

TOWN OF GRANBY, MASSACHUSETTS

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

For the Year Ended June 30, 2016

TOWN OF GRANBY, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-13
BASIC FINANCIAL STATEMENTS	14
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues and Expenditures – Budgetary Basis – (Non-GAAP) – Budget and Actual – General Fund	21
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	22
Statement of Net Position – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Position – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	27
Notes to the Financial Statements	28-54
REQUIRED SUPPLEMENTARY INFORMATION	55
Pension Plan Schedules	56-57
Other Post Employment Benefit Plan Schedule	58
SUPPLEMENTARY SCHEDULES	59
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	60-62
Schedule of Real Estate and Personal Property Taxes	63
Schedule of Motor Vehicle Excise Taxes	64
Schedule of Tax Liens	65

Independent Auditor's Report

To the Honorable Select Board
Town of Granby, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Granby, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Granby, Massachusetts' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other postemployment benefit 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 basic 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.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

November 30, 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, 2016. 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 \$17,804,890 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$19,114,575 or a decrease of \$1,309,685 (7%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$9,043,296, showing a decrease of \$635,937 (7%) in comparison with the prior year.
- The General Fund's total fund balance decreased \$1,518,986 (20%) to \$6,120,978. The ending fund balance is 32% of revenues, transfers in and the sale of foreclosure property and 29% of expenditures and transfers out.
- The Town voted to establish the Other Post Employment Benefits trust fund and approved a transfer of \$150,000 to the fund in fiscal year 2017.
- Total liabilities of the Town increased by \$2,142,226 (17%) to \$14,385,354 during the fiscal year. This change was mainly the result of the net increases in warrants and accounts payable of \$257,582, in the Other Post-Employment Benefits (OPEB) liability of \$1,249,671 and in the Net Pension liability of \$688,391.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$1,163,103. The key factors that attributed to the free cash amount for fiscal year 2016 were unexpended/unencumbered appropriations of \$424,900 and excess over budget – State and local receipts of \$580,491.
- The Town's enterprise funds certified free cash is as follows:
 - Sewer Fund \$1,115,126.
 - Solid Waste Fund \$ 319,822.

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		
	2016	2015	Change
Assets:			
Current assets	\$ 11,211,131	\$ 11,810,033	\$ (598,902)
Capital assets	18,558,693	17,643,888	914,805
Total assets	29,769,824	29,453,921	315,903
Deferred Outflows of Resources			
Deferred outflows related to pensions	958,622	271,731	686,891
Liabilities:			
Current liabilities (excluding debt)	1,553,983	1,302,345	251,638
Current debt	406,200	389,000	17,200
Noncurrent liabilities (excluding debt)	10,638,821	8,709,371	1,929,450
Noncurrent debt	1,117,200	1,142,400	(25,200)
Total liabilities	13,716,204	11,543,116	2,173,088
Deferred Inflows of Resources			
Deferred inflows related to pensions	317,756	103,387	214,369
Net Position:			
Net investment in capital assets	17,035,293	16,112,488	922,805
Restricted	1,486,086	1,510,138	(24,052)
Unrestricted	(1,826,893)	456,523	(2,283,416)
Total net position	\$ 16,694,486	\$ 18,079,149	\$ (1,384,663)

	Business-Type Activities		
	2016	2015	Change
Assets:			
Current assets	\$ 664,428	\$ 580,420	\$ 84,008
Capital assets	1,115,126	1,155,018	(39,892)
Total assets	1,779,554	1,735,438	44,116
Liabilities:			
Current liabilities (excluding debt)	29,150	25,012	4,138
Current debt	35,000	35,000	-
Noncurrent debt	605,000	640,000	(35,000)
Total liabilities	669,150	700,012	(30,862)
Net Position:			
Net investment in capital assets	475,126	480,018	(4,892)
Restricted	29,156	29,156	-
Unrestricted	606,122	526,252	79,870
Total net position	\$ 1,110,404	\$ 1,035,426	\$ 74,978

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 1,084,708	\$ 1,244,801	\$ (160,093)
Operating grants and contributions	8,152,006	7,503,235	648,771
Capital grants and contributions	295,922	701,130	(405,208)
General Revenues:			
Property taxes	10,736,185	10,338,074	398,111
Motor vehicle excise and other taxes	855,226	787,558	67,668
Penalties and interest on taxes	82,209	56,066	26,143
Nonrestricted grants	889,047	872,204	16,843
Unrestricted investment income	45,794	40,350	5,444
Gain/(Loss) on sale of foreclosure property	-	(81,414)	81,414
Total revenues	22,141,097	21,462,004	679,093
Expenses:			
General government	1,101,122	1,087,308	13,814
Public safety	2,580,175	2,381,274	198,901
Public works	920,914	965,517	(44,603)
Education	11,295,680	11,367,469	(71,789)
Health and human services	207,673	286,107	(78,434)
Culture and recreation	316,203	250,269	65,934
Employee benefits and insurance	5,486,253	3,491,281	1,994,972
State assessments	1,217,324	1,034,753	182,571
Interest	38,575	37,291	1,284
Total expenses	23,163,919	20,901,269	2,262,650
Net (expenses) revenues	(1,022,822)	560,735	(1,583,557)
Transfers	(361,841)	(406,590)	44,749
Change in net position	(1,384,663)	154,145	(1,538,808)
Net position - beginning of year	18,079,149	17,925,004	154,145
Net position - end of year	\$ 16,694,486	\$ 18,079,149	\$ (1,384,663)

	Business-Type Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 220,191	\$ 172,818	\$ 47,373
Operating grants and contributions	2,299	3,659	(1,360)
Total revenues	222,490	176,477	46,013
Expenses:			
Sewer	185,106	238,772	(53,666)
Solid waste	324,247	358,156	(33,909)
Total expenses	509,353	596,928	(87,575)
Net (expenses) revenues	(286,863)	(420,451)	133,588
Transfers	361,841	406,590	(44,749)
Change in net position	74,978	(13,861)	88,839
Net position - beginning of year	1,035,426	1,049,287	(13,861)
Net position - end of year	\$ 1,110,404	\$ 1,035,426	\$ 74,978

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 \$17,804,890 at the close of fiscal year 2016.

Net position of \$17,510,419 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 \$1,515,242 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$1,220,771).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The Town is able to report positive balances in all categories of net position for the business-type activities.

The governmental activities net position decreased by \$1,384,663 (8%) 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 2016 was attributed to the acquisition of \$1,975,470 in new capital assets less \$2,590 in the sale of foreclosure properties exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$1,058,075 and decreases in recognizing this year's OPEB obligation of \$1,249,671 (approved at the annual town meeting in 2016) and this year's net pension liability of \$688,391.

There was an increase of \$74,978 (7%) in net position reported in the business-type activities. Of this, there were increases attributed to the sewer fund of \$7,680 and attributed to solid waste of \$67,298.

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 \$9,043,296 a decrease of \$635,937 (7%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance – \$10,935 (1%).
- Restricted fund balance – \$1,356,894 (15%).
- Committed fund balance – \$2,021,555 (22%).
- Assigned fund balance – \$816,410 (9%).
- Unassigned fund balance – \$4,837,502 (53%).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$6,120,978 decreasing \$1,518,986 (20%) from the prior year. Of the \$6,120,978, the unassigned amount is \$5,304,568 (87%) and the assigned amount is \$816,410 (13%). General fund revenues were \$1,254,627 (7%) more than the prior fiscal year and expenditures also increased by \$821,257 (5%). Other activity in the General fund was net transfers to other funds of \$2,518,078 and the sale of foreclosure property of \$2,590.

The main components of the increases in general fund revenues as compared to the prior year were related to increases in property taxes of \$513,305 (5%) in intergovernmental receipts of \$157,444 (3%) and in intergovernmental – “on-behalf” payments of \$537,594 (51%).

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

- Decrease in public works expenditures of \$118,421 (17%).
- Increase in Employee benefits and insurance expenditures of \$571,544 (17%).
- Increase in state assessments of \$182,571 (18%).

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 \$790,582 used in the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$7,680 (1%). This was due to operating revenues exceeding operating expenses by \$30,902, investment income of \$1,069 and interest expense of \$24,291. The operating revenues increased by \$52,654 (38%) while operating expenses decreased by \$51,130 (24%) over the prior year.

The *Solid Waste Fund* has accumulated a net position of \$319,822 used to account for the landfill and recycling activities. The landfill fund shows an increase of \$67,298 (27%) attributed mainly to operating expenditures exceeding operating revenues by \$295,773, investment income of \$1,230 and net transfers in from the General fund of \$361,841. The operating revenues decreased by \$5,281 (16%) while operating expenses also decreased by \$33,908 (9%) over the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2016 was \$17,314,898. This was an increase of \$373,798 (2%) over the previous year's budget.

There were adjustments between the original budget and the final amended budget. The changes are attributed to the Town amending specific budget operating line items at various special town meetings.

General fund expenditures were less than budgeted by \$678,148. Of the \$678,148 in under budgeted expenditures, \$253,272 has been carried over to fiscal year 2017.

There was a negative variance in state assessments of \$143,530 due to higher assessments in special education (SPED) of \$268 than expenses and higher payments in the charter school sending tuitions of \$119,110 and in the school choice sending tuitions of \$24,688 than actual assessments.

Overall the variance with the final budget was a positive \$1,075,235 consisting of a revenue surplus of \$650,359 and an appropriation surplus of \$424,876.

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, 2016 amounts to \$18,558,693 and \$1,115,126, 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:

- Voting machine purchases for \$24,150.
- Public safety complex carport for \$157.
- Police vehicle purchase for \$35,777.
- Ambulance purchase for \$251,054.
- Police and Fire Department communications system for \$57,537.
- Highway vehicle purchase for \$44,198.
- Road improvements for \$411,830.
- Schools' improvements for \$1,040,488.
- Senior Center roof repairs for \$13,300.
- Council on Aging vehicle purchase for \$24,020.
- Senior Center parking lot improvements for \$46,742.
- Library construction for \$26,256.

There are no major capital events during the current fiscal year in the business-type funds.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2016, totaled \$1,523,400; of which \$730,000 is for school improvements, \$80,000 for the comprehensive wastewater management plan, \$10,000 for various Town building improvements, \$683,600 for departmental vehicles and equipment and \$19,800 for the Dufresne Pond Dam repairs.

The business-type funds have total long term debt of \$640,000 for the Five Corners sewer project.

Please refer to notes 3D and 3F 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, 2016 do not reflect the fiscal year 2017 Town Meeting action with the exception of the fund balance (free cash) and stabilization fund amounts. The Annual Town Meeting on May 9, 2016 and June 16, 2016 authorized a fiscal year 2017 operating and capital budget as follows:

From raise and appropriate		\$	16,522,669
From offset receipts			2,869
From sewer receipts	\$	196,677	
From sewer retained earnings		<u>20,000</u>	216,677
From solid waste receipts			16,878
From Other Available Funds:			
General Fund:			
Stabilization fund		345,938	
Capital needs stabilization fund		<u>217,200</u>	563,138
Non-major Governmental Funds:			
Ambulance			<u>328,844</u>
		\$	<u><u>17,651,075</u></u>

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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	\$ 9,938,078	\$ 620,112	\$ 10,558,190
Receivables, net of allowance for uncollectibles:			
Property taxes	374,261	-	374,261
Tax liens	30,937	-	30,937
Excise taxes	133,184	-	133,184
User charges	-	44,316	44,316
Departmental	99,195	-	99,195
Due from other governments	624,541	-	624,541
Inventory	10,935	-	10,935
Total current assets	11,211,131	664,428	11,875,559
NONCURRENT:			
Capital Assets, net of accumulated depreciation:			
Nondepreciable	1,960,702	-	1,960,702
Depreciable	16,597,991	1,115,126	17,713,117
Total noncurrent assets	18,558,693	1,115,126	19,673,819
Total Assets	29,769,824	1,779,554	31,549,378
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	958,622	-	958,622
LIABILITIES			
CURRENT:			
Warrants and accounts payable	503,565	28,156	531,721
Accrued payroll	866,689	-	866,689
Employee withholdings	67,714	-	67,714
Accrued interest	16,532	994	17,526
Other	65,800	-	65,800
Compensated absences	33,683	-	33,683
Bonds payable	406,200	35,000	441,200
Total current liabilities	1,960,183	64,150	2,024,333
NONCURRENT:			
Compensated absences	134,733	-	134,733
OPEB Obligation Payable	1,249,671	-	1,249,671
Net Pension Liability	9,254,417	-	9,254,417
Bonds payable	1,117,200	605,000	1,722,200
Total noncurrent liabilities	11,756,021	605,000	12,361,021
Total Liabilities	13,716,204	669,150	14,385,354
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	317,756	-	317,756
NET POSITION			
Net Investment in capital assets	17,035,293	475,126	17,510,419
Restricted for:			
Federal & state grants	303,805	-	303,805
Capital projects	327,725	29,156	356,881
Permanent funds	279,877	-	279,877
Other purposes	574,679	-	574,679
Unrestricted	(1,826,893)	606,122	(1,220,771)
Total Net Position	\$ 16,694,486	\$ 1,110,404	\$ 17,804,890

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, 2016**

	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	\$ 1,101,122	\$ 69,333	\$ 6,612	\$ -	\$ (1,025,177)	\$ -	\$ (1,025,177)
Public safety	2,580,175	620,355	92,708	-	(1,867,112)	-	(1,867,112)
Public works	920,914	17,300	3,950	280,922	(618,742)	-	(618,742)
Education	11,295,680	293,334	6,358,125	-	(4,644,221)	-	(4,644,221)
Health and human services	207,673	36,991	78,176	15,000	(77,506)	-	(77,506)
Culture and recreation	316,203	47,395	15,765	-	(253,043)	-	(253,043)
Employee benefits and insurance	5,486,253	-	1,596,670	-	(3,889,583)	-	(3,889,583)
State assessments	1,217,324	-	-	-	(1,217,324)	-	(1,217,324)
Interest	38,575	-	-	-	(38,575)	-	(38,575)
Total Governmental Activities	23,163,919	1,084,708	8,152,006	295,922	(13,631,283)	-	(13,631,283)
Business Type Activities:							
Sewer	185,106	191,717	1,069	-	-	7,680	7,680
Solid waste	324,247	28,474	1,230	-	-	(294,543)	(294,543)
Total Business-Type Activities	509,353	220,191	2,299	-	-	(286,863)	(286,863)
Total Primary Government	\$ 23,673,272	\$ 1,304,899	\$ 8,154,305	\$ 295,922	\$ (13,631,283)	\$ (286,863)	\$ (13,918,146)
General Revenues:							
Property Taxes					10,736,185	-	10,736,185
Motor vehicle excise and other taxes					855,226	-	855,226
Penalties & interest on taxes					82,209	-	82,209
Grants & contributions not restricted to specific programs					889,047	-	889,047
Unrestricted investment income					45,794	-	45,794
Transfers, Net					(361,841)	361,841	-
Total General Revenues & Transfers					12,246,620	361,841	12,608,461
Change in Net Position					(1,384,663)	74,978	(1,309,685)
Net Position:							
Beginning of year					18,079,149	1,035,426	19,114,575
End of year					\$ 16,694,486	\$ 1,110,404	\$ 17,804,890

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

**TOWN OF GRANBY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 7,229,607	\$ 2,708,471	\$ 9,938,078
Receivables, net of allowance for uncollectibles:			
Property taxes	374,261	-	374,261
Tax liens	30,937	-	30,937
Excise taxes	133,184	-	133,184
Departmental	-	99,195	99,195
Due from other governments	68,461	556,080	624,541
Inventory	-	10,935	10,935
Total Assets	\$ 7,836,450	\$ 3,374,681	\$ 11,211,131
Liabilities:			
Warrants and accounts payable	\$ 240,304	\$ 263,261	\$ 503,565
Accrued payroll	844,623	22,066	866,689
Employee withholdings	67,714	-	67,714
Other	65,800	-	65,800
Total Liabilities	1,218,441	285,327	1,503,768
Deferred Inflows of Resources:			
Unavailable revenue	497,031	167,036	664,067
Fund Balances:			
Nonspendable	-	10,935	10,935
Restricted	-	1,356,894	1,356,894
Committed	-	2,021,555	2,021,555
Assigned	816,410	-	816,410
Unassigned	5,304,568	(467,066)	4,837,502
Total Fund Balance	6,120,978	2,922,318	9,043,296
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,836,450	\$ 3,374,681	\$ 11,211,131

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, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 10,781,287	\$ -	\$ 10,781,287
Intergovernmental	5,763,249	2,044,499	7,807,748
Excise and other taxes	841,399	-	841,399
Charges for services	-	1,015,587	1,015,587
Licenses, permits, fees	119,314	-	119,314
Interest on taxes	82,209	-	82,209
Investment Income	45,794	6,124	51,918
Gifts and donations	-	39,805	39,805
Other	-	18,872	18,872
Intergovernmental - "on-behalf" payments	1,596,670	-	1,596,670
Total Revenues	19,229,922	3,124,887	22,354,809
Expenditures:			
Current:			
General government	1,041,736	57,486	1,099,222
Public safety	1,424,693	1,113,328	2,538,021
Public works	577,044	420,217	997,261
Education	9,170,843	2,996,538	12,167,381
Health and human services	217,041	50,572	267,613
Culture and recreation	139,495	140,934	280,429
Employee benefits and insurance	4,020,713	-	4,020,713
State assessments	1,217,324	-	1,217,324
Debt service:			
Principal	389,000	-	389,000
Interest	35,531	-	35,531
Total Expenditures	18,233,420	4,779,075	23,012,495
Excess of Revenues Over (Under) Expenditures	996,502	(1,654,188)	(657,686)
Other Financing Sources (Uses):			
Operating transfers in	21,193	2,177,430	2,198,623
Operating transfers out	(2,539,271)	(21,193)	(2,560,464)
Proceeds from issuance of bonds and notes	-	381,000	381,000
Sale of foreclosure property	2,590	-	2,590
Total Other Financing Sources (Uses)	(2,515,488)	2,537,237	21,749
Net Change in Fund Balances	(1,518,986)	883,049	(635,937)
Fund Balances, Beginning of Year	7,639,964	2,039,269	9,679,233
Fund Balances, End of Year	\$ 6,120,978	\$ 2,922,318	\$ 9,043,296

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, 2016

Total Governmental Fund Balances		\$ 9,043,296
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		18,558,693
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		664,067
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.		640,866
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (1,523,400)	
Other Post Employment Benefits Payable	(1,249,671)	
Net Pension Liability	(9,254,417)	
Compensated Absences	<u>(168,416)</u>	(12,195,904)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(16,532)</u>
Net Position of Governmental Activities		<u><u>\$ 16,694,486</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (635,937)

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	\$ 1,975,470	
Sale of Capital Assets	(2,590)	
Depreciation	(1,058,075)	914,805

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. (213,712)

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	(381,000)	
Repayment of Debt Principal	389,000	8,000

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	10,765	
Net Change in Other Post Employment Benefits	(1,249,671)	
Net Change in Net Pension Liability	(688,391)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	472,522	
Net Change in Accrued Interest on Long-Term Debt	(3,044)	(1,457,819)

Change in Net Position of Governmental Activities \$ (1,384,663)

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, 2016

	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	\$ -	\$ 10,723,419	\$ 10,723,419	\$ 10,793,287	\$ -	\$ 69,868
Intergovernmental	-	5,569,801	5,569,801	5,763,249	-	193,448
Excise and Other Taxes	-	577,000	577,000	841,399	-	264,399
Licenses, Permits, Fees	-	66,400	66,400	119,314	-	52,914
Interest on Taxes	-	25,000	25,000	82,209	-	57,209
Interest on Investments	-	10,000	10,000	22,521	-	12,521
Total Revenues	-	16,971,620	16,971,620	17,621,979	-	650,359
Expenditures:						
Current:						
General Government	233,162	1,162,548	1,381,433	1,041,736	134,177	205,520
Public Safety	52,730	1,424,168	1,483,932	1,424,693	30,709	28,530
Public Works	21,860	747,872	774,062	577,044	34,226	162,792
Education	37,915	9,164,223	9,202,138	9,170,843	31,100	195
Health and Human Services	-	255,066	255,066	217,041	-	38,025
Culture and Recreation	10,000	139,320	149,856	139,495	10,000	361
Employee Benefits and Insurance	19,000	2,534,638	2,556,015	2,424,043	13,060	118,912
State Assessments	-	1,073,794	1,073,794	1,217,324	-	(143,530)
Debt Service:						
Principal	-	389,000	389,000	389,000	-	-
Interest	-	49,602	49,602	35,531	-	14,071
Total Expenditures	374,667	16,940,231	17,314,898	16,636,750	253,272	424,876
Excess of Revenues Over (Under) Expenditures	(374,667)	31,389	(343,278)	985,229	(253,272)	1,075,235
Other Financing Sources (Uses):						
Operating Transfers In	-	252,000	252,000	273,193	-	21,193
Operating Transfers Out	-	(1,391,271)	(1,683,820)	(1,683,820)	-	-
Sale of foreclosure property	-	-	-	2,590	-	2,590
Total Other Financing Sources (Uses)	-	(1,139,271)	(1,431,820)	(1,408,037)	-	23,783
Net Change in Budgetary Fund Balance	(374,667)	(1,107,882)	(1,775,098)	\$ (422,808)	\$ (253,272)	\$ 1,099,018
Other Budgetary Items:						
Free cash and other reserves	-	1,113,072	1,405,621			
Prior year deficits	-	(5,190)	(5,190)			
Prior year encumbrances	374,667	-	374,667			
Total Other Budgetary Items	374,667	1,107,882	1,775,098			
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, 2016

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 17,621,979	\$ 16,636,750
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	23,273	-
Recognition of Intergovernmental Revenue - "on behalf payments"	1,596,670	-
Recognition of Expenditures - "on behalf payments"	-	1,596,670
Net Decrease in Revenue from Recording 60-Day Receipts	(12,000)	-
Reported on a GAAP Basis	<u>\$ 19,229,922</u>	<u>\$ 18,233,420</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, 2016

		Business-Type Activities Enterprise Funds		
		Sewer Fund	Solid Waste	Total
ASSETS				
CURRENT:				
Cash and cash equivalents	\$	273,036	\$ 347,076	\$ 620,112
User Charges, net of allowance for uncollectibles		44,316	-	44,316
Total current assets		317,352	347,076	664,428
NONCURRENT:				
Capital Assets, net of accumulated depreciation				
Depreciable		1,115,126	-	1,115,126
Total noncurrent assets		1,115,126	-	1,115,126
Total Assets		1,432,478	347,076	1,779,554
LIABILITIES				
CURRENT:				
Warrants and accounts payable		902	27,254	28,156
Accrued interest		994	-	994
Bonds payable		35,000	-	35,000
Total current liabilities		36,896	27,254	64,150
NONCURRENT:				
Bonds payable		605,000	-	605,000
Total noncurrent liabilities		605,000	-	605,000
Total Liabilities		641,896	27,254	669,150
NET POSITION				
Net Investment in capital assets		475,126	-	475,126
Restricted for capital		29,156	-	29,156
Unrestricted		286,300	319,822	606,122
Total Net Position	\$	790,582	\$ 319,822	\$ 1,110,404

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, 2016

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Solid Waste	Total
Operating Revenues:			
Charges for services	\$ 191,717	\$ 28,474	\$ 220,191
Total Operating Revenues	<u>191,717</u>	<u>28,474</u>	<u>220,191</u>
Operating Expenses:			
Salaries and wages	13,910	2,151	16,061
Operating expenses	107,013	322,096	429,109
Depreciation	39,892	-	39,892
Total Operating Expenses	<u>160,815</u>	<u>324,247</u>	<u>485,062</u>
Operating Income (Loss)	<u>30,902</u>	<u>(295,773)</u>	<u>(264,871)</u>
Non-Operating Revenues (Expenses):			
Investment income	1,069	1,230	2,299
Interest expense	(24,291)	-	(24,291)
Total Operating Expenses	<u>(23,222)</u>	<u>1,230</u>	<u>(21,992)</u>
Income (Loss) Before Operating Transfers	<u>7,680</u>	<u>(294,543)</u>	<u>(286,863)</u>
Operating Transfers:			
Transfers in/(out)	-	361,841	361,841
Total Operating Transfers	<u>-</u>	<u>361,841</u>	<u>361,841</u>
Change in Net Position	<u>7,680</u>	<u>67,298</u>	<u>74,978</u>
Net Position at Beginning of Year	<u>782,902</u>	<u>252,524</u>	<u>1,035,426</u>
Net Position at End of Year	<u>\$ 790,582</u>	<u>\$ 319,822</u>	<u>\$ 1,110,404</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, 2016**

	Business-Type Activities Enterprise Fund		
	Sewer Fund	Solid Waste	Total
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 191,237	\$ 28,474	\$ 219,711
Payments to vendors	(106,465)	(318,466)	(424,931)
Payments to employees	(13,910)	(2,151)	(16,061)
Net Cash Provided by (Used for) Operating Activities	70,862	(292,143)	(221,281)
Cash Flows from Noncapital Financing Activities:			
Transfers in/(out)	-	361,841	361,841
Net Cash Provided by (Used for) Noncapital Financing Activities	-	361,841	361,841
Cash Flows from Capital and Related Financing Activities:			
Principal payments on bonds and notes	(35,000)	-	(35,000)
Interest expense	(24,331)	-	(24,331)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(59,331)	-	(59,331)
Cash Flows from Investing Activities:			
Investment income	1,069	1,230	2,299
Net Cash Provided by (Used for) Investing Activities	1,069	1,230	2,299
Net Increase (Decrease) in Cash and Cash Equivalents	12,600	70,928	83,528
Cash and Cash Equivalents at Beginning of Year	260,436	276,148	536,584
Cash and Cash Equivalents at End of Year	\$ 273,036	\$ 347,076	\$ 620,112

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

Operating Income (Loss)	\$ 30,902	\$ (295,773)	\$ (264,871)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	39,892	-	39,892
Decrease (increase) in assets:			
User charges receivable	(1,031)	-	(1,031)
Special assessments receivable	551	-	551
Increase (decrease) in liabilities:			
Warrants and accounts payable	548	3,630	4,178
Total Adjustments	39,960	3,630	43,590
Net Cash Provided by (Used for) Operating Activities	\$ 70,862	\$ (292,143)	\$ (221,281)

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, 2016**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 215,365	\$ 69,431
Total Assets	215,365	69,431
LIABILITIES		
Due to student groups	-	53,840
Escrows & deposits	-	15,591
Total Liabilities	-	69,431
NET POSITION		
Held in trust for other purposes	\$ 215,365	\$ -

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, 2016**

	Private Purpose Trust Funds
Additions:	
Contributions	\$ 100
Investment income	3,222
Total Additions	3,322
Deductions:	
Educational scholarships	3,070
Total Deductions	3,070
Change in Net Position	252
Net Position at Beginning of Year	215,113
Net Position at End of Year	\$ 215,365

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, 2016

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 2016, 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, 2016

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, 2016

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, 2016

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, 2015 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, 2016

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 2016 on June 30, 2015, that were due on August 3, 2015 and November 2, 2015 and actual bills on December 31, 2015 that were due on February 1, 2016 and May 2, 2016.

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 2016 is \$10,801,368.

The total amount raised by taxation was \$10,796,859.

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.

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.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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 in the 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 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.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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.

"Other purposes" represents restrictions placed on assets from outside parties.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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 the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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 50%, 64% 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. 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.
- 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 2016, the Town incurred a final budget deficit of \$1,775,098 for the General Fund.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

Unassigned fund balance:	
Free cash votes	\$ 1,405,621
Overlay deficits	(5,190)
Prior year's encumbrances	374,667
	<u>\$ 1,775,098</u>

B. Deficit Fund Balance

The following special revenue funds have deficits at June 30, 2016 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 special education 2015 grant has a deficit fund balance of \$65,372. The deficit will need to be eliminated through additional grant receipts or upon the issuance of an appropriation.
- The school special education early childhood 2015 grant has a deficit fund balance of \$5,912. 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 \$167,179. This deficit increased over the prior two years. The deficit will need to be eliminated upon the issuance of an appropriation.
- The school choice program fund has a deficit fund balance of \$73,291. This deficit increased over the prior year. 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 \$141,354. This deficit decreased over the prior year. The deficit will need to be eliminated through the issuance of an appropriation.

3. 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, 2016 were \$11,176,436. 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, 2016

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, 2016, the Town had no investments that met the above criteria.

B. Receivables

At June 30, 2016, 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	\$ 374,661	\$ (400)	\$ 374,261
Tax liens	30,937	-	30,937
Excise taxes	150,287	(17,103)	133,184
Departmental	297,748	(198,553)	99,195
Due from other governments	624,541	-	624,541
	<u>\$ 1,478,174</u>	<u>\$ (216,056)</u>	<u>\$ 1,262,118</u>

At June 30, 2016, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 44,816	\$ (500)	\$ 44,316

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The composition of amounts due from other governments as of June 30, 2016 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans, Blind & Surviving Spouse \$ 16,509

Department of Veterans Services:

Veterans benefits 51,777

Other 175 \$ 68,461

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch 7,885

U. S. Department of Education:

School title grants 67,928

Commonwealth of Massachusetts:

Department of Elementary & Secondary Education:

School lunch 595

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 479,672 556,080

\$ 624,541

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 \$ 293,261

Tax liens 30,937

Excise taxes 133,184

Due from other governments 39,649 \$ 497,031

Nonmajor governmental funds:

Departmental 99,194

Due from other governments 67,842 167,036

\$ 664,067

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

D. Capital Assets

Capital assets for the governmental and business-type activities for the year ended June 30, 2016, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 599,724	\$ -	\$ (2,589)	\$ 597,135
Construction in progress	5,134,711	1,070,104	(4,841,248)	1,363,567
Total capital assets not being depreciated	5,734,435	1,070,104	(4,843,837)	1,960,702
Capital assets being depreciated:				
Buildings and Renovations	18,107,016	4,898,048	-	23,005,064
Machinery, equipment and other	3,787,778	436,735	(200,996)	4,023,517
Infrastructure	4,745,707	411,830	-	5,157,537
Total capital assets being depreciated	26,640,501	5,746,613	(200,996)	32,186,118
Less accumulated depreciation for:				
Buildings and Renovations	9,641,359	526,491	-	10,167,850
Machinery, equipment and other	2,824,311	117,803	-	2,942,114
Infrastructure	2,265,378	212,785	-	2,478,163
Total accumulated depreciation	14,731,048	857,079	-	15,588,127
Total capital assets being depreciated, net	11,909,453	4,889,534	(200,996)	16,597,991
Total governmental activities capital assets, net	\$ 17,643,888	\$ 5,959,638	\$ (5,044,833)	\$ 18,558,693

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Infrastructure	2,562,306	-	(4)	2,562,302
Total capital assets being depreciated	2,562,306	-	(4)	2,562,302
Less accumulated depreciation for:				
Infrastructure	1,407,288	39,888	-	1,447,176
Total accumulated depreciation	1,407,288	39,888	-	1,447,176
Total capital assets being depreciated, net	1,155,018	(39,888)	(4)	1,115,126
Total business-type activities capital assets, net	\$ 1,155,018	\$ (39,888)	\$ (4)	\$ 1,115,126

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

Governmental Activities:

General government	\$ 9,693
Public safety	207,340
Public works	375,415
Education	175,385
Health and human services	23,733
Culture and recreation	65,513
Total depreciation expense - governmental activities	<u>\$ 857,079</u>

Business-type Activities:

Sewer fund	<u>\$ 39,888</u>
------------	------------------

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2016, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 2,177,430	\$ 361,841	\$ 2,539,271
Nonmajor governmental	21,193	-	-	21,193
Total transfers out	<u>\$ 21,193</u>	<u>\$ 2,177,430</u>	<u>\$ 361,841</u>	<u>\$ 2,560,464</u>

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2016
Inside Debt:					
Municipal Purpose Loan of 2009:					
West Street School Roof	2.25-4.00%	12/15/09	12/15/29	\$ 801,000	\$ 530,000
State House Loan of 2011:					
Comprehensive Wastewater Management Plan	2.00%	08/01/11	08/01/16	400,000	80,000
State House Loan of 2012:					
Highway Vehicle and Equipment	1.90%	12/28/12	12/28/17	188,000	75,200
Refunding Notes:					
West Street School Storage Tank	1.90%	08/01/14	08/01/19	120,000	96,000
Public Works Pickup Truck	1.90%	08/01/14	08/01/19	45,000	36,000
Public Works Dump Truck	1.90%	08/01/14	08/01/19	59,000	47,200
Schools' Security Systems	1.90%	08/01/14	08/01/19	130,000	104,000
Public Works Lift Truck	1.90%	08/01/14	08/01/19	129,000	103,200
Durfresne Pond Dam Repairs	0.54%	04/22/16	04/21/17	79,200	19,800
Public Works Vehicle	0.54%	04/22/16	04/21/17	52,000	13,000
Counsel on Aging Elevator	0.54%	04/22/16	04/21/17	40,000	10,000
Self Contained Breathing Apparatus	0.54%	04/22/16	04/21/17	104,000	26,000
Fire Department Equipment	0.54%	04/22/16	04/21/17	8,000	2,000
Fire Department Compressed Air Foam System	2.10%	08/28/15	08/28/20	49,000	49,000
Public Works Vehicle	2.10%	08/28/15	08/28/20	42,000	42,000
Council on Aging Vehicle	2.10%	08/28/15	08/28/20	30,000	30,000
Ambulance	2.10%	08/28/15	08/28/20	260,000	260,000
Total Inside Debt					<u>1,523,400</u>
Total governmental type debt					<u><u>\$ 1,523,400</u></u>

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2016 are as follows:

Year	Principal	Interest	Total
2017	\$ 406,200	\$ 37,485	\$ 443,685
2018	255,400	29,896	285,296
2019	212,800	24,422	237,222
2020	212,800	19,636	232,436
2021	116,200	14,750	130,950
2022-2026	200,000	43,200	243,200
2027-2029	120,000	7,200	127,200
	<u>\$ 1,523,400</u>	<u>\$ 176,589</u>	<u>\$ 1,699,989</u>

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, 2016
Inside Debt:					
Sewer Fund:					
Municipal Purpose Loan of 2009:					
Five Corners Sewer	2.25-4.00%	12/15/09	12/15/29	\$ 830,000	\$ 640,000
Total business-type debt					<u>\$ 640,000</u>

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2016 are as follows:

Year	Principal	Interest	Total
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	40,000	18,300	58,300
2022-2026	230,000	67,063	297,063
2027-2029	220,000	18,200	238,200
	<u>\$ 640,000</u>	<u>\$ 190,013</u>	<u>\$ 830,013</u>

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 847,800	\$ -	\$ 162,600	\$ 685,200	\$ 162,600
Refunding notes	683,600	381,000	226,400	838,200	243,600
Compensated absences	179,181	8,012	18,777	168,416	33,683
OPEB Obligation payable	-	1,249,671	-	1,249,671	-
Net pension liability	8,566,026	688,391	-	9,254,417	-
Governmental activity Long-term liabilities	<u>\$ 10,276,607</u>	<u>\$ 2,327,074</u>	<u>\$ 407,777</u>	<u>\$ 12,195,904</u>	<u>\$ 439,883</u>
Business type activities:					
Bond Payable:					
General obligation bonds	\$ 675,000	\$ -	\$ 35,000	\$ 640,000	\$ 35,000
Business-type activity Long-term liabilities	<u>\$ 675,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 640,000</u>	<u>\$ 35,000</u>

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 2016. The fiscal year 2016 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, 2016 totaled \$2,163,400.

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." The following is a computation of the legal debt limit as of June 30, 2016:

Equalized Valuation-Real Estate and Personal Property (2014)		<u>\$ 582,129,300</u>
Debt Limit: 5 % of Equalized value		29,106,465
Total Debt Outstanding	\$ 2,163,400	
Less: Debt Outside Debt Limit	-	<u>2,163,400</u>
Inside Debt Excess Borrowing Capacity at June 30, 2016		<u>\$ 26,943,065</u>

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2016 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
02/08/16	East Meadow Elementary School construction	<u>\$ 32,208,975</u>

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

G. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2016:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
School lunch inventory	\$ -	\$ 10,935	\$ 10,935
Restricted:			
Federal, state and local grants	-	128,493	128,493
School federal and state grants	-	107,471	107,471
Town revolving funds	-	287,618	287,618
School revolving funds	-	92,325	92,325
Donations and gifts	-	54,948	54,948
Capital projects	-	327,724	327,724
Permanent funds	-	279,877	279,877
Other	-	78,438	78,438
	-	1,356,894	1,356,894
Committed:			
Ambulance fund	-	354,355	354,355
Capital projects	-	1,667,200	1,667,200
	-	2,021,555	2,021,555
Assigned:			
General government	134,177	-	134,177
Public safety	30,709	-	30,709
Public works	34,226	-	34,226
Education	31,100	-	31,100
Culture and recreation	10,000	-	10,000
Employee benefits and insurance	13,060	-	13,060
Subsequent year's budget	563,138	-	563,138
	816,410	-	816,410
Unassigned:			
General Fund	5,304,568	-	5,304,568
Deficit special revenue funds	-	(467,066)	(467,066)
	5,304,568	(467,066)	4,837,502
Total Governmental fund balances	\$ 6,120,978	\$ 2,922,318	\$ 9,043,296

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2016 the following balances in the stabilization funds are reported in the General Fund as unassigned:

General purpose stabilization fund	\$ 535,431
Capital equipment needs stabilization fund	806,858
Municipal buildings stabilization fund	1,968,588
	<u>\$ 3,310,877</u>

4. 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, 2016

Based upon the unaudited results of operations of the HCHG for the fiscal year ended June 30, 2016, the Town's insurance consultants have reported the HCHG has accumulated a surplus of \$19,827,761 as of June 30, 2016.

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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016. 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, 2015. The Town's portion of the collective pension expense contributed by the Commonwealth of \$1,596,670 on-behalf payments for the fiscal year ending June 30, 2016 is reported as intergovernmental 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-

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2015 was \$830,059, representing 24.8% 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, 2016, the Town reported a liability of \$9,254,417 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportional percentage was 4.46%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2016, the Town recognized a pension expense of \$1,045,929 and reported deferred outflows of resources related to pensions of \$958,622 and deferred inflows of resources related to pensions of \$317,756, 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, 2015.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The Town's deferred outflows of resources and deferred inflows 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
2017	\$ 239,656	\$ 29,697
2018	239,656	29,697
2019	239,656	29,697
2020	239,654	29,697
Thereafter:	-	198,968
	<u>\$ 958,622</u>	<u>\$ 317,756</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, 2015:

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
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	5.90% per year
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 nominal return estimates provided by NEPC, adjusted using a 3.00% inflation assumption.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	2.0%	0.00%
Large Cap Equities	11.0%	4.37%
Small/Mid Cap Equities	6.0%	4.61%
International Equities	13.5%	4.85%
Emerging International Equities	7.0%	6.31%
Core Bonds	7.0%	0.86%
High-Yield Bonds	5.0%	2.67%
Global Bonds	3.0%	-0.24%
EMD (Local Currency)	6.0%	3.40%
Bank Loans	4.0%	2.91%
Private Equity	10.0%	6.31%
Private Debt	3.0%	4.85%
Real Estate (Core)	10.0%	3.40%
Hedge Funds	5.0%	3.40%
Global Asset Allocation	7.5%	2.61%
Total	100.0%	

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 0.68%. 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, 2016

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	\$ 11,348,845	\$ 9,254,417	\$ 7,438,809

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2016, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 302 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and applicable collective bargaining and employment contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2016 fiscal year, the Town provided required contributions of \$588,961 towards the annual OPEB cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses and reinsurance payments, and net of retiree contributions.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	<u>\$ 1,838,632</u>
Annual OPEB cost (expense)	1,838,632
Contributions made during the fiscal year	<u>(588,961)</u>
Increase in net OPEB obligation	1,249,671
Net OPEB Obligation - beginning of year	-
Net OPEB Obligation - end of year	<u><u>\$ 1,249,671</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 fiscal year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/16	\$ 1,838,632	32.0%	\$ 1,249,671

Funded Status and Funding Process

As of July 1, 2015, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$21,253,821, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,253,821. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll were not provided.

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

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The Town OPEB actuarial valuation as of July 1, 2015, used the individual entry age normal method. The OPEB liability is currently unfunded. The actuarial assumptions include an investment rate of return of 3.5%, a 3.5% discount rate, a payroll growth rate of 3.0% per annum and health care trend rate at an ultimate level of 5.0%.

TOWN OF GRANBY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2016 is approximately 30 years.

E. Implementation Of New GASB Pronouncements

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.

F. 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. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GRANBY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampshire County Retirement System
For the Year Ended June 30, 2016

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>12/31/15</u>	<u>12/31/14</u>
Town's proportion of the net pension liability (asset)	4.46%	4.59%
Town's proportionate share of the net pension liability (asset)	\$ 9,254,417	\$ 8,566,026
Town's covered employee payroll	\$ 3,336,940	\$ 3,184,581
Net pension liability percentage of covered-employee payroll	277.33%	268.98%
Plan fiduciary net position as a percentage of the total pension liability	55.30%	58.10%

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 the information is available.

TOWN OF GRANBY, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampshire County Retirement System
For the Year Ended June 30, 2016

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>12/31/15</u>	<u>12/31/14</u>
Actuarially determined contribution	\$ 830,059	\$ 800,570
Less: Contributions in relation to the actuarially determined contribution	<u>(830,059)</u>	<u>(800,570)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 3,336,940	\$ 3,184,581
Contributions percentage of covered-employee payroll	24.87%	25.14%

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

TOWN OF GRANBY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedule
For the Year Ended June 30, 2016

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/16 \$	- \$	21,253,821 \$	21,253,821 \$	0.0%	N/A	N/A

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2016	\$ 1,838,632	\$ 588,961	32.0%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

Actuarial Methods and Assumptions:

Valuation date	July 1, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization method	30-year amortization payments
Investment rate of return	3.50%
Annual payroll increase	3.00%
Medical/drug cost trend rate	at the ultimate trend rate of 5% per year

Plan Membership:

Current active members	167
Current retirees, beneficiaries and dependents	135
Total	<u>302</u>

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, 2016

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 47,496	\$ 426,761	\$ 438,070	\$ -	\$ 36,187
Arts Lottery Council Grants	595	4,607	3,347	-	1,855
Council on Aging Grants	2,936	11,358	11,742	-	2,552
Emergency Management Agency Grant	22,414	-	1,221	(21,193)	-
Green Community Grant	(13,958)	-	-	-	(13,958)
Other Grants and Programs	-	4,800	1,016	1,200	4,984
Highway Grants	-	411,830	411,830	-	-
Library Grants	7,143	10,708	46,878	100,000	70,973
Public Safety Grants	8,201	79,314	62,385	-	25,130
Tourism Grant	23,000	-	-	-	23,000
Schools:					
School Lunch Revolving	(107,899)	336,933	396,213	-	(167,179)
School Choice Program	(14,254)	662,813	721,850	-	(73,291)
Private Grants	500	-	-	-	500
Revolving Accounts	81,189	77,541	55,970	-	102,760
State Special Education Reimbursement Fund	(193,646)	311,176	258,884	-	(141,354)
Other:					
Ambulance Fund	322,776	330,738	474,095	174,936	354,355
Agricultural Commission	219	-	-	-	219
Cable Advisory Committee	2,649	949	3,350	-	248
Charter Day Revolving	36,262	29,306	33,680	-	31,888
Conservation Commission Fees	260	12,016	6,400	-	5,876
DARE Revolving	13,780	14,300	8,107	-	19,973
Dog Revolving	11,778	10,610	9,855	-	12,533
Dufresne Park Revolving	20,668	17,418	30,773	-	7,313
Forest Warden Offset Receipts Fund	4,484	1,980	1,277	-	5,187
Gifts and Donations	48,743	28,018	21,813	-	54,948
Inspections Revolving	25,280	75,526	74,905	-	25,901
Total Special Revenue Funds Page 60	\$ 350,616	\$ 2,858,702	\$ 3,073,661	\$ 254,943	\$ 390,600

TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Continued from Page 60	\$ 350,616	\$ 2,858,702	\$ 3,073,661	\$ 254,943	\$ 390,600
Special Revenue (continued):					
Other (continued):					
Insurance Reimbursements	(881)	-	(881)	-	-
Landfill Waste Management Grants	119	-	-	-	119
Library Revolving	1,200	-	-	-	1,200
Planning Board Revolving	12,992	6,653	10,795	-	8,850
Police Auction Revolving	25	-	-	-	25
Police and Fire Outside Duty	22,925	198,062	189,491	-	31,496
Recreation Revolving	2,963	-	-	-	2,963
Right to Know	319	-	-	-	319
Road Machinery Earnings	29,764	-	7,000	-	22,764
Sale of Cemetery Lots	4,435	1,070	-	-	5,505
Septic System Repair Fund	96,912	6,934	-	-	103,846
Tax Collector Fees	1,280	29,039	28,927	-	1,392
Town Clerk Fees	-	1,058	1,058	-	-
Conservation Fund	38,173	563	1,360	-	37,376
Hatch Fund	36,547	4,985	3,199	-	38,333
Law Enforcement Fund	2,729	-	-	-	2,729
Total Special Revenue Funds	600,118	3,107,066	3,314,610	254,943	647,517
Capital Projects:					
Ambulance	-	-	251,054	261,294	10,240
Council on Aging Vehicle	-	-	9,020	30,000	20,980
Demolish Aldrich Hall	50,000	-	-	-	50,000
Dufresne Dam Repair	99,000	-	-	-	99,000
East Meadow Roof	76,273	-	-	-	76,273
Elementary School Project	-	-	618,217	2,000,000	1,381,783
Fire Department Equipment	194	-	-	49,000	49,194
Highway Vehicles and Equipment	13,022	-	42,000	42,000	13,022
Total Capital Projects Page 61	\$ 238,489	\$ -	\$ 920,291	\$ 2,382,294	\$ 1,700,492

TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Continued from Page 61	\$ 238,489	\$ -	\$ 920,291	\$ 2,382,294	\$ 1,700,492
Capital Projects (Continued):					
In-Ground Oil Tank Replacement	113,280	-	-	-	113,280
Library construction	137,189	-	26,256	(100,000)	10,933
Police Sally Port	2,302	-	157	-	2,145
Schools' Security Systems	4	-	-	-	4
West Street School Feasibility Study	665,673	-	508,675	-	156,998
West Street School Roof Replacement	11,072	-	-	-	11,072
Total Capital Projects	1,168,009	-	1,455,379	2,282,294	1,994,924
Permanent Funds:					
Cemetery Perpetual Care Funds	240,504	17,371	9,086	-	248,789
Library Funds	18,026	261	-	-	18,287
Marie Quirk Dufresne Park Fund	12,612	189	-	-	12,801
Total Permanent Funds	271,142	17,821	9,086	-	279,877
Total - Non-Major Governmental Funds	\$ 2,039,269	\$ 3,124,887	\$ 4,779,075	\$ 2,537,237	\$ 2,922,318

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Real Estate Taxes:						
Levy of 2016	\$ -	\$ 10,431,361	\$ 72,714	\$ 10,100,196	\$ 258,451	\$ 258,451
Levy of 2015	293,770	-	2,761	213,743	77,266	77,266
Levy of 2014	76,388	-	(2,203)	50,666	27,925	27,925
Levy of 2013	26,121	-	(2,138)	20,762	7,497	7,497
Levy of 2012	3,523	-	(2,085)	4,842	766	766
	<u>399,802</u>	<u>10,431,361</u>	<u>69,049</u>	<u>10,390,209</u>	<u>371,905</u>	<u>371,905</u>
Personal Property Taxes:						
Levy of 2016	-	367,527	-	365,545	1,982	1,982
Levy of 2015	849	-	-	458	391	391
Levy of 2014	364	-	-	234	130	130
Levy of 2013	253	-	-	-	253	253
	<u>1,466</u>	<u>367,527</u>	<u>-</u>	<u>366,237</u>	<u>2,756</u>	<u>2,756</u>
Total Real Estate and Personal Property Taxes	<u>\$ 401,268</u>	<u>\$ 10,798,888</u>	<u>\$ 69,049</u>	<u>\$ 10,756,446</u>	<u>\$ 374,661</u>	<u>\$ 374,661</u>

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Motor Vehicle Excise Taxes:						
Levy of 2016	\$ -	\$ 761,821	\$ 9,396	\$ 642,144	\$ 110,281	\$ 110,281
Levy of 2015	96,734	87,157	8,248	156,893	18,750	18,750
Levy of 2014	18,035	47	216	11,349	6,517	6,517
Levy of 2013	6,155	60	563	2,964	2,688	2,688
Levy of 2012	3,359	-	-	911	2,448	2,448
Prior Years	10,572	69	-	1,038	9,603	9,603
Total Motor Vehicle Excise Taxes	\$ 134,855	\$ 849,154	\$ 18,423	\$ 815,299	\$ 150,287	\$ 150,287

**TOWN OF GRANBY, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Accounts July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2016	Uncollected Accounts Per Detail June 30, 2016
Tax Liens	\$ 61,032	\$ 5,746	\$ -	\$ 35,841	\$ 30,937	\$ 30,937