 440,452 | \$ 10,276,607 | \$ 424,836 |
| Business type activities: | | | | | |
| Bond Payable: | | | | | |
| General obligation bonds | \$ 710,000 | \$ - | \$ 35,000 | \$ 675,000 | \$ 35,000 |
| Massachusetts Clean | | | | | |
| Water Trust bonds | 60,869 | - | 60,869 | - | - |
| Refunding notes | 21,200 | - | 21,200 | - | - |
| Business-type activity | | | | | |
| Long-term liabilities | \$ 792,069 | \$ - | \$ 117,069 | \$ 675,000 | \$ 35,000 |

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$745,427 and interest costs of \$469,514 for three loans which the Town has borrowed from MCWT. The Town made a final payment for the principal and interest in fiscal year 2015. The fiscal year 2015 principal and interest subsidies totaled \$31,815.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2015 totaled \$2,206,400.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The following is a computation of the legal debt limit as of June 30, 2015:

| | | |
|---|--------------|----------------------|
| Equalized Valuation-Real Estate and Personal Property (2014) | | \$ 582,129,300 |
| Debt Limit: 5 % of Equalized value | | <u>29,106,465</u> |
| Total Debt Outstanding | \$ 2,206,400 | |
| Less: Debt Outside Debt Limit | <u>-</u> | <u>2,206,400</u> |
| Inside Debt Excess Borrowing Capacity at June 30, 2015 | | <u>\$ 26,900,065</u> |

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2015 and are not reflected in the Town's financial statements are as follows:

| Date Town Meeting Authorized | Purpose | Amount |
|------------------------------------|----------------------------|-------------------|
| 06/15/15 | Compressed Air Foam System | \$ 49,000 |
| 06/15/15 | Highway truck purchase | 42,000 |
| 06/15/15 | Council on Aging Vehicle | 30,000 |
| 06/15/15 | Ambulance purchase | <u>260,000</u> |
| | | <u>\$ 381,000</u> |

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

G. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2015:

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|-------------------------|--|---|
| Nonspendable: | | | |
| School lunch inventory | \$ - | \$ 21,694 | \$ 21,694 |
| Restricted: | | | |
| Federal, state and local grants | - | 190,546 | 190,546 |
| School federal and state grants | - | 47,496 | 47,496 |
| Town revolving funds | - | 288,313 | 288,313 |
| School revolving funds | - | 59,995 | 59,995 |
| Donations and gifts | - | 48,743 | 48,743 |
| Capital projects | - | 247,505 | 247,505 |
| Permanent funds | - | 271,142 | 271,142 |
| Other | - | 76,568 | 76,568 |
| | - | 1,230,308 | 1,230,308 |
| Committed: | | | |
| Ambulance fund | - | 322,776 | 322,776 |
| Capital projects | - | 794,248 | 794,248 |
| | - | 1,117,024 | 1,117,024 |
| Assigned: | | | |
| General government | 233,162 | - | 233,162 |
| Public safety | 52,730 | - | 52,730 |
| Public works | 21,860 | - | 21,860 |
| Education | 37,915 | - | 37,915 |
| Culture and recreation | 10,000 | - | 10,000 |
| Employee benefits and insurance | 19,000 | - | 19,000 |
| Subsequent year's budget | 1,365,072 | - | 1,365,072 |
| | 1,739,739 | - | 1,739,739 |
| Unassigned: | | | |
| General Fund | 5,900,225 | - | 5,900,225 |
| Deficit special revenue funds | - | (329,757) | (329,757) |
| | 5,900,225 | (329,757) | 5,570,468 |
| Total Governmental fund balances | \$ 7,639,964 | \$ 2,039,269 | \$ 9,679,233 |

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

H. Special Trust Funds

Stabilization Funds

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may, for the purpose of creating a stabilization fund, appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2015 the following balances in the stabilization funds are reported in the General Fund as unassigned:

| | |
|--|--------------|
| General purpose stabilization fund | \$ 1,522,118 |
| Capital equipment needs stabilization fund | 1,567,771 |
| Municipal buildings stabilization fund | 1,616,304 |
| | <hr/> |
| | \$ 4,706,193 |
| | <hr/> |

5. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Hampshire County Health Group

The Town, along with other government entities from the neighboring geographic area, is a member of the Hampshire County Health Group (HCHG), a public entity risk pool, currently operating as a common risk sharing management and health insurance program for eligible active and former employees of its members.

Payments in the form of insurance premiums, are made monthly to the HCHG. These payments are funded in part from the Town, recorded as expenditures in the general fund, and payroll withholdings from active employees, or direct payments from retired and certain eligible former employees. The Town pays between 55% and 74% of the cost of the insurance for active employees. Retired and other past employees who may be eligible to participate in the plan must pay between 26% and 45% of their premium costs.

The Town makes payments to HCHG in the form of monthly premiums based upon actual employee enrollment. HCHG makes payment, through a third party administrator for actual health claims incurred for the entire group. At the end of HCHG's fiscal year, the Group's insurance consultant will determine if assets are sufficient to meet the anticipated needs of the ensuing year. It is anticipated that if claim liabilities exceed assets, premium rates will be adjusted prospectively to recover the necessary assets to meet claims.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Based upon the audited results of operations of the HCHG for the fiscal year ended June 30, 2015, the Town's insurance consultants have reported the HCHG has accumulated a surplus of \$23,428,493 as of June 30, 2015.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

C. Pension Plan

Plan Description

The Town is a member of the Hampshire County Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Hampshire County Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 99 Industrial Drive, Northampton, Massachusetts 01060.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The Town's portion of the collective pension expense contributed by the Commonwealth of \$1,059,076 on-behalf payments for the fiscal year ending June 30, 2015 is reported as intergovernmental

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

on-behalf payments in the revenue and employee benefits and insurance expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2014 was \$800,570, representing 25.1% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2015, a reported liability of \$8,566,026 is the Town's proportionate share of the net pension liability as measured as of December 31, 2014. The net pension liability was determined using the total pension liability and the actuarial assumptions as of the January 1, 2014 and updated to the measurement date of December 31, 2014. This net pension liability is based on the Town's proportional percentage of 4.59% at December 31, 2014. As such, the total pension liability was also updated and adjusted forward to the measurement date.

Pension Expense

For the year ended June 30, 2015, the Town recognized a pension expense of \$842,683 and reported deferred outflows of resources related to pensions of \$271,731 and deferred inflows of resources related to pensions of \$103,387, from the net difference between projected and actual investment earnings on pension plan investments and change in proportionate share. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2014. Additionally, the changes in proportion and differences between employer contributions and the proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statement No. 67 and Statement No. 68.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The Town's net of resources related to pensions will be recognized in the pension expense as follows;

| For years ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------|---|--|
| 2016 | \$ 67,933 | \$ 9,662 |
| 2017 | 67,933 | 9,662 |
| 2018 | 67,933 | 9,662 |
| 2019 | 67,932 | 9,662 |
| 2020 | - | 9,662 |
| 2021-2026 | - | 55,077 |
| | <u>\$ 271,731</u> | <u>\$ 103,387</u> |

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2014;

| | |
|-------------------------------|--|
| Valuation date | January 1, 2014 |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Closed – Approximate level percent of payroll |
| Remaining amortization period | 19 years for the fresh start base |
| Asset valuation method | Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value. |
| Investment rate of return | 7.875% |
| Projected salary increase | Select and Ultimate; varies based upon Group |
| Inflation | 3.00% |
| Cost of living adjustments | 3.00% of \$13,000 per year. |
| Mortality rates | RP-2000 Employees table (sex distinct, healthy employees for actives and healthy annuitants for retirees) projected with Scale BB and Generational Mortality. For members retired under Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. For disabled retirees, this table is set forward 2 years. |

Long-term Expected Real Rate of Return

The long-term expected real rate of return reflects the expected rate of return on plan assets minus the expected rate of inflation. Note that the discount rate includes the effect on inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a best estimate of future experience, based on the expected asset allocation. The allocation percentages are based on information provided by the System and NEPC. The real rates of return are based on 30-year return estimates adjusted using a 3.00% inflation assumption.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2014, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|-----------------------------------|------------------------------|--|
| Cash | 1% | 0.73% |
| Large Cap Equities | 9% | 4.61% |
| Small/mid Cap Equities | 6% | 4.85% |
| International Equities (Unhedged) | 11% | 5.10% |
| International Equities (Hedged) | 0% | 5.34% |
| Emerging International Equities | 6% | 6.31% |
| Core Bonds | 7% | 1.42% |
| High-Yield Bonds | 3% | 2.91% |
| Bank Loans | 3% | 3.16% |
| Global Bonds (Unhedged) | 3% | 0.00% |
| EMD (Local Currency) | 6% | 4.13% |
| Private Equity | 8% | 6.55% |
| Private Debt | 2% | 5.10% |
| Real Estate (Core) | 8% | 3.40% |
| Hedge Funds | 11% | 3.88% |
| Global Asset Allocation | 16% | 4.17% |
| Total | 100% | |

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 4.84%. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. The money-weighted return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or 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.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | 1% Decrease (6.875%) | Current Discount Rate (7.875%) | 1% Increase (8.875%) |
|------------------------------|---------------------------------|---|---------------------------------|
| Town's net pension liability | \$ 10,700,590 | \$ 8,566,026 | \$ 6,765,991 |

D. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for implementation in fiscal year 2015. The Town's basic financial statements recognize a net pension asset/(liability) and pension revenue/(expense) for the Town's portion of the Hampshire County Retirement System actuarial accrued liability.

E. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

6. RESTATEMENT

As required by GASB Statement No. 67 and Statement No. 68, the net position as of June 30, 2014 has been restated. The beginning governmental net position decreased \$8,355,570 to \$17,925,004 to reflect the pension liability.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF GRANBY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampshire County Retirement System
For the Year Ended June 30, 2015**

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

| | <u>12/31/14</u> |
|---|------------------------|
| Town's proportion of the net pension liability (asset) | 4.59% |
| Town's proportionate share of the net pension liability (asset) | \$ 8,566,026 |
| Town's covered employee payroll ** | \$ 3,184,581 |
| Net pension liability percentage of covered-employee payroll | 269.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 58.1% |

Note: these schedules are intended to present information for 10 years.
Until a 10-year trend is compiled, the information is presented for those
years of which the information is available.

** Indicates covered employee payroll as reported in the retirement
system January 1, 2014 funding valuation report.

TOWN OF GRANBY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampshire County Retirement System
For the Year Ended June 30, 2015

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

| | <u>12/31/14</u> |
|---|------------------|
| Actuarially determined contribution @ | \$ 800,570 |
| Less: Contributions in relation to the actuarially determined contribution | <u>(800,570)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Town's covered employee payroll ** | \$ 3,184,581 |
| Contributions percentage of covered-employee payroll pension liability | 25.1% |

Note: these schedules are intended to present information for 10 years.
Until a 10-year trend is compiled, the information is presented for those
years of which the information is available.

** Indicates covered employee payroll as reported in the retirement
system January 1, 2014 funding valuation report.

SUPPLEMENTARY SCHEDULES

TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Fund Balances July 1, 2014 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2015 |
|--|-------------------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| Special Revenue: | | | | | |
| Federal and State Grants: | | | | | |
| School Grants | \$ 97,152 | \$ 424,504 | \$ 474,160 | \$ - | \$ 47,496 |
| Arts Lottery Council Grants | 2,067 | 4,313 | 5,785 | - | 595 |
| Council on Aging Grants | 2,963 | 10,086 | 10,113 | - | 2,936 |
| Emergency Management Agency Grant | 22,993 | - | 579 | - | 22,414 |
| Green Community Grant | (11,160) | - | 2,798 | - | (13,958) |
| Health Grants | 7 | 809 | 816 | - | - |
| Highway Grants | - | 293,115 | 293,115 | - | - |
| Library Grants | 8,373 | 9,562 | 10,792 | - | 7,143 |
| Public Safety Grants | 14,604 | 44,582 | 50,985 | - | 8,201 |
| Tourism Grant | 23,000 | - | - | - | 23,000 |
| Schools: | | | | | |
| School Lunch Revolving | (68,799) | 358,782 | 397,882 | - | (107,899) |
| School Lunch Commodities | - | 15,359 | 15,359 | - | - |
| School Choice Program | (90,894) | 735,549 | 658,909 | - | (14,254) |
| Private Grants | 500 | - | - | - | 500 |
| Revolving Accounts | 45,046 | 107,185 | 71,042 | - | 81,189 |
| State Special Education Reimbursement Fund | (54,902) | 283,748 | 422,492 | - | (193,646) |
| Other: | | | | | |
| Ambulance Fund | 309,963 | 275,568 | 438,985 | 176,230 | 322,776 |
| Agricultural Commission | 219 | - | - | - | 219 |
| Cable Advisory Committee | 14,300 | 936 | 12,587 | - | 2,649 |
| Charter Day Revolving | 36,576 | 33,475 | 33,789 | - | 36,262 |
| Conservation Commission Fees | 260 | - | - | - | 260 |
| DARE Revolving | 12,626 | 18,785 | 17,631 | - | 13,780 |
| Dog Revolving | 11,179 | 10,594 | 9,995 | - | 11,778 |
| Dufresne Park Revolving | 40,826 | 16,694 | 36,852 | - | 20,668 |
| Forest Warden Offset Receipts Fund | 3,305 | 1,420 | 241 | - | 4,484 |
| Gifts and Donations | 35,745 | 23,282 | 10,284 | - | 48,743 |
| Inspections Revolving | (3,813) | 95,607 | 66,514 | - | 25,280 |
| Insurance Reimbursements | 17,462 | 1,239 | 19,582 | - | (881) |
| Landfill Waste Management Grants | 119 | - | - | - | 119 |
| Total Special Revenue Funds Page 58 | \$ 469,717 | \$ 2,765,194 | \$ 3,061,287 | \$ 176,230 | \$ 349,854 |

TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Fund Balances July 1, 2014 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2015 |
|--------------------------------------|---------------------------------------|-------------------|---------------------|---|--|
| Continued from Page 58 | \$ 469,717 | \$ 2,765,194 | \$ 3,061,287 | \$ 176,230 | \$ 349,854 |
| Special Revenue (continued): | | | | | |
| Other (continued): | | | | | |
| Library Revolving | 1,200 | - | - | - | 1,200 |
| Planning Board Revolving | 13,376 | 13,003 | 13,387 | - | 12,992 |
| Police Auction Revolving | 25 | - | - | - | 25 |
| Police and Fire Outside Duty | - | 255,227 | 232,302 | - | 22,925 |
| Recreation Revolving | 3,166 | - | 203 | - | 2,963 |
| Right to Know | 319 | - | - | - | 319 |
| Road Machinery Earnings | 40,457 | - | 10,693 | - | 29,764 |
| Sale of Cemetery Lots | 4,350 | 235 | 150 | - | 4,435 |
| Septic System Repair Fund | 88,418 | 8,669 | 175 | - | 96,912 |
| Tax Collector Fees | 882 | 27,028 | 26,630 | - | 1,280 |
| Town Clerk Fees | 1,093 | 1,068 | 2,161 | - | - |
| Conservation Fund | 38,454 | 568 | 849 | - | 38,173 |
| Hatch Fund | 37,177 | 2,530 | 3,160 | - | 36,547 |
| Law Enforcement Fund | 2,421 | 308 | - | - | 2,729 |
| Total Special Revenue Funds | 701,055 | 3,073,830 | 3,350,997 | 176,230 | 600,118 |
| Capital Projects: | | | | | |
| Demolish Aldrich Hall | 50,000 | - | - | - | 50,000 |
| Dufresne Dam Repair | 99,000 | - | - | - | 99,000 |
| East Meadow Roof | 138,750 | - | 62,477 | - | 76,273 |
| Fire Department Equipment | 194 | - | - | - | 194 |
| Highway Equipment | 4,873 | - | - | - | 4,873 |
| Highway Vehicles | 4,464 | - | 229,315 | 233,000 | 8,149 |
| In-Ground Oil Tank Replacement | - | - | 6,720 | 120,000 | 113,280 |
| Library construction | 76,121 | 100,000 | 38,932 | - | 137,189 |
| Police Sally Port | 6,601 | - | 4,299 | - | 2,302 |
| Schools' Security Systems | - | - | 129,996 | 130,000 | 4 |
| West Street School Feasibility Study | 799,683 | 178,829 | 312,839 | - | 665,673 |
| West Street School Roof Replacement | 11,072 | - | - | - | 11,072 |
| Total Capital Projects | \$ 1,190,758 | \$ 278,829 | \$ 784,578 | \$ 483,000 | \$ 1,168,009 |

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

| | Fund Balances July 1, 2014 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2015 |
|---|---------------------------------------|---------------------|---------------------|---|--|
| Permanent Funds: | | | | | |
| Cemetery Perpetual Care Funds | \$ 231,272 | \$ 25,407 | \$ 16,175 | \$ - | \$ 240,504 |
| Library Funds | 18,357 | 262 | 593 | - | 18,026 |
| Marie Quirk Dufresne Park Fund | 12,426 | 186 | - | - | 12,612 |
| Total Permanent Funds | 262,055 | 25,855 | 16,768 | - | 271,142 |
| Total - Non-Major Governmental Funds | \$ 2,153,868 | \$ 3,378,514 | \$ 4,152,343 | \$ 659,230 | \$ 2,039,269 |

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2014 TO JUNE 30, 2015**

| | Uncollected Taxes July 1, 2014 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2015 | Uncollected Taxes Per Detail June 30, 2015 |
|--|--------------------------------------|----------------------|----------------------------------|---|---------------------------------------|---|
| Real Estate Taxes: | | | | | | |
| Levy of 2015 | \$ - | \$ 10,062,758 | \$ 73,788 | \$ 9,695,200 | \$ 293,770 | \$ 293,770 |
| Levy of 2014 | 303,022 | - | 8,623 | 218,011 | 76,388 | 76,388 |
| Levy of 2013 | 48,343 | - | 159 | 22,063 | 26,121 | 26,121 |
| Levy of 2012 | 16,243 | - | - | 12,720 | 3,523 | 3,523 |
| Levy of 2011 | 5,899 | - | - | 5,899 | - | - |
| Prior Years | 708 | - | - | 708 | - | - |
| | <u>374,215</u> | <u>10,062,758</u> | <u>82,570</u> | <u>9,954,601</u> | <u>399,802</u> | <u>399,802</u> |
| Personal Property Taxes: | | | | | | |
| Levy of 2015 | - | 351,164 | 2,963 | 347,352 | 849 | 849 |
| Levy of 2014 | 2,482 | - | - | 2,118 | 364 | 364 |
| Levy of 2013 | 253 | - | - | - | 253 | 253 |
| Levy of 2012 | 220 | - | - | 220 | - | - |
| | <u>2,955</u> | <u>351,164</u> | <u>2,963</u> | <u>349,690</u> | <u>1,466</u> | <u>1,466</u> |
| Total Real Estate and Personal Property Taxes | <u>\$ 377,170</u> | <u>\$ 10,413,922</u> | <u>\$ 85,533</u> | <u>\$ 10,304,291</u> | <u>\$ 401,268</u> | <u>\$ 401,268</u> |

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2014 TO JUNE 30, 2015**

| | Uncollected Taxes July 1, 2014 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2015 | Uncollected Taxes Per Detail June 30, 2015 |
|---|--------------------------------------|-------------------|----------------------------------|---|---------------------------------------|---|
| Motor Vehicle Excise Taxes: | | | | | | |
| Levy of 2015 | \$ - | \$ 709,783 | \$ 8,383 | \$ 604,666 | \$ 96,734 | \$ 96,734 |
| Levy of 2014 | 112,387 | 75,537 | 8,303 | 161,586 | 18,035 | 18,035 |
| Levy of 2013 | 20,132 | - | 711 | 13,266 | 6,155 | 6,155 |
| Levy of 2012 | 5,286 | - | 113 | 1,814 | 3,359 | 3,359 |
| Levy of 2011 | 3,125 | - | 14 | 537 | 2,574 | 2,574 |
| Prior Years | 8,326 | 154 | - | 482 | 7,998 | 7,998 |
| Total Motor Vehicle Excise Taxes | \$ 149,256 | \$ 785,474 | \$ 17,524 | \$ 782,351 | \$ 134,855 | \$ 134,855 |

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2014 TO JUNE 30, 2015**

| | Uncollected Accounts July 1, 2014 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Accounts June 30, 2015 | Uncollected Accounts Per Detail June 30, 2015 |
|------------------|---|-------------|----------------------------------|---|--|--|
| Tax Liens | \$ 67,038 | \$ 10,195 | \$ - | \$ 16,201 | \$ 61,032 | \$ 61,032 |

TOWN OF GRANBY, MASSACHUSETTS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND INDEPENDENT AUDITORS' REPORTS REQUIRED
UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996**

FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF GRANBY, MASSACHUSETTS

**Independent Auditors' Reports Pursuant to
Governmental Auditing Standards and
The Single Audit Act Amendments of 1996**

For the Year Ended June 30, 2015

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**INDEPENDENT AUDITOR'S 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**

To the Honorable Board of Selectmen
Town of Granby, Massachusetts

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Granby, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Granby, Massachusetts' basic financial statements, and have issued our report thereon dated September 7, 2016. Our report on the Town of Granby, Massachusetts, included an adverse opinion on the financial statements because management has not recorded a liability for Other Post-Employment Benefits (OPEB) in the governmental activities and accordingly, has not recorded an expense for the current period OPEB liability.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Granby, Massachusetts' 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 of Granby, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Granby, Massachusetts' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Granby, Massachusetts' financial statements are free from 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.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

September 7, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Board of Selectmen
Town of Granby, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Granby, Massachusetts' compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Granby, Massachusetts' major federal programs for the year ended June 30, 2015. The Town of Granby, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Granby, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Granby, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Granby, Massachusetts' compliance.

Basis for Qualified Opinion on Special Education Cluster (CFDA Nos. 84.027 and 84.173)

As described in the accompanying schedule of findings and questioned costs, the Town of Granby, Massachusetts did not comply with requirements regarding the Special Education Cluster (CFDA Nos. 84.027 and 84.173) as described in finding number 2015-001 for Cash Management and finding number 2015-002 for Reporting Requirements. Compliance with such requirements is necessary, in our opinion, for the Town of Granby, Massachusetts to comply with the requirements applicable to that program.

Qualified Opinion on Special Education Cluster (CFDA Nos. 84.027 and 84.173)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town of Granby, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the special education cluster for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of Granby, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town of Granby, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Granby, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Granby, Massachusetts' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

The Town of Granby, Massachusetts' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Granby, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Granby, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Granby, Massachusetts' basic financial statements. We issued our report thereon dated September 7, 2016, which contained an adverse opinion on those financial statements because management has not recorded a liability for Other Post-Employment Benefits (OPEB) and, accordingly, has not recorded an expense for the current period change in the OPEB liability. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

September 7, 2016

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

| Federal Grantor/Pass-Through Grantor/ Program Title | State/ Pass-Through Identification Number | Federal CFDA Number | Federal Awards Expended |
|--|--|---------------------------|-------------------------------|
| U. S. Department of Agriculture | | | |
| Passed Through Commonwealth of Massachusetts | | | |
| Department of Elementary and Secondary Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 08-111 | 10.553 | \$ 13,709 |
| National School Lunch Program | 08-111 | 10.555 | 103,050 |
| Total Child Nutrition Cluster | | | <u>116,759</u> |
| Food Distribution-School Lunch Commodities | 08-111 | 10.565 | 15,360 |
| Passed Through Commonwealth of Massachusetts | | | |
| Department of Conservation and Recreation: | | | |
| Volunteer Firefighters Assistance | | 10.664 | <u>2,484</u> |
| Total U. S. Department of Agriculture | | | <u>134,603</u> |
| U. S. Department of the Interior | | | |
| Passed Through Commonwealth of Massachusetts | | | |
| Historical Commission: | | | |
| Historic Properties Survey | | 15.904 | <u>10,000</u> |
| Total U. S. Department of Transportation | | | <u>10,000</u> |
| U. S. Department of Transportation | | | |
| Passed Through Commonwealth of Massachusetts | | | |
| Executive Office of Public Safety and Homeland Security: | | | |
| State and Community Highway Safety | | 20.600 | <u>16,264</u> |
| Total U. S. Department of Transportation | | | <u>16,264</u> |
| U. S. Department of Health and Human Services | | | |
| Passed Through City of Northampton, Massachusetts: | | | |
| Public Health Emergency Preparedness | | 93.069 | <u>816</u> |
| Total U. S. Department of Health and Human Services | | | <u>816</u> |
| U. S. Department of Health and Human Services | | | |
| Passed Through Commonwealth of Massachusetts | | | |
| Emergency Management Agency: | | | |
| Emergency Management Performance Grants | | 97.042 | <u>4,009</u> |
| Total U. S. Department of Health and Human Services | | | <u>4,009</u> |
| TOTAL PAGE 1 OF 2 | | | <u>\$ 165,692</u> |

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

| Federal Grantor/Pass-Through Grantor/ Program Title | State/ Pass-Through Identification Number | Federal CFDA Number | Federal Awards Expended |
|---|--|------------------------------------|--|
| U. S. Department of Education | | | |
| Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education: | | | |
| Title I, Part A: | | | |
| Title I - 2014 | 305-018146-2014-0111 | 84.010 | \$ 19,394 |
| Title I - 2015 | 305-051213-2015-0111 | 84.010 | 58,270 |
| Total Title I, Part A | | | <u>77,664</u> |
| Special Education Cluster: | | | |
| Special Education 94-142 Allocation - 2015 | 240-194-5-0111-P | 84.027 | 261,489 |
| Special Education Program Improvement - 2015 | 274-278-5-0111-P | 84.027 | 8,788 |
| Early Childhood SPED Program Improvement - 2015 | 298-628-5-0111-P | 84.173 | 4,074 |
| Total Special Education Cluster, Elementary and Secondary Education | | | <u>274,351</u> |
| Improving Teacher Quality State Grants: | | | |
| Teacher Quality - 2014 | 140-038452-2014-0111 | 84.367 | 5,926 |
| Teacher Quality - 2015 | 140-068585-2015-0111 | 84.367 | 21,255 |
| Total Improving Teacher Quality State Grants | | | <u>27,181</u> |
| Race to the Top Incentive Grants, Recovery Act | | | |
| ARRA Race to the Top - 2014 | 201-015650-2014-0111 | 84.395 | 2,608 |
| Total Race to the Top Incentive Grants, Recovery Act | | | <u>2,608</u> |
| Passed Through Commonwealth of Massachusetts Department of Early Education and Care: | | | |
| Special Education Cluster: | | | |
| Special Education Early Childhood Allocation - 2014 | EEC-262 | 84.173 | 4,169 |
| Special Education Early Childhood Allocation - 2015 | EEC-262 | 84.173 | 6,814 |
| Total Special Education Cluster, Early Education and Care | | | <u>10,983</u> |
| Total U. S. Department of Education | | | <u>392,787</u> |
| TOTAL PAGE 2 OF 2 | | | <u>392,787</u> |
| TOTAL PAGE 1 OF 2 | | | <u>165,692</u> |
| TOTAL FEDERAL AWARDS EXPENDED | | | <u><u>\$ 558,479</u></u> |

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

TOWN OF GRANBY, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Town of Granby, Massachusetts, under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Granby, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Granby, Massachusetts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

TOWN OF GRANBY, MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report issued: *Adverse*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ☒ Yes ☐ None Reported

Type of Auditor's Report issued on compliance for major programs: *Qualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.553, 10.555 | U. S. Department of Agriculture – Child Nutrition Cluster |
| 84.027, 84.173 | U. S. Department of Education – Special Education Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings are summarized on the following pages 12-15.

SECTION IV – PRIOR AUDIT FINDINGS

Status of prior year audit findings are summarized on page 16.

**TOWN OF GRANBY, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2015-001

Noncompliance/Significant Deficiency in Internal Control Over Compliance – Cash Management – U. S. Department of Education – Special Education Cluster (CFDA Nos. 84.027 and 84.173) – Special Education 94-142 Allocation and Early Childhood Special Education Entitlement – Timely Requests for Funds

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care

Criteria:

Requests for payment of grant funds are to be submitted monthly with the Massachusetts Department of Elementary and Secondary Education (DESE). DESE has set up a procedure that when a grant is approved, an initial amount is disbursed to the Local Educational Agency (LEA) and the LEA requests funds within the last ten days of each month for the next month's cash flow needs.

Condition:

For the Special Education 94-142 Allocation grant, \$261,489 was awarded for fiscal year 2015. An initial amount of \$21,791 was disbursed to the Town at the beginning of the grant period. Funds of \$108,953 were requested in January 2015 and \$65,373 in April 2015. A total of \$196,117 was disbursed to the Town. The remaining balance of funds of \$65,372 was not requested.

Also, for the Early Childhood Special Education Allocation grant, \$11,823 was awarded for fiscal year 2015. An initial amount of \$5,911.50, or half of the grant, was disbursed to the Town in April 2015. The remaining balance of funds of \$5,911.50 was not requested.

As of April 2016, the grant period had expired for these grants and the remaining funds could not be requested. It has not been resolved as of the date of our audit whether the amounts not requested could be added as amendments to the fiscal year 2016 grants.

Questioned Costs:

None noted.

Perspective Information:

Previous years' audit reports have noted deficiencies in timeliness of requesting grant funds from the Department of Elementary and Secondary Education and the Department of Early Education and Care.

Cause:

There has been turnover in administration in the special education department at the School Department. The responsibility for requesting funds has been given to the Director of Business Services.

**TOWN OF GRANBY, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Effect:

The Town has had to use its cash flow to pay expenses of the grants until funds are received. If the Town does not receive the funds awarded but not requested, the Town may have to provide for the grant funds expended but not received from local funding sources, such as free cash or the school department budget.

Recommendation:

The School Department Director of Business Services should request funds monthly. Requests should not wait until the end of the grant period.

Management's Response:

School Department Response:

Management agrees with this finding and the issue has been resolved at this date. Management disagrees with part of the finding in that the way the finding is written appears to request the school to process against MGL Ch.44 Section 53E1/2 and MGL Ch.41 Section 56 which do not allow for charges to occur if the funds are not received. The information has been shared with the auditor. The funds from these grants are being carried forward for fiscal year 2017. However MGL Ch.44 Section 53E1/2 and MGL Ch.41 Section 56 does not allow for charges to occur if the funds are not received.

**TOWN OF GRANBY, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2015-002

Noncompliance/Significant Deficiency in Internal Control Over Compliance – Reporting Requirements – U. S. Department of Education Grants – Special Education Cluster (CFDA Nos. 84.027 and 84.173) – Special Education 94-142 Allocation and Early Childhood Special Education Entitlement – Late Filing of Final Financial Reports

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care

Criteria:

The Massachusetts Department of Elementary and Secondary Education requires Final Financial Reports to be filed for all grants within 60 days after the end of the grant period.

Condition:

Federal grants for Fiscal Year 2015 had a grant period ending date of August 31, 2015. The Final Financial Reports were due by October 31, 2015. As of April 2016, the Final Financial Reports had not been filed for any fiscal year 2015 grants awarded by the Department of Elementary and Secondary Education or by the Department of Early Education and Care.

Questioned Costs:

None noted.

Perspective Information:

This condition was reported in the prior year's audit report.

Cause:

The Business Administration has consistently been late filing reports for grants.

Effect:

The School Department did not comply with the time requirements for filing Final Financial Reports to close out the grants. The Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care could withhold future grant payments from the Town if Final Financial Reports are not filed by the deadline. This could have a negative effect on the Town's cash flow.

Recommendation:

The School Department Director of Business Services should monitor reporting of grants and identify if amendments will be required before the end of the grant period so that the final financial reports can be filed on time.

**TOWN OF GRANBY, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Management's Response:

School Department Response:

Management agrees with the finding however MGL Ch.44 Section 53E1/2 and MGL Ch.41 Section 56 does not allow for charges to occur if the funds are not received.

**TOWN OF GRANBY, MASSACHUSETTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2014-001: Noncompliance/Significant Deficiency in Internal Control Over Compliance – Cash Management – U. S. Department of Education – Special Education Cluster (CFDA Nos. 84.027 and 84.173) – Timely Requests for Funds

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care

Prior Year Comment:

The finding indicated that the Granby School Department did not file monthly requests for payment until the end of the grant period.

Status:

The Granby School Department did not file monthly requests for payment for fiscal year 2015 grants until the end of the grant period.

The status is the same and is reported as current audit finding 2015-002.

Finding 2014-002: Noncompliance/Significant Deficiency in Internal Control Over Compliance – Reporting Requirements – U. S. Department of Education – Special Education Cluster (CFDA Nos. 84.027 and 84.173) – Late Filing of Final Financial Reports

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care

Prior Year Comment:

The finding indicated that the Granby School Department filed the final financial reports six months late.

Status:

The Granby School Department had not filed final financial reports for any fiscal year 2015 grants as of April, 2016.

The status is the same and is reported as current audit finding 2015-003.