

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

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Erving, 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 Erving, 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 Erving, 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 Erving, 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 post employment 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 Erving, 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 and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

June 12, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Town of Erving, 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 financial statements and the notes to the 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 \$28,031,100 (net position) for the fiscal year reported increasing \$1,212,150 (5%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$11,943,323, an increase of \$1,314,105 (12%).
- The General Fund's total fund balance increased \$1,502,856 (15%) to \$11,498,929. The ending General fund balance is 103% of revenues and transfers in and 119% of expenditures and transfers out.
- The total liabilities of the Town are \$6,014,694.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$913,745. The key factors that attributed to the free cash amount for fiscal year 2016 were unexpended/unencumbered appropriations of \$552,500, excess over budget state and local receipts of \$17,800, excess over budget other financing sources of \$229,500 and prior year free cash not appropriated of \$137,300.
- The Town's enterprise funds certified free cash are as follows:
  - Wastewater fund           \$ 1,189,238.
  - Water fund                   \$ 226,714.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Erving'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 and state assessments. The business-type activity includes wastewater and water.

**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 Erving 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 wastewater and water 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 statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to 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

	<b>Governmental Activities 2016</b>
<b>Assets:</b>	
Current assets	\$ 13,178,543
Capital assets	12,165,545
<b>Total assets</b>	<b>25,344,088</b>
<b>Deferred Outflows of Resources:</b>	
Deferred outflows related to pensions	<b>288,630</b>
<b>Liabilities:</b>	
Current liabilities	794,427
Noncurrent liabilities	1,954,359
<b>Total liabilities</b>	<b>2,748,786</b>
<b>Deferred Inflows of Resources:</b>	
Deferred inflows related to pensions	<b>7,144</b>
<b>Net Position:</b>	
Net investment in capital assets	12,165,545
Restricted	705,243
Unrestricted	10,006,000
<b>Total net position</b>	<b>\$ 22,876,788</b>

	<b>Business-Type Activities 2016</b>
<b>Assets:</b>	
Current assets	\$ 1,694,172
Capital assets	6,726,048
<b>Total assets</b>	<b>8,420,220</b>
<b>Liabilities:</b>	
Current liabilities (excluding debt)	58,116
Current debt	224,410
Noncurrent liabilities (excluding debt)	13,657
Noncurrent debt	2,969,725
<b>Total liabilities</b>	<b>3,265,908</b>
<b>Net Position:</b>	
Net investment in capital assets	3,531,913
Unrestricted	1,622,399
<b>Total net position</b>	<b>\$ 5,154,312</b>



## Financial Highlights

### Statement of Activities Highlights

	<b>Governmental Activities 2016</b>
<b>Program Revenues:</b>	
Charges for services	\$ 247,041
Operating grants and contributions	1,391,810
Capital grants and contributions	111,110
<b>General Revenues:</b>	
Property taxes	9,102,707
Motor vehicle excise and other taxes	165,448
Penalties and interest on taxes	7,456
Nonrestricted grants	130,980
Unrestricted investment income	482,948
Miscellaneous	2,297
<b>Total revenues</b>	<b>11,641,797</b>
<b>Expenses:</b>	
General government	1,011,794
Public safety	759,279
Public works	677,319
Education	4,913,848
Health and human services	256,754
Culture and recreation	300,001
Employee benefits and insurance	1,712,699
State assessments	377,653
<b>Total expenses</b>	<b>10,009,347</b>
<b>Net (expenses) revenues</b>	<b>1,632,450</b>
<b>Transfers</b>	<b>(450,000)</b>
<b>Change in net position</b>	<b>1,182,450</b>
<b>Net position - beginning of year</b>	<b>21,694,338</b>
<b>Net position - end of year</b>	<b>\$ 22,876,788</b>

	<b>Business-Type Activities 2016</b>
<b>Program Revenues:</b>	
Charges for services	\$ 348,020
Operating grants and contributions	2,189
<b>Total revenues</b>	<b>350,209</b>
<b>Expenses:</b>	
Wastewater	655,933
Water	114,576
<b>Total expenses</b>	<b>770,509</b>
<b>Net (expenses) revenues</b>	<b>(420,300)</b>
<b>Transfers</b>	<b>450,000</b>
<b>Change in net position</b>	<b>29,700</b>
<b>Net position - beginning of year</b>	<b>5,124,612</b>
<b>Net position - end of year</b>	<b>\$ 5,154,312</b>

### 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 \$28,031,100 at the close of fiscal year 2016.

Net position of \$15,697,458 (56%) 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, \$705,243 (3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$11,628,399 (41%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental activities net position increased by \$1,182,450 (5%) during the current fiscal year. The significant reason of the increase in net position is attributed to the results of the General fund's operations during the fiscal year.

There was an increase of \$29,700 (1%) in net position reported in connection with the wastewater and water business-type activities. Of this, there was an increase of \$39,387 attributed to the wastewater department and a decrease of \$9,687 attributed to the water department.

## 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 \$11,943,323, an increase of \$1,314,105 (12%).

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$9,840 (1%).
- Restricted fund balance – \$480,911 (4%).
- Committed fund balance – \$919,840 (7%).
- Assigned fund balance – \$893,571 (7%).
- Unassigned fund balance – \$9,639,161 (81%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$11,498,929 increasing \$1,502,856 (15%). Of the \$11,498,929, the unassigned amount is \$9,685,518 (84%), the committed amount is \$919,840 (8%) and the assigned amount is \$893,571 (8%). General fund revenues are \$10,881,901 and expenditures are \$9,180,527 for the year. Other activity in the General Fund consisted of net transfers out to other funds of \$198,518.

**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 Fund

The *Wastewater Fund* has accumulated a fund balance of \$4,022,823 used in the financing and operations of the Town's wastewater system. The wastewater fund shows an increase of \$39,387 (1%) in total operations. This change was mainly attributed to operating expenses exceeding operating revenues by \$344,589, interest income of \$1,432, interest expense of \$67,456 and transfers in from the general fund of \$450,000.

The *Water Fund* has accumulated a fund balance of \$1,131,489 used in the financing and operations of the Town's water system. The water fund shows a decrease of \$9,687 (1%) in total operations. This change resulted from operating expenses exceeding operating revenues by \$8,344, interest income of \$757 and interest expense of \$2,100.

### General Fund Budgetary Highlights

The final general fund budget for fiscal year 2016 was \$10,360,495.

There was an increase of \$163,010 between the original budget and the total final amended budget. The change is attributed to votes made at various special town meetings for various budget operating line items.

General fund expenditures were less than budgeted by \$1,571,550. Of the \$1,571,550 in under budget expenditures, \$1,019,005 has been carried over to fiscal year 2017.

There are negative variances in intergovernmental receipts of \$31,104 and interest on investments of \$19,578 as receipts did not meet the budget expectations.

Overall the variance with the final budget was a positive \$673,751 consisting of a revenue surplus of \$121,206 and an appropriation surplus of \$552,545.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities amounts to \$12,165,545 and \$6,726,048, 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:

- Land purchase for \$160,000.
- Police Station flooring for \$18,867.
- Fire Department generator and equipment purchases for \$36,498.
- Highway equipment purchase for \$13,214.
- Road infrastructure improvements for \$324,890.
- School building improvements for \$12,240.
- Elementary school boiler replacement for \$22,483.

Major capital acquisitions during the current fiscal year in the business-type funds included the following:

In the Wastewater Fund:

- Wastewater facility generator purchases for \$42,000.
- Wastewater infrastructure improvements for \$80,105.

**Debt Administration.** The Town has no outstanding governmental long-term debt as of June 30, 2016.

The business-type funds have outstanding long-term debt as of June 30, 2016 totaling \$3,122,135, all of which relates to wastewater treatment plant improvements.

The water department received a \$120,000 interfund loan from the Stabilization fund for a water tank project. The water department is obligated to pay back the loan the Stabilization fund over a ten year period with 2.5% interest. The liability at June 30, 2016 is \$72,000.

Please refer to notes 3D, 3F and 3G for further discussion of the capital assets and debt activity.

### **Next Year's Annual Town Meeting**

The Town of Erving 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 except for the unassigned fund balance (free cash) amount used to fund the 2017 budget.

The Annual Town Meeting on May 2, 2016 and Special Town Meeting on June 28, 2016 authorized a fiscal year 2017 operating and capital budget as follows:

From raise and appropriate		\$	9,785,654
From wastewater revenues	\$	198,735	
From wastewater appropriations		75,000	273,735
From water revenues		91,109	
From water retained earnings		3,000	94,109
From Other Available Funds:			
<b>General Fund:</b>			
Unassigned fund balance:			
Free cash			794,406
Computer stabilization fund			11,546
<b>Non-major Governmental Funds:</b>			
Cable access grants		30,000	
Senior Community Center project		16,000	46,000
			<u>\$ 11,005,450</u>

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Erving'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, 12 East Main Street, Erving, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF ERVING, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 4,031,075	\$ 1,682,330	\$ 5,713,405
Investments	8,623,598	-	8,623,598
Receivables, net of allowance for uncollectibles:			
Property Taxes	51,383	-	51,383
Tax Liens	36,709	-	36,709
Excise Taxes	24,774	-	24,774
User Charges	-	11,842	11,842
Departmental	236,345	-	236,345
Due from Others	174,659	-	174,659
Total current assets	<u>13,178,543</u>	<u>1,694,172</u>	<u>14,872,715</u>
<b>NONCURRENT:</b>			
Capital Assets, net of accumulated Depreciation			
Nondepreciable	1,524,895	90,100	1,614,995
Depreciable	10,640,650	6,635,948	17,276,598
Total noncurrent assets	<u>12,165,545</u>	<u>6,726,048</u>	<u>18,891,593</u>
<b>Total Assets</b>	<u>25,344,088</u>	<u>8,420,220</u>	<u>33,764,308</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	288,630	-	288,630
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants and Accounts Payable	123,679	24,921	148,600
Accrued Payroll	264,209	2,262	266,471
Payroll Withholdings	19,270	-	19,270
Tax Refund Payable	377,500	-	377,500
Accrued Interest	-	28,620	28,620
Other	851	12,000	12,851
Compensated Absences	8,918	2,313	11,231
Bonds Payable	-	212,410	212,410
Total current liabilities	<u>794,427</u>	<u>282,526</u>	<u>1,076,953</u>
<b>NONCURRENT:</b>			
Compensated Absences	14,815	4,958	19,773
OPEB Obligation Payable	31,401	8,699	40,100
Net Pension Liability	1,908,143	-	1,908,143
Other	-	60,000	60,000
Bonds Payable	-	2,909,725	2,909,725
Total noncurrent liabilities	<u>1,954,359</u>	<u>2,983,382</u>	<u>4,937,741</u>
<b>Total Liabilities</b>	<u>2,748,786</u>	<u>3,265,908</u>	<u>6,014,694</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	7,144	-	7,144
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,165,545	3,531,913	15,697,458
Restricted for:			
Capital Projects	23,567	-	23,567
Federal & State Grants	206,208	-	206,208
Permanent Funds:			
Expendable	32,310	-	32,310
Nonexpendable	9,840	-	9,840
Other Purposes	433,318	-	433,318
Unrestricted	10,006,000	1,622,399	11,628,399
<b>Total Net Position</b>	<u>\$ 22,876,788</u>	<u>\$ 5,154,312</u>	<u>\$ 28,031,100</u>

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

**TOWN OF ERVING, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General Government	\$ 1,011,794	\$ 126,493	\$ 110,534	\$ -	\$ (774,767)	\$ -	\$ (774,767)
Public Safety	759,279	24,371	5,000	-	(729,908)	-	(729,908)
Public Works	677,319	3,713	2,691	84,515	(586,400)	-	(586,400)
Education	4,913,848	52,380	806,102	-	(4,055,366)	-	(4,055,366)
Health and Human Services	256,754	17,659	32,220	-	(206,875)	-	(206,875)
Culture and Recreation	300,001	22,425	16,913	26,595	(234,068)	-	(234,068)
Employee Benefits and Insurance	1,712,699	-	418,350	-	(1,294,349)	-	(1,294,349)
State Assessments	377,653	-	-	-	(377,653)	-	(377,653)
<b>Total Governmental Activities</b>	<b>10,009,347</b>	<b>247,041</b>	<b>1,391,810</b>	<b>111,110</b>	<b>(8,259,386)</b>	<b>-</b>	<b>(8,259,386)</b>
<b>Business-Type Activities:</b>							
Wastewater	655,933	243,888	1,432	-	-	(410,613)	(410,613)
Water	114,576	104,132	757	-	-	(9,687)	(9,687)
<b>Total Primary Government</b>	<b>\$ 10,779,856</b>	<b>\$ 595,061</b>	<b>\$ 1,393,999</b>	<b>\$ 111,110</b>	<b>(8,259,386)</b>	<b>(420,300)</b>	<b>(8,679,686)</b>
<b>General Revenues:</b>							
Property Taxes					9,102,707	-	9,102,707
Motor vehicle and other taxes					165,448	-	165,448
Penalties & Interest on taxes					7,456	-	7,456
Grants & Contributions not restricted to specific programs					130,980	-	130,980
Unrestricted Investment Income					482,948	-	482,948
Miscellaneous					2,297	-	2,297
<b>Transfers, net</b>					<b>(450,000)</b>	<b>450,000</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>9,441,836</b>	<b>450,000</b>	<b>9,891,836</b>
<b>Change in Net Position</b>					<b>1,182,450</b>	<b>29,700</b>	<b>1,212,150</b>
<b>Net Position:</b>							
Beginning of year					21,694,338	5,124,612	26,818,950
End of year					<b>\$ 22,876,788</b>	<b>\$ 5,154,312</b>	<b>\$ 28,031,100</b>

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



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

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,678,741	\$ 352,334	\$ 4,031,075
Investments	8,550,164	73,434	8,623,598
Receivables, net of allowance for uncollectibles:			
Property Taxes	51,383	-	51,383
Tax Liens	36,709	-	36,709
Excise Taxes	24,774	-	24,774
Departmental	-	236,345	236,345
Due from Others	116,697	57,962	174,659
<b>Total Assets</b>	<b>\$ 12,458,468</b>	<b>\$ 720,075</b>	<b>\$ 13,178,543</b>
<b>Liabilities:</b>			
Warrants and Accounts Payable	\$ 122,027	\$ 1,652	\$ 123,679
Accrued Payroll	241,754	22,455	264,209
Payroll Withholdings	19,270	-	19,270
Tax Refund Payable	377,500	-	377,500
Other	851	-	851
<b>Total Liabilities</b>	<b>761,402</b>	<b>24,107</b>	<b>785,509</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	198,137	251,574	449,711
<b>Fund Balance:</b>			
Non-Spendable	-	9,840	9,840
Restricted	-	480,911	480,911
Committed	919,840	-	919,840
Assigned	893,571	-	893,571
Unassigned	9,685,518	(46,357)	9,639,161
<b>Total Fund Balance</b>	<b>11,498,929</b>	<b>444,394</b>	<b>11,943,323</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,458,468</b>	<b>\$ 720,075</b>	<b>\$ 13,178,543</b>

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

**TOWN OF ERVING, 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
<b>Revenues:</b>			
Property Taxes	\$ 9,103,848	\$ -	\$ 9,103,848
Intergovernmental	636,802	670,871	1,307,673
Excise and Other Taxes	161,488	-	161,488
Charges for Services	-	199,119	199,119
Licenses, Permits, Fees	97,777	-	97,777
Interest and Penalties on Taxes	7,456	-	7,456
Investment Income	482,948	4,218	487,166
Gifts and Donations	-	3,046	3,046
Other	-	21,916	21,916
Intergovernmental - "On-behalf" Payments	391,582	-	391,582
<b>Total Revenues</b>	<b>10,881,901</b>	<b>899,170</b>	<b>11,781,071</b>
<b>Expenditures:</b>			
Current:			
General Government	968,325	180,693	1,149,018
Public Safety	642,076	15,800	657,876
Public Works	616,198	220,471	836,669
Education	4,472,198	268,004	4,740,202
Health and Human Services	152,049	27,807	179,856
Culture and Recreation	148,562	123,664	272,226
Employee Benefits and Insurance	1,803,466	-	1,803,466
State Assessments	377,653	-	377,653
<b>Total Expenditures</b>	<b>9,180,527</b>	<b>836,439</b>	<b>10,016,966</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,701,374</b>	<b>62,731</b>	<b>1,764,105</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	264,372	12,890	277,262
Operating Transfers Out	(462,890)	(264,372)	(727,262)
<b>Total Other Financing Sources (Uses)</b>	<b>(198,518)</b>	<b>(251,482)</b>	<b>(450,000)</b>
<b>Net Change in Fund Balances</b>	<b>1,502,856</b>	<b>(188,751)</b>	<b>1,314,105</b>
<b>Fund Balances, Beginning of Year</b>	<b>9,996,073</b>	<b>633,145</b>	<b>10,629,218</b>
<b>Fund Balances, End of Year</b>	<b>\$ 11,498,929</b>	<b>\$ 444,394</b>	<b>\$ 11,943,323</b>

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

**TOWN OF ERVING, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Position**  
**For the Year Ended June 30, 2016**

<b>Total Governmental Fund Balances</b>		\$	11,943,323
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			12,165,545
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			449,711
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.			281,486
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Other Post Employment Benefits Payable	\$	(31,401)	
Net Pension Liability		(1,908,143)	
Compensated Absences		(23,733)	(1,963,277)
<b>Net Position of Governmental Activities</b>		\$	<u><u>22,876,788</u></u>

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

**TOWN OF ERVING, 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** \$ 1,314,105

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	\$ 588,192	
Depreciation	<u>(670,154)</u>	(81,962)

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. (139,274)

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	(1,186)	
Net Change in Other Post Employment Benefits	181,115	
Net Change in Net Pension Liability	(361,731)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	<u>271,383</u>	<u>89,581</u>

**Change in Net Position of Governmental Activities** \$ 1,182,450

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

**TOWN OF ERVING, 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			
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 8,947,591	\$ 9,004,591	\$ 9,107,948	\$ -	\$ 103,357
Intergovernmental	-	662,780	662,780	631,676	-	(31,104)
Excise and Other Taxes	-	147,720	147,720	161,488	-	13,768
Licenses, Permits, Fees	-	30,370	30,370	83,677	-	53,307
Interest and Penalties on Taxes	-	6,000	6,000	7,456	-	1,456
Interest on Investments	-	31,000	31,000	11,422	-	(19,578)
<b>Total Revenues</b>	-	9,825,461	9,882,461	10,003,667	-	121,206
<b>Expenditures:</b>						
Current:						
General Government	664,334	825,002	1,434,370	968,325	375,071	90,974
Public Safety	327,549	626,451	997,999	642,076	277,887	78,036
Public Works	245,410	519,343	774,489	616,198	96,549	61,742
Education	212,903	4,348,336	4,680,580	4,472,198	199,587	8,795
Health and Human Services	-	176,707	186,607	152,049	3,200	31,358
Culture and Recreation	31,368	155,384	186,752	148,562	31,711	6,479
Employee Benefits and Insurance	-	1,531,126	1,566,126	1,411,884	35,000	119,242
State Assessments	-	533,572	533,572	377,653	-	155,919
<b>Total Expenditures</b>	1,481,564	8,715,921	10,360,495	8,788,945	1,019,005	552,545
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,481,564)	1,109,540	(478,034)	1,214,722	(1,019,005)	673,751
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	35,000	69,900	299,372	-	229,472
Operating Transfers Out	-	(1,314,712)	(1,327,602)	(1,327,602)	-	-
<b>Total Other Financing Sources (Uses)</b>	-	(1,279,712)	(1,257,702)	(1,028,230)	-	229,472
<b>Net Change in Budgetary Fund Balance</b>	(1,481,564)	(170,172)	(1,735,736)	\$ 186,492	\$ (1,019,005)	\$ 903,223
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	170,172	254,172			
Prior Year Encumbrances	1,481,564	-	1,481,564			
<b>Total Other Budgetary Items</b>	1,481,564	170,172	1,735,736			
<b>NET BUDGET</b>	\$ -	\$ -	\$ -			

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

**TOWN OF ERVING, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2016**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	\$ 10,003,667	\$ 8,788,945
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	471,526	-
Recognition of Intergovernmental Revenue - "on behalf payments"	391,582	-
Recognition of Expenditures - "on behalf payments"	-	391,582
Change in Accruals for GAAP Basis	19,226	-
Net Decrease in Revenue from Recording 60-Day Receipts	(4,100)	-
<b>Reported on a GAAP Basis</b>	<b>\$ 10,881,901</b>	<b>\$ 9,180,527</b>

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

**TOWN OF ERVING, MASSACHUSETTS**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	Business-Type Activities Enterprise Funds		
	Wastewater Fund	Water Fund	Total
<b>ASSETS</b>			
CURRENT:			
Cash and Cash Equivalents	\$ 1,410,921	\$ 271,409	\$ 1,682,330
User Charges, net of allowance for uncollectibles	-	11,842	11,842
Total current assets	1,410,921	283,251	1,694,172
NONCURRENT:			
Capital Assets, net of accumulated depreciation:			
Nondepreciable	70,100	20,000	90,100
Depreciable	5,713,043	922,905	6,635,948
Total noncurrent assets	5,783,143	942,905	6,726,048
<b>Total Assets</b>	7,194,064	1,226,156	8,420,220
<b>LIABILITIES</b>			
CURRENT:			
Accounts Payable	6,666	18,255	24,921
Accrued Payroll	2,159	103	2,262
Accrued Interest	28,620	-	28,620
Compensated Absences	2,313	-	2,313
Other	-	12,000	12,000
Bonds Payable	212,410	-	212,410
Total current liabilities	252,168	30,358	282,526
NONCURRENT:			
Compensated Absences	4,958	-	4,958
OPEB Obligation Payable	4,390	4,309	8,699
Other	-	60,000	60,000
Bonds Payable	2,909,725	-	2,909,725
Total noncurrent liabilities	2,919,073	64,309	2,983,382
<b>Total Liabilities</b>	3,171,241	94,667	3,265,908
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,661,008	870,905	3,531,913
Unrestricted	1,361,815	260,584	1,622,399
<b>Total Net Position</b>	\$ 4,022,823	\$ 1,131,489	\$ 5,154,312

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

**TOWN OF ERVING, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds		
	Wastewater Fund	Water Fund	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 193,888	\$ 104,132	\$ 298,020
Other	50,000	-	50,000
<b>Total Operating Revenues</b>	243,888	104,132	348,020
<b>Operating Expenses:</b>			
Salaries & Wages	155,839	19,682	175,521
Operating Expenses	243,652	42,846	286,498
Depreciation	188,986	49,948	238,934
<b>Total Operating Expenses</b>	588,477	112,476	700,953
<b>Operating Income (Loss)</b>	(344,589)	(8,344)	(352,933)
<b>Non-Operating Revenues (Expenses):</b>			
Investment Income	1,432	757	2,189
Interest Expense	(67,456)	(2,100)	(69,556)
<b>Total Non-Operating Revenues (Expenses)</b>	(66,024)	(1,343)	(67,367)
<b>Income (Loss) Before Operating Transfers</b>	(410,613)	(9,687)	(420,300)
<b>Operating Transfers:</b>			
Transfers In/(Out)	450,000	-	450,000
<b>Total Operating Transfers</b>	450,000	-	450,000
<b>Change in Net Position</b>	39,387	(9,687)	29,700
<b>Net Position at Beginning of Year</b>	3,983,436	1,141,176	5,124,612
<b>Net Position at End of Year</b>	\$ 4,022,823	\$ 1,131,489	\$ 5,154,312

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



**TOWN OF ERVING, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds		
	Wastewater Fund	Water Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 193,888	\$ 112,368	\$ 306,256
Receipts from Other Revenues	50,000	-	50,000
Payments to Vendors	(238,217)	(23,707)	(261,924)
Payments to Employees	(153,317)	(19,579)	(172,896)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(147,646)</b>	<b>69,082</b>	<b>(78,564)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from (to) Other Funds	450,000	-	450,000
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>450,000</b>	<b>-</b>	<b>450,000</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(122,106)	-	(122,106)
Principal Payments on Debt	(208,204)	(12,000)	(220,204)
Interest Expense	(69,364)	(2,100)	(71,464)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(399,674)</b>	<b>(14,100)</b>	<b>(413,774)</b>
<b>Cash Flows from Investing Activities:</b>			
Investment Income	1,432	757	2,189
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>1,432</b>	<b>757</b>	<b>2,189</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(95,888)</b>	<b>55,739</b>	<b>(40,149)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>1,506,809</b>	<b>215,670</b>	<b>1,722,479</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,410,921</b>	<b>\$ 271,409</b>	<b>\$ 1,682,330</b>

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

<b>Operating Income (Loss)</b>	\$ (344,589)	\$ (8,344)	\$ (352,933)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	188,986	49,948	238,934
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	1,829	17,765	19,594
Increase (Decrease) in Accrued Payroll	2,159	103	2,262
Increase (Decrease) in Compensated Absences	363	-	363
Increase (Decrease) in OPEB Obligation Payable	3,606	1,374	4,980
Decrease (Increase) in User Charges Receivable	-	8,236	8,236
<b>Total Adjustments</b>	<b>196,943</b>	<b>77,426</b>	<b>274,369</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (147,646)</b>	<b>\$ 69,082</b>	<b>\$ (78,564)</b>

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

**TOWN OF ERVING, MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016**

	Other Post Employment Benefits Trust Fund		Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$	-	\$ 21,171
Investments		2,588,212	-
<b>Total Assets</b>		2,588,212	21,171
<b>LIABILITIES</b>			
Warrants Payable		-	637
Due to Others		-	2,315
Due to Student Groups		-	18,219
<b>Total Liabilities</b>		-	21,171
<b>NET POSITION</b>			
Held in Trust for Other Purposes	\$	2,588,212	\$ -

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

**TOWN OF ERVING, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Other Post Employment Benefits Trust Fund</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 300,000
Investment Income	62,452
<b>Total Additions</b>	<b>362,452</b>
<b>Deductions:</b>	
Insurance and Employee Benefits	-
<b>Total Deductions</b>	<b>-</b>
<b>Change in Net Position</b>	<b>362,452</b>
<b>Net Position at Beginning of Year</b>	<b>2,225,760</b>
<b>Net Position at End of Year</b>	<b>\$ 2,588,212</b>

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

**TOWN OF ERVING, 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 Erving, 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 Town accounting policies are described herein.

**A. Reporting Entity**

The Town was incorporated in 1761 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Board of Selectmen.

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 for component units.

The Town is responsible for electing the committee members of the Gill-Montague Regional School District and the Franklin County Technical School District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organizations. A description of the related organizations is as follows:

**Gill-Montague Regional School District** - A regional school district made up of three 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 three school committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

**Franklin County Technical School District** - A regional school district made up of nineteen communities to serve and provide high quality vocational education environment. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town appoints 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 ERVING, 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 government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and 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 funds 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 ERVING, 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 *wastewater fund* is used to account for the wastewater activities.

The *water fund* is used to account for the water 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.

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

Additionally, the Town 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:

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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 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. 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.

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

**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 first tax payment is due November 1st, or thirty days after the date tax bills were mailed, whichever is later and must be at least one-half of the tax and any betterments. The balance of the tax is owed by May 1st of the following year. If payments are not made by the due dates, interest at the rate of 14% will be charged on the amount of the payment that is unpaid and overdue. 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 actual bills on January 4, 2016 and March 29, 2016 that were due on February 3, 2016 and May 2, 2016, respectively.

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 \$9,144,568.

The total amount raised by taxation was \$9,139,842.

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

**Excise Taxes**

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town 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 is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

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

**User Charges**

User charges and fees consist of water that are levied annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water charges are recorded as receivables in the fiscal year of the levy.

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

**Departmental**

Departmental receivables consist of loans due from recipients that were loans from community development funds.

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



**TOWN OF ERVING, 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. 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, wastewater 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 estimated fair market value.

All purchase and construction costs in excess of \$5,000 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:

<b>Capital Asset Type</b>	<b>Years</b>
Buildings and renovations	20-40
Machinery, equipment and other	3-15
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.

**H. 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.

**I. 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*.

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

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 revenue and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**J. 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:

"Capital projects" represents amounts restricted for capital purposes.

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

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Permanent funds – expendable" 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.

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.

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

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.

**K. Long-term Debt**

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

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

**L. Compensated Absences**

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused sick leave (subject to certain limitations) at their current rates of pay.

**M. Pension Benefits**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Franklin Regional Retirement System (the System) is provided. Additions to and deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the system. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

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

**N. 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 77% share of insurance premiums for retirees and spouses and 77% for surviving spouses in the general fund in the fiscal year paid.

**O. 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.

**P. Total Column**

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**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:

- Estimates are submitted by departments in accordance with the Town's bylaws.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after 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 . . . "

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

For fiscal year 2016, the Town incurred a final budget deficit of \$1,735,736 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 254,172
Prior year's encumbrances	<u>1,481,564</u>
	<u><u>\$ 1,735,736</u></u>

**B. Deficit Fund Balances**

The following funds had deficits at June 30, 2016 as measured by the balances of unreserved fund balance.

- The *Riverfront Park improvements* capital project fund has a deficit of \$37,082. The Town has authorized debt borrowing of \$775,000. The deficit will be eliminated upon the future receipt of grant funds or the issuance of permanent debt.
- The *school lunch revolving* special revenue fund has a deficit of \$9,275. The deficit will be eliminated upon the future receipt of grant funds or upon 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 does not have a deposit policy for custodial credit risk. Deposits at June 30, 2016 were \$6,051,106. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

**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.

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

As of June 30, 2016, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
<b>Debt Securities:</b>			
U. S. treasury obligations	\$ 1,070,562	\$ -	\$ 1,070,562
U. S. government agencies	1,984,093	227,339	1,756,754
Corporate bonds	1,144,258	50,137	1,094,121
Money market mutual fund	1,469,661	1,469,661	-
	<u>5,668,574</u>	<u>\$ 1,747,137</u>	<u>\$ 3,921,437</u>
<b>Other Investments:</b>			
Certificates of deposit	1,481,078		
Equity Mutual Funds	428,262		
Equity Securities - Domestic (Stocks)	3,633,896		
	<u>\$ 11,211,810</u>		

**Custodial Credit Risks**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$11,211,810 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

**Interest Rate Risk**

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2016 is as follows:

Related Debt Instruments	Fair Value
<u>Moody's Quality Ratings</u>	
<b>U. S. Treasury Obligations:</b>	
Aaa	\$ 1,070,562
<b>U. S. Government Agencies:</b>	
Aaa	1,984,093
<b>Corporate Bonds:</b>	
Aa3	89,618
A2	316,764
A3	140,694
Baa1	597,182
<b>Money Market Mutual Funds:</b>	
Not rated	1,469,661
	<u>\$ 5,668,574</u>

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

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Bank and Federal Home Loan Mortgage Corporation amounting to 6.60% and 8.31%, respectively, of the Town's total investments.

**Fair Value of Investments**

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investment Type	Fair Value	Investment Maturities		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 1,070,562	\$ 1,070,562	\$ -	\$ -
U. S. government agencies	1,984,093	1,984,093	-	-
Certificates of deposit	1,481,078	1,481,078	-	-
Equity mutual funds	428,262	428,262	-	-
Equity securities - domestic	3,633,896	3,633,896	-	-
Money market mutual fund	1,469,661	1,469,661	-	-
Corporate bonds	1,144,258	-	1,144,258	-
	<u>\$ 11,211,810</u>	<u>\$ 10,067,552</u>	<u>\$ 1,144,258</u>	<u>\$ -</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**B. Receivables**

At June 30, 2016, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 52,656	\$ (1,273)	\$ 51,383
Tax liens	36,709	-	36,709
Excise taxes	34,324	(9,550)	24,774
Departmental	236,345	-	236,345
Due from other governments	174,659	-	174,659
	<u>\$ 534,693</u>	<u>\$ (10,823)</u>	<u>\$ 523,870</u>

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

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

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Water Fund:</b>			
User charges	\$ 12,342	\$ (500)	\$ 11,842

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 \$ 6,314

Department of Veterans Services:

Veterans benefits 24,283

**Other:**

Loan and interest

86,100 \$ 116,697

**Nonmajor Governmental Funds:**

**U. S. Department of Agriculture:**

School lunch 5,125

**U. S. Department of Education:**

School title grants 4,356

**U. S. Department of Health and Human Services**

837

**Commonwealth of Massachusetts:**

Department of Elementary & Secondary Education:

School lunch 75

School title grants 777

Department of Elder Affairs

Department of Early Education & Care 4,969

Executive Office of Energy and Environmental Affairs: 26,595

Massachusetts Department of Transportation:

Highway department - Chapter 90 funds 15,228 57,962

\$ 174,659

**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 are as follows:

**General Fund:**

Property taxes	\$ 45,183	
Tax liens	36,709	
Excise taxes	24,774	
Due from other governments	91,471	\$ 198,137

**Nonmajor governmental funds:**

Departmental	236,345	
Due from other governments	15,229	251,574
	\$ 449,711	



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

**D. Capital Assets**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 1,364,895	\$ 160,000	\$ -	\$ 1,524,895
Construction in progress	9,160	12,240	(21,400)	-
Total capital assets not being depreciated	1,374,055	172,240	(21,400)	1,524,895
Capital assets being depreciated:				
Buildings and Renovations	12,704,978	62,750	-	12,767,728
Machinery, equipment and other	2,400,599	49,712	-	2,450,311
Infrastructure	2,096,201	324,890	-	2,421,091
Total capital assets being depreciated	17,201,778	437,352	-	17,639,130
Less accumulated depreciation for:				
Buildings and Renovations	4,212,910	394,562	-	4,607,472
Machinery, equipment and other	1,582,001	181,456	-	1,763,457
Infrastructure	533,415	94,136	-	627,551
Total accumulated depreciation	6,328,326	670,154	-	6,998,480
Total capital assets being depreciated, net	10,873,452	(232,802)	-	10,640,650
Total governmental activities capital assets, net	\$ 12,247,507	\$ (60,562)	\$ (21,400)	\$ 12,165,545

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 90,100	\$ -	\$ -	\$ 90,100
Total capital assets not being depreciated	90,100	-	-	90,100
Capital assets being depreciated:				
Machinery, equipment and other	22,794	42,000	-	64,794
Infrastructure	9,037,361	80,105	-	9,117,466
Total capital assets being depreciated	9,060,155	122,105	-	9,182,260
Less accumulated depreciation for:				
Machinery, equipment and other	11,397	8,759	-	20,156
Infrastructure	2,295,980	230,176	-	2,526,156
Total accumulated depreciation	2,307,377	238,935	-	2,546,312
Total capital assets being depreciated, net	6,752,778	(116,830)	-	6,635,948
Total business-type activities capital assets, net	\$ 6,842,878	\$ (116,830)	\$ -	\$ 6,726,048

**TOWN OF ERVING, 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	\$	22,644
Public safety		155,977
Public works		178,522
Education		208,369
Health and human services		76,867
Culture and recreation		27,775
Total depreciation expense - governmental activities	\$	<u>670,154</u>

**Business-Type Activities:**

Wastewater fund	\$	188,986
Water fund		49,949
Total depreciation expense - business-type activities	\$	<u>238,935</u>

**E. Interfund Receivables, Payables and Transfers**

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

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 12,890	\$ 450,000	\$ 462,890
Nonmajor governmental funds	264,372	-	-	264,372
Total transfers out	<u>\$ 264,372</u>	<u>\$ 12,890</u>	<u>\$ 450,000</u>	<u>\$ 727,262</u>

**F. Due to the Town Stabilization Fund**

The water department received a \$120,000 interfund loan from the Stabilization fund for a water tank project. The water department is obligated to pay back the loan the Stabilization fund over a ten year period with 2.5% interest. The liability is summarized as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
<b>Business-type activities:</b>					
<b>Due to the Town:</b>					
Water tank	\$ 84,000	\$ -	\$ 12,000	\$ 72,000	\$ 12,000

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

The annual business-type payments to retire this debt as of June 30, 2016, are as follows:

Year	Principal	Interest	Total
2017	\$ 12,000	\$ 1,800	\$ 13,800
2018	12,000	1,500	13,500
2019	12,000	1,200	13,200
2020	12,000	900	12,900
2021	12,000	600	12,600
2022	12,000	300	12,300
	<u>\$ 72,000</u>	<u>\$ 6,300</u>	<u>\$ 78,300</u>

**G. 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 both governmental and business-type activities.

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
<b>Outside Debt:</b>					
<b>Wastewater Fund:</b>					
<b>Massachusetts Clean Water Trust:</b>					
Wastewater treatment plant	2.00%	3/18/2009	7/15/2028	\$ 4,511,419	<u>\$ 3,122,135</u>

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	\$ 212,410	\$ 60,319	\$ 272,729
2018	216,702	56,027	272,729
2019	221,079	51,650	272,729
2020	225,546	47,183	272,729
2021	230,102	42,627	272,729
2022-2026	1,222,145	141,500	1,363,645
2027-2029	794,151	24,036	818,187
	<u>\$ 3,122,135</u>	<u>\$ 423,342</u>	<u>\$ 3,545,477</u>

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

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

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2016</b>	<b>Amounts Due within One Year</b>
<b>Governmental activities:</b>					
<b>Compensated absences</b>	\$ 22,547	\$ 1,186	\$ -	\$ 23,733	\$ 8,918
<b>OPEB Obligation payable</b>	212,516	6,540	187,655	31,401	-
<b>Net pension liability</b>	1,546,412	361,731	-	1,908,143	-
Governmental activity					
Long-term liabilities	\$ 1,781,475	\$ 369,457	\$ 187,655	\$ 1,963,277	\$ 8,918
<b>Business-type activities:</b>					
<b>Bond Payable:</b>					
Massachusetts Clean Water Trust bonds	\$ 3,330,339	\$ -	\$ 208,204	\$ 3,122,135	\$ 212,410
<b>Compensated absences</b>	6,908	362	-	7,270	2,313
<b>OPEB Obligation payable</b>	3,719	4,979	-	8,698	-
Business-type activity					
Long-term liabilities	\$ 3,340,966	\$ 5,341	\$ 208,204	\$ 3,138,103	\$ 214,723

**Massachusetts Clean Water Trust (MCWT)**

The Town received a 2% interest MCWT loan with principal in the amount of \$4,511,419 and interest costs of \$943,160. The gross amount outstanding at June 30, 2016 for principal and interest combined for the loans is \$3,545,477. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. This loan is not scheduled to be subsidized by the MCWT.

**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 has no inside debt as of June 30, 2016.

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

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

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

Equalized Valuation-Real Estate and Personal Property (2016)			\$ 887,378,000
Debt Limit: 5 % of Equalized value			<u>44,368,900</u>
Total Debt Outstanding	\$ 3,122,135		
Less: Debt Outside Debt Limit	<u>(3,122,135)</u>		<u>-</u>
Inside Debt Excess Borrowing Capacity at June 30, 2016			<u>\$ 44,368,900</u>

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2016 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
6/29/2015	Riverside Park improvements	<u>\$ 775,000</u>

**Overlapping Debt**

The Town pays assessments, which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

The Franklin County Technical School District has bond anticipation notes outstanding as of June 30, 2016 of \$2,465,000 for a construction project. The Town of Erving's share has not been determined at this time.

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

**H. Fund Balances**

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

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:			
Permanent funds	\$ -	\$ 9,840	\$ 9,840
Restricted:			
Federal, state and local grants	-	190,979	190,979
School revolving funds	-	16,239	16,239
Town revolving funds	-	50,061	50,061
Loan programs	-	17,648	17,648
Donations and gifts	-	4,264	4,264
Capital projects	-	60,649	60,649
Permanent funds	-	32,310	32,310
Other	-	108,761	108,761
	-	480,911	480,911
Committed:			
Continuing appropriations	919,840	-	919,840
Assigned:			
Reserve for encumbrances	99,165	-	99,165
Subsequent year's budget	794,406	-	794,406
	893,571	-	893,571
Unassigned:			
General fund	9,685,518	-	9,685,518
Capital project deficits	-	(37,082)	(37,082)
Special revenue deficits	-	(9,275)	(9,275)
	9,685,518	(46,357)	9,639,161
Total Governmental fund balances	\$ 11,498,929	\$ 444,394	\$ 11,943,323

**I. Special Trust Funds**

**Stabilization Fund**

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.

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

At June 30, 2016 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 8,470,742
Fire truck stabilization fund	27,937
Computer stabilization fund	51,485
	<u>\$ 8,550,164</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.

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.

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

**C. Major Taxpayer**

Western Massachusetts Electric Company, in conjunction with the Northeast Generations Company, paid \$8,048,493 in property taxes in fiscal year 2016. This accounted for approximately 88.1% of the fiscal year 2016 real estate and personal property tax levy.

**D. Pension Plan**

**Plan Description**

The Town is a member of the Franklin Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Franklin Regional 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 278 Main Street, Suite 311, Greenfield Massachusetts 01301.

**Benefits Provided**

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

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

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

**Contributions**

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2015 was \$231,212, representing 17.15% 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.



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

**Pension Liability**

As of June 30, 2016, the Town reported a liability of \$1,908,143 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 4.10%, 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 \$321,560 and reported deferred outflows of resources related to pensions of \$288,630 from the net difference between projected and actual investment earnings on pension plan investments and deferred inflows of resources related to pensions of \$7,144 from net changes in proportion and differences between employer contributions and proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or changes of assumptions as of December 31, 2015.

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows;

<b>For years ended June 30,</b>	
<b>2017</b>	\$ 70,372
<b>2018</b>	70,372
<b>2019</b>	70,372
<b>2020</b>	<u>70,370</u>
	<u><u>\$ 281,486</u></u>

**Actuarial Assumptions**

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 rolled forward to December 31, 2015
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Increasing dollar amount at 4.0% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035 Early Retirement Incentive Program (ERI): Level dollar amount over five years (2002 ERI) and six years (2003 ERI) to reduce the liability to zero on or before June 30, 2019 and June 30, 2020, respectively.

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

Asset valuation method	The actuarial value of assets is the market value of assets as of the Valuation date reduced by the sums of: (a) 75% of gains and losses for the prior year, (b) 50% of gains and losses of the second prior year, and (c) 25% of gains and losses of the third prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Projected salary increase	4.25% per year, including longevity.
Inflation	2.20% per year
Cost of living adjustments	3.00% of the pension amount on \$16,000 per year.
Mortality rates	RP-2000 Mortality Table projected to 2017 with Scale AA. For disabled retirees, this table is set forward two years.

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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	Real Return Arithmetic Basis	Long-Term Expected Rate of Return
PRIT Core	45.0%	6.40%	2.88%
Large Capital Equity	12.0%	7.90%	0.95%
Middle Capital Equity	5.0%	9.90%	0.50%
Small Capital Equity	10.0%	7.60%	0.76%
International Equity	5.0%	5.20%	0.26%
Real Estate	10.0%	7.90%	0.79%
Fixed Income	13.0%	3.20%	0.42%
Total	<u>100.0%</u>		

**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 0.57%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. 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 of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity 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 7.75%. 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate (amounts expressed in thousands):

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.75%</b>	<b>Discount Rate</b>	<b>8.75%</b>
	<b>6.75%</b>	<b>7.75%</b>	<b>8.75%</b>
Town's net pension liability	\$ 2,679,511	\$ 1,908,143	\$ 1,250,749

**E. 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, 2010, 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 as described on the following footnote, the Town provides 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. As of the actuarial valuation date there are approximately 118 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 member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. The Town contributes 77 percent of the cost of current year premiums for eligible retired plan members and their survivors. For the 2016 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$216,676. The Town has made contributions to an OPEB Trust of \$300,000 for fiscal year 2016 for a total contribution of \$516,676.

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

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other postemployment 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. 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	\$	317,314
Interest on net OPEB obligation		12,974
Adjustment to annual required contribution		(14,819)
Amortization of actuarial (Gains)/Losses		25,072
Annual OPEB cost (expense)		340,541
Contributions made during the fiscal year		(216,676)
Contributions made to trust fund		(300,000)
Increase in net OPEB obligation		(176,135)
Net OPEB Obligation - beginning of year		216,235
Net OPEB Obligation - end of year	\$	40,100

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 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 340,541	151.7%	\$ 40,100
6/30/2015	\$ 399,937	110.5%	\$ 216,235
6/30/2014	\$ 389,195	113.0%	\$ 258,049

**Funded Status and Funding Process**

As of July 1, 2015, the most recent valuation date, the plan was 47.6% funded. The actuarial liability for benefits was \$4,680,462 and the actuarial value of assets was \$2,225,760, resulting in a total unfunded actuarial accrued liability (UAAL) of \$2,454,702. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL 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.

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

**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 used the individual entry age normal actuarial cost method. The OPEB liability is currently funded and the actuarial assumptions include a 6.0% rate of return on invested assets. The actuarial assumptions also include an expected payroll growth of 3.00% per annum and a general inflation of 2.75% per annum. Medical and drug cost trend is at an ultimate level of 5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amortization. The remaining amortization period at July 1, 2015 is 24 years.

**Trust Fund**

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2016 the trust balance is \$2,588,212.

**F. 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.

**G. 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. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF ERVING, MASSACHUSETTS  
Required Supplementary Information  
Pension Plan Schedules  
Franklin Regional 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>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	4.10%	4.12%
Town's proportionate share of the net pension liability (asset)	\$ 1,908,143	\$ 1,546,412
Town's covered employee payroll	\$ 1,348,376	\$ 1,271,212
Net pension liability percentage of covered-employee payroll	141.51%	121.65%
Plan fiduciary net position as a percentage of the total pension liability	71.73%	75.98%

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 ERVING, MASSACHUSETTS**  
**Required Supplementary Information**  
**Pension Plan Schedules**  
**Franklin Regional 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>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 231,212	\$ 230,709
Less: Contributions in relation to the actuarially determined contribution	<u>(231,212)</u>	<u>(230,709)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 1,348,376	\$ 1,271,212
Contributions percentage of covered-employee payroll	17.15%	18.15%

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 ERVING, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**Other Post-Employment Benefit Plan Schedule**  
**Year Ended June 30, 2016**

**Schedule of Funding Progress**

<b>Other Post Employment Benefits</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) Entry Aid (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll (B-A)/C)</b>
7/1/2015	\$ 2,225,760	\$ 4,680,462	\$ 2,454,702	47.6%	N/A	N/A
7/1/2014	\$ 1,683,756	\$ 4,618,406	\$ 2,934,650	36.5%	N/A	N/A
7/1/2013	\$ 1,330,535	\$ 4,365,472	\$ 3,034,937	30.5%	N/A	N/A

**Schedule of Contribution Funding**

<b>Other Post Employment Benefits</b>				
<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Actual Contributions Made</b>	<b>Percentage Contributed</b>	
2016	\$ 340,541	\$ 516,676	151.7%	
2015	\$ 399,937	\$ 441,751	110.5%	
2014	\$ 390,846	\$ 673,429	172.3%	

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 the Financial Statements.

**Actuarial Methods:**

Valuation date	July 1, 2015
Actuarial cost method	Individual Entry Age Normal Cost method
Amortization method	Level dollar amortization over 30 years

**Actuarial Assumptions:**

Investment rate of return	6.00% per year
Projected salary increases	3.00% per year
General inflation	2.75% per year
Medical/drug cost trend rate	5.00% ultimate trend rate per year

**Plan Membership:**

Current active members	67
Current retirees, beneficiaries and dependents	51
Total	118

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF ERVING, 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
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ (1,666)	\$ 149,841	\$ 142,704	\$ -	\$ 5,471
Arts Lottery Council Grant	4,175	4,407	5,545	-	3,037
Council on Aging Grants	-	7,724	7,470	-	254
Community Development Grants	-	86,553	86,553	-	-
Emergency Management Grants	1,979	-	-	-	1,979
Foundation Reserve Grant	34,882	-	-	-	34,882
Highway Grants	-	206,399	206,399	-	-
Library Grants	49,858	12,482	40,243	-	22,097
Public Health Grants	380	-	-	-	380
Public Safety Grants	1,601	5,000	-	-	6,601
Septic Management Grant	2,000	-	-	-	2,000
Wellhead Protection Grant	1,168	-	-	-	1,168
<b>Schools:</b>					
School Lunch Revolving	1,380	64,718	88,262	12,889	(9,275)
Revolving Accounts	14,309	38,565	36,635	-	16,239
State Special Education Reimbursement Fund	52,141	119,158	-	(58,189)	113,110
<b>Other:</b>					
Animal Control Outside Details	-	120	120	-	-
Cable Access Grants	59,946	15,976	-	-	75,922
Conservation Commission Consulting Fees	959	-	-	-	959
Council on Aging Revolving	7,922	15,709	16,647	-	6,984
Electric Company Energy Efficiency Rebate	-	5,940	5,940	-	-
Gifts and Donations	5,310	3,045	4,091	-	4,264
Library Dog Fund	1,556	-	-	-	1,556
Police Outside Details	25,304	16,640	15,680	(13,984)	12,280
Recreation Revolving	7,877	21,852	14,201	-	15,528
<b>Total Special Revenue Page 59</b>	<b>\$ 271,081</b>	<b>\$ 774,129</b>	<b>\$ 670,490</b>	<b>\$ (59,284)</b>	<b>\$ 315,436</b>

**TOWN OF ERVING, 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
<b>Continued from Page 59</b>	\$ 271,081	\$ 774,129	\$ 670,490	\$ (59,284)	\$ 315,436
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Road Machinery Fund	786	-	-	-	786
Sale of Cemetery Lots	9,800	100	-	-	9,900
Ten Town Loan Program	11,579	94,269	88,200	-	17,648
War Rehabilitation	20,969	1,233	-	-	22,202
Wetlands Protection Fund	3,624	-	-	-	3,624
Conservation Fund	8,577	504	-	-	9,081
<b>Total Special Revenue Funds</b>	<b>326,416</b>	<b>870,235</b>	<b>758,690</b>	<b>(59,284)</b>	<b>378,677</b>
<b>Capital Project Funds:</b>					
Elementary School construction	69,649	-	-	(25,000)	44,649
POTW # 1 facility upgrade	14,072	-	14,072	-	-
Riverfront Park improvements	-	26,595	63,677	-	(37,082)
Senior Community Center Project	183,198	-	-	(167,198)	16,000
<b>Total Capital Project Funds</b>	<b>266,919</b>	<b>26,595</b>	<b>77,749</b>	<b>(192,198)</b>	<b>23,567</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds	9,840	-	-	-	9,840
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Funds	29,970	2,340	-	-	32,310
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 633,145</b>	<b>\$ 899,170</b>	<b>\$ 836,439</b>	<b>\$ (251,482)</b>	<b>\$ 444,394</b>

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

	<b>Uncollected Taxes July 1, 2015</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2016</b>	<b>Uncollected Taxes Per Detail June 30, 2016</b>
<b>Real Estate Taxes:</b>						
Levy of 2016	\$ -	\$ 7,485,057	\$ 45,002	\$ 7,423,562	\$ 16,493	\$ 16,494
Levy of 2015	67,038	-	7,315	28,487	31,236	31,236
Levy of 2014	2,147	-	-	1,493	654	654
	<u>69,185</u>	<u>7,485,057</u>	<u>52,317</u>	<u>7,453,542</u>	<u>48,383</u>	<u>48,384</u>
<b>Personal Property Taxes:</b>						
Levy of 2016	-	1,654,785	32	1,653,676	1,077	1,077
Levy of 2015	1,542	-	-	543	999	999
Levy of 2014	1,294	-	-	187	1,107	1,107
Levy of 2013	617	-	-	-	617	617
Prior Years	473	-	-	-	473	473
	<u>3,926</u>	<u>1,654,785</u>	<u>32</u>	<u>1,654,406</u>	<u>4,273</u>	<u>4,273</u>
<b>Total Real Estate and Personal Property Taxes</b>	<u>\$ 73,111</u>	<u>\$ 9,139,842</u>	<u>\$ 52,349</u>	<u>\$ 9,107,948</u>	<u>\$ 52,656</u>	<u>\$ 52,657</u>

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

	<b>Uncollected Taxes July 1, 2015</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2016</b>	<b>Uncollected Taxes Per Detail June 30, 2016</b>
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2016	\$ -	\$ 151,821	\$ 1,744	\$ 130,505	\$ 19,572	\$ 19,572
Levy of 2015	13,258	16,465	1,450	24,934	3,339	3,339
Levy of 2014	6,204	-	80	3,959	2,165	2,165
Levy of 2013	1,728	-	-	333	1,395	1,395
Levy of 2012	1,524	-	-	321	1,203	1,203
Prior Years	7,150	-	-	500	6,650	6,650
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 29,864</b>	<b>\$ 168,286</b>	<b>\$ 3,274</b>	<b>\$ 160,552</b>	<b>\$ 34,324</b>	<b>\$ 34,324</b>

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

	<b>Uncollected Accounts July 1, 2015</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2016</b>	<b>Uncollected Accounts Per Detail June 30, 2016</b>
<b>Tax Liens</b>	\$ 21,395	\$ 15,314	\$ -	\$ -	\$ 36,709	\$ 36,709