

TOWN OF ERVING, MASSACHUSETTS

Report on the Examination of Basic Financial Statements

For the Year Ended June 30, 2017

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Erving, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erving, Massachusetts, as of and for the year ended June 30, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2017, 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 financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2018, on our consideration of the Town of Erving Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Erving, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

July 27, 2018

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, 2017. 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 \$29,187,493 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities by \$28,301,100, an increase of \$1,156,393 (4%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$12,628,620 or an increase of \$685,297 (6%).
- The General Fund's total fund balance increased \$718,009 (6%) to \$12,216,938. The ending General fund balance is 109% of revenues and transfers in and 116% of expenditures and transfers out.
- Total liabilities of the Town increased by \$331,756 (5%) to \$6,346,449 during the fiscal year. This was mainly attributed to an increase in the net pension liability of \$644,895 and a decrease in tax refunds payable for \$377,500.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$739,021. The key factors that attributed to the free cash amount for fiscal year 2017 were unexpended/unencumbered appropriations of \$531,300, excess over budget other financing sources of \$116,200 and prior year free cash not appropriated of \$216,600.
- The Town's enterprise funds certified free cash are as follows:
 - Wastewater fund \$ 1,314,059.
 - Water fund \$ 265,755.

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

	Governmental Activities		
	2017	2016	Change
Assets:			
Current assets	\$ 13,843,803	\$ 13,178,543	\$ 665,260
Noncurrent assets (excluding capital assets)	144,390	-	144,390
Capital assets	12,549,513	12,165,545	383,968
Total assets	26,537,706	25,344,088	1,193,618
Deferred Outflows of Resources:			
Deferred outflows related to pensions	672,558	288,630	383,928
Liabilities:			
Current liabilities	741,132	794,427	(53,295)
Noncurrent liabilities	2,570,188	1,954,359	615,829
Total liabilities	3,311,320	2,748,786	562,534
Deferred Inflows of Resources:			
Deferred inflows related to pensions	10,739	7,144	3,595
Net Position:			
Net investment in capital assets	12,549,513	12,165,545	383,968
Restricted	956,609	705,243	251,366
Unrestricted	10,382,083	10,006,000	376,083
Total net position	\$ 23,888,205	\$ 22,876,788	\$ 1,011,417

	Business-Type Activities		
	2017	2016	Change
Assets:			
Current assets	\$ 1,769,393	\$ 1,694,172	\$ 75,221
Capital assets	6,565,024	6,726,048	(161,024)
Total assets	8,334,417	8,420,220	(85,803)
Liabilities:			
Current liabilities (excluding debt)	45,780	58,116	(12,336)
Current debt	228,702	224,410	4,292
Noncurrent liabilities (excluding debt)	19,624	13,657	5,967
Noncurrent debt	2,741,023	2,969,725	(228,702)
Total liabilities	3,035,129	3,265,908	(230,779)
Net Position:			
Net investment in capital assets	3,595,299	3,531,913	63,386
Unrestricted	1,703,989	1,622,399	81,590
Total net position	\$ 5,299,288	\$ 5,154,312	\$ 144,976

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 329,558	\$ 247,041	\$ 82,517
Operating grants and contributions	2,367,015	1,391,810	975,205
Capital grants and contributions	507,660	111,110	396,550
General Revenues:			
Property taxes	9,372,855	9,102,707	270,148
Motor vehicle excise and other taxes	175,337	165,448	9,889
Penalties and interest on taxes	6,062	7,456	(1,394)
Nonrestricted grants	133,509	130,980	2,529
Unrestricted investment income	170,015	482,948	(312,933)
Miscellaneous	3,517	2,297	1,220
Total revenues	13,065,528	11,641,797	1,423,731
Expenses:			
General government	1,624,502	1,011,794	612,708
Public safety	866,647	759,279	107,368
Public works	666,324	677,319	(10,995)
Education	5,148,341	4,913,848	234,493
Health and human services	267,716	256,754	10,962
Culture and recreation	210,726	300,001	(89,275)
Employee benefits and insurance	2,263,648	1,712,699	550,949
State assessments	491,658	377,653	114,005
Total expenses	11,539,562	10,009,347	1,530,215
Net (expenses) revenues	1,525,966	1,632,450	(106,484)
Transfers	(514,549)	(450,000)	(64,549)
Change in net position	1,011,417	1,182,450	(171,033)
Net position - beginning of year	22,876,788	21,694,338	1,182,450
Net position - end of year	\$ 23,888,205	\$ 22,876,788	\$ 1,011,417

	Business-Type Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 352,494	\$ 348,020	\$ 4,474
Operating grants and contributions	2,125	2,189	(64)
Total revenues	354,619	350,209	4,410
Expenses:			
Wastewater	620,437	655,933	(35,496)
Water	103,755	114,576	(10,821)
Total expenses	724,192	770,509	(46,317)
Net (expenses) revenues	(369,573)	(420,300)	50,727
Transfers	514,549	450,000	64,549
Change in net position	144,976	29,700	115,276
Net position - beginning of year	5,154,312	5,124,612	29,700
Net position - end of year	\$ 5,299,288	\$ 5,154,312	\$ 144,976

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 \$29,187,493 at the close of fiscal year 2017.

Net position of \$16,144,812 (55%) 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, \$956,609 (3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$12,086,072 (42%) 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 \$1,011,417 (4%) during the current fiscal year. The significant reasons for the increase in net position are attributed to the acquisition of \$1,109,269 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$725,301, to the results of the General fund's operations of \$718,009 and as a result of the change in the deferred outflows/(inflows) of resources related to pensions of \$380,333; and a decrease in recognizing this year's net pension liability of \$644,894 as compared to the prior year.

There was an increase of \$144,976 (3%) in net position reported in connection with the wastewater and water business-type activities. Of this, there were increases of \$144,129 attributed to the wastewater department and of \$847 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 \$12,628,620, an increase of \$685,297 (6%).

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$9,840 (1%).
- Restricted fund balance – \$605,232 (5%).
- Committed fund balance – \$951,055 (7%).
- Assigned fund balance – \$418,902 (3%).
- Unassigned fund balance – \$10,643,591 (84%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$12,216,938 increasing \$718,009 (6%). Of the \$12,216,938, the unassigned amount is \$10,846,981 (89%), the committed amount is \$951,055 (8%) and the assigned amount is \$418,902 (3%). General fund revenues were \$204,653 (2%) more and expenditures also increased by \$598,464 (7%) from the prior fiscal year. Other activity in the General Fund consisted of net transfers out to other funds of \$589,554.

The main components of the increase in general fund revenues as compared to the prior year are related to increases in property taxes in the amount of \$294,655 (3%) and in intergovernmental "on-behalf" payments of \$187,632 (48%) and a decrease in investment income of \$300,933 (primarily in the unrealized losses).

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

- Decrease in General governmental expenditures of \$220,034 (23%).
- Increase in Public safety expenditures of \$149,465 (23%).
- Increase in Education expenditures of \$193,322 (3%).
- Increase in Employee benefits and insurance expenditures of \$371,412 (21%).
- Increase in State assessments of \$114,005 (30%).

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 \$4,166,952 used in the financing and operations of the Town's wastewater system. The wastewater fund shows an increase of \$144,129 (4%) in total operations. This change was mainly attributed to operating expenses exceeding operating revenues by \$308,799, interest income of \$1,271, interest expense of \$62,894 and transfers in from the general fund of \$514,549. Operating revenues increased by \$4,856 (2%) while operating expenses decreased by \$30,934 (5%) from the prior year.

The *Water Fund* has accumulated a fund balance of \$1,132,336 used in the financing and operations of the Town's water system. The water fund shows an increase of \$847 (.1%) in total operations. This change resulted from operating revenues exceeding operating expenses by \$1,795, interest income of \$852 and interest expense of \$1,800. Operating revenues decreased by \$382 (.4%) and operating expenses also decreased by \$10,521 (9%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2017 was \$10,772,038. This was an increase of \$411,543 (4%) over the previous year's budget.

There was an increase between the original budget and the total final amended budget. The change is attributed to funds voted from available funds at the various special town meetings and the annual town meeting in May 2017 for various budget operating line items.

General fund expenditures were less than budgeted by \$1,572,261. Of the \$1,572,261 in under budget expenditures, \$1,040,957 has been carried over to fiscal year 2018.

There are negative variances in property taxes of \$260,293 and interest and penalties on taxes of \$1,338 as receipts did not meet the budget expectations.

There was a negative variance in state assessments of \$106,689 due to lower assessments in the registry of motor vehicles non-renewal surcharges of \$240, in special education of \$5,638, in the school choice sending tuitions of \$76,451 and in charter school sending tuitions of \$24,360 than the actual payments.

Overall the variance with the final budget was a positive \$354,015 consisting of a revenue deficit of \$177,289 and an appropriation surplus of \$531,304.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to \$12,549,513 and \$6,565,024, 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:

- Police vehicle purchases for \$81,605.
- Fire Department vehicle and equipment purchases for \$103,141.
- Highway vehicle and equipment purchases for \$86,862.
- Road infrastructure improvements for \$114,814.
- School building improvements for \$44,649.
- Riverfront park improvements for \$678,198

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

In the Wastewater Fund:

- Wastewater infrastructure improvements for \$77,615.

Debt Administration. The Town has no outstanding governmental long-term debt as of June 30, 2017.

The business-type funds have outstanding long-term debt as of June 30, 2017 totaling \$2,909,725, 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, 2017 is \$60,000.

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, 2017 do not reflect the fiscal year 2018 Town Meeting action except for the unassigned fund balance (free cash) and stabilization amounts used to fund the 2018 budget. The Annual Town Meeting on May 3, 2017 and Special Town Meeting on June 20, 2017 authorized a fiscal year 2018 operating and capital budget as follows:

From raise and appropriate	\$ 10,056,575
From wastewater revenues	203,703
From water revenues	92,386
From Other Available Funds:	
General Fund:	
Unassigned fund balance:	
Free cash	301,000
Computer stabilization fund	28,000
	<hr/>
	\$ 10,681,664
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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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 3,361,459	\$ 1,756,209	\$ 5,117,668
Investments	9,681,124	-	9,681,124
Receivables, net of allowance for uncollectibles:			
Property Taxes	31,541	-	31,541
Tax Liens	34,003	-	34,003
Excise Taxes	29,327	-	29,327
User Charges	-	13,184	13,184
Departmental	215,410	-	215,410
Due from Others	490,939	-	490,939
Total current assets	13,843,803	1,769,393	15,613,196
NONCURRENT:			
Net OPEB Asset	144,390	-	144,390
Capital Assets, net of accumulated Depreciation			
Nondepreciable	1,524,895	90,100	1,614,995
Depreciable	11,024,618	6,474,924	17,499,542
Total noncurrent assets	12,693,903	6,565,024	19,258,927
Total Assets	26,537,706	8,334,417	34,872,123
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	672,558	-	672,558
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	369,405	7,951	377,356
Accrued Payroll	320,742	2,205	322,947
Payroll Withholdings	21,049	-	21,049
Accrued Interest	-	26,672	26,672
Other	851	12,000	12,851
Compensated Absences	29,085	8,952	38,037
Bonds Payable	-	216,702	216,702
Total current liabilities	741,132	274,482	1,015,614
NONCURRENT:			
Compensated Absences	17,151	5,899	23,050
Net OPEB Obligation Payable	-	13,725	13,725
Net Pension Liability	2,553,037	-	2,553,037
Other	-	48,000	48,000
Bonds Payable	-	2,693,023	2,693,023
Total noncurrent liabilities	2,570,188	2,760,647	5,330,835
Total Liabilities	3,311,320	3,035,129	6,346,449
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	10,739	-	10,739
NET POSITION			
Net Investment in Capital Assets	12,549,513	3,595,299	16,144,812
Restricted for:			
Federal & State Grants	336,284	-	336,284
Permanent Funds:			
Expendable	32,873	-	32,873
Nonexpendable	9,840	-	9,840
Other Purposes	577,612	-	577,612
Unrestricted	10,382,083	1,703,989	12,086,072
Total Net Position	\$ 23,888,205	\$ 5,299,288	\$ 29,187,493

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, 2017**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,624,502	\$ 160,089	\$ 890,511	\$ -	\$ (573,902)	\$ -	\$ (573,902)
Public Safety	866,647	83,418	-	-	(783,229)	-	(783,229)
Public Works	666,324	4,311	1,807	170,771	(489,435)	-	(489,435)
Education	5,148,341	44,352	855,091	-	(4,248,898)	-	(4,248,898)
Health and Human Services	267,716	17,071	26,202	-	(224,443)	-	(224,443)
Culture and Recreation	210,726	20,317	10,038	336,889	156,518	-	156,518
Employee Benefits and Insurance	2,263,648	-	583,366	-	(1,680,282)	-	(1,680,282)
State Assessments	491,658	-	-	-	(491,658)	-	(491,658)
Total Governmental Activities	11,539,562	329,558	2,367,015	507,660	(8,335,329)	-	(8,335,329)
Business-Type Activities:							
Wastewater	620,437	248,744	1,273	-	-	(370,420)	(370,420)
Water	103,755	103,750	852	-	-	847	847
Total Primary Government	\$ 12,263,754	\$ 682,052	\$ 2,369,140	\$ 507,660	(8,335,329)	(369,573)	(8,704,902)
General Revenues:							
Property Taxes					9,372,855	-	9,372,855
Motor vehicle and other taxes					175,337	-	175,337
Penalties & Interest on taxes					6,062	-	6,062
Grants & Contributions not restricted to specific programs					133,509	-	133,509
Unrestricted Investment Income					170,015	-	170,015
Miscellaneous					3,517	-	3,517
Transfers, net					(514,549)	514,549	-
Total General Revenues and Transfers					9,346,746	514,549	9,861,295
Change in Net Position					1,011,417	144,976	1,156,393
Net Position:							
Beginning of year					22,876,788	5,154,312	28,031,100
End of year					\$ 23,888,205	\$ 5,299,288	\$ 29,187,493

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

TOWN OF ERVING, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 3,041,254	\$ 320,205	\$ 3,361,459
Investments	9,606,709	74,415	9,681,124
Receivables, net of allowance for uncollectibles:			
Property Taxes	31,541	-	31,541
Tax Liens	34,003	-	34,003
Excise Taxes	29,327	-	29,327
Departmental	-	215,410	215,410
Due from Others	80,553	410,386	490,939
Total Assets	\$ 12,823,387	\$ 1,020,416	\$ 13,843,803
Liabilities:			
Warrants and Accounts Payable	\$ 124,882	\$ 244,523	\$ 369,405
Accrued Payroll	298,068	22,674	320,742
Payroll Withholdings	21,049	-	21,049
Other	851	-	851
Total Liabilities	444,850	267,197	712,047
Deferred Inflows of Resources:			
Unavailable Revenue	161,599	341,537	503,136
Fund Balance:			
Non-Spendable	-	9,840	9,840
Restricted	-	605,232	605,232
Committed	951,055	-	951,055
Assigned	418,902	-	418,902
Unassigned	10,846,981	(203,390)	10,643,591
Total Fund Balance	12,216,938	411,682	12,628,620
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,823,387	\$ 1,020,416	\$ 13,843,803

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, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 9,398,503	\$ -	\$ 9,398,503
Intergovernmental	664,762	1,602,029	2,266,791
Excise and Other Taxes	170,784	-	170,784
Charges for Services	-	297,174	297,174
Licenses, Permits, Fees	85,214	-	85,214
Interest and Penalties on Taxes	6,062	-	6,062
Investment Income	182,015	1,404	183,419
Gifts and Donations	-	8,225	8,225
Other	-	16,717	16,717
Intergovernmental - "On-behalf" Payments	579,214	-	579,214
Total Revenues	11,086,554	1,925,549	13,012,103
Expenditures:			
Current:			
General Government	748,291	849,287	1,597,578
Public Safety	791,541	76,780	868,321
Public Works	605,705	60,373	666,078
Education	4,665,520	314,675	4,980,195
Health and Human Services	163,800	25,555	189,355
Culture and Recreation	137,598	706,596	844,194
Employee Benefits and Insurance	2,174,878	-	2,174,878
State Assessments	491,658	-	491,658
Total Expenditures	9,778,991	2,033,266	11,812,257
Excess of Revenues Over (Under) Expenditures	1,307,563	(107,717)	1,199,846
Other Financing Sources (Uses):			
Operating Transfers In	132,195	207,200	339,395
Operating Transfers Out	(721,749)	(132,195)	(853,944)
Total Other Financing Sources (Uses)	(589,554)	75,005	(514,549)
Net Change in Fund Balances	718,009	(32,712)	685,297
Fund Balances, Beginning of Year	11,498,929	444,394	11,943,323
Fund Balances, End of Year	\$ 12,216,938	\$ 411,682	\$ 12,628,620

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, 2017

Total Governmental Fund Balances	\$	12,628,620
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		12,549,513
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		503,136
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.		661,819
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Net Other Post Employment Benefits Asset	\$	144,390
Net Pension Liability		(2,553,037)
Compensated Absences		(46,236)
		(2,454,883)
Net Position of Governmental Activities	\$	23,888,205

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 685,297

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 1,109,269	
Depreciation	<u>(725,301)</u>	383,968

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. 53,425

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	(22,503)	
Net Change in Other Post Employment Benefits	175,791	
Net Change in Net Pension Liability	(644,894)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	<u>380,333</u>	<u>(111,273)</u>

Change in Net Position of Governmental Activities \$ 1,011,417

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, 2017

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget			
Revenues:						
Property Taxes	\$ -	\$ 9,278,196	\$ 9,278,196	\$ 9,017,903	\$ -	\$ (260,293)
Intergovernmental	-	645,574	645,574	671,363	-	25,789
Excise and Other Taxes	-	160,936	160,936	170,784	-	9,848
Licenses, Permits, Fees	-	67,117	67,117	85,214	-	18,097
Interest and Penalties on Taxes	-	7,400	7,400	6,062	-	(1,338)
Interest on Investments	-	11,400	11,400	42,008	-	30,608
Total Revenues	-	10,170,623	10,170,623	9,993,334	-	(177,289)
Expenditures:						
Current:						
General Government	375,071	840,161	1,369,338	748,291	551,667	69,380
Public Safety	277,887	624,508	912,396	791,541	74,739	46,116
Public Works	96,549	728,278	826,826	605,705	168,137	52,984
Education	199,587	5,024,484	5,200,596	4,665,520	125,877	409,199
Health and Human Services	3,200	191,218	194,418	163,800	9,200	21,418
Culture and Recreation	31,711	191,016	252,727	137,598	111,337	3,792
Employee Benefits and Insurance	35,000	1,593,856	1,630,768	1,595,664	-	35,104
State Assessments	-	384,969	384,969	491,658	-	(106,689)
Total Expenditures	1,019,005	9,578,490	10,772,038	9,199,777	1,040,957	531,304
Excess of Revenues Over (Under) Expenditures	(1,019,005)	592,133	(601,415)	793,557	(1,040,957)	354,015
Other Financing Sources (Uses):						
Operating Transfers In	-	27,546	27,546	143,741	-	116,195
Operating Transfers Out	-	(1,414,085)	(1,635,733)	(1,635,733)	-	-
Total Other Financing Sources (Uses)	-	(1,386,539)	(1,608,187)	(1,491,992)	-	116,195
Net Change in Budgetary Fund Balance	(1,019,005)	(794,406)	(2,209,602)	\$ (698,435)	\$ (1,040,957)	\$ 470,210
Other Budgetary Items:						
Free Cash and Other Reserves	-	794,406	1,190,597			
Prior Year Encumbrances	1,019,005	-	1,019,005			
Total Other Budgetary Items	1,019,005	794,406	2,209,602			
NET BUDGET	\$ -	\$ -	\$ -			

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, 2017

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 9,993,334	\$ 9,199,777
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	154,107	-
Net Increase in Revenue from recording Refund Taxes Payable	377,500	-
Recognition of Intergovernmental Revenue - "on behalf payments"	579,214	-
Recognition of Expenditures - "on behalf payments"	-	579,214
Change in Accruals for GAAP Basis	(20,701)	-
Net Increase in Revenue from Recording 60-Day Receipts	3,100	-
Reported on a GAAP Basis	<u>\$ 11,086,554</u>	<u>\$ 9,778,991</u>

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, 2017

	Business-Type Activities Enterprise Funds		
	Wastewater Fund	Water Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 1,463,326	\$ 292,883	\$ 1,756,209
User Charges, net of allowance for uncollectibles	-	13,184	13,184
Total current assets	1,463,326	306,067	1,769,393
NONCURRENT:			
Capital Assets, net of accumulated depreciation:			
Nondepreciable	70,100	20,000	90,100
Depreciable	5,601,967	872,957	6,474,924
Total noncurrent assets	5,672,067	892,957	6,565,024
Total Assets	7,135,393	1,199,024	8,334,417
LIABILITIES			
CURRENT:			
Accounts Payable	7,171	780	7,951
Accrued Payroll	2,019	186	2,205
Accrued Interest	26,672	-	26,672
Compensated Absences	8,952	-	8,952
Other	-	12,000	12,000
Bonds Payable	216,702	-	216,702
Total current liabilities	261,516	12,966	274,482
NONCURRENT:			
Compensated Absences	5,899	-	5,899
OPEB Obligation Payable	8,003	5,722	13,725
Other	-	48,000	48,000
Bonds Payable	2,693,023	-	2,693,023
Total noncurrent liabilities	2,706,925	53,722	2,760,647
Total Liabilities	2,968,441	66,688	3,035,129
NET POSITION			
Net Investment in Capital Assets	2,762,342	832,957	3,595,299
Unrestricted	1,404,610	299,379	1,703,989
Total Net Position	\$ 4,166,952	\$ 1,132,336	\$ 5,299,288

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, 2017

	Business-Type Activities Enterprise Funds		
	Wastewater Fund	Water Fund	Total
Operating Revenues:			
Charges for Services	\$ 198,744	\$ 103,750	\$ 302,494
Other	50,000	-	50,000
Total Operating Revenues	248,744	103,750	352,494
Operating Expenses:			
Salaries & Wages	164,934	19,888	184,822
Operating Expenses	203,918	32,119	236,037
Depreciation	188,691	49,948	238,639
Total Operating Expenses	557,543	101,955	659,498
Operating Income (Loss)	(308,799)	1,795	(307,004)
Non-Operating Revenues (Expenses):			
Investment Income	1,273	852	2,125
Interest Expense	(62,894)	(1,800)	(64,694)
Total Non-Operating Revenues (Expenses)	(61,621)	(948)	(62,569)
Income (Loss) Before Operating Transfers	(370,420)	847	(369,573)
Operating Transfers:			
Transfers In/(Out)	514,549	-	514,549
Total Operating Transfers	514,549	-	514,549
Change in Net Position	144,129	847	144,976
Net Position at Beginning of Year	4,022,823	1,131,489	5,154,312
Net Position at End of Year	\$ 4,166,952	\$ 1,132,336	\$ 5,299,288

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, 2017**

	Business-Type Activities Enterprise Funds		
	Wastewater Fund	Water Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 198,744	\$ 102,408	\$ 301,152
Receipts from Other Revenues	50,000	-	50,000
Payments to Vendors	(199,800)	(48,181)	(247,981)
Payments to Employees	(157,494)	(19,805)	(177,299)
Net Cash Provided by (Used for) Operating Activities	(108,550)	34,422	(74,128)
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	514,549	-	514,549
Net Cash Provided by (Used for) Noncapital Financing Activities	514,549	-	514,549
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(77,615)	-	(77,615)
Principal Payments on Debt	(212,410)	(12,000)	(224,410)
Interest Expense	(64,842)	(1,800)	(66,642)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(354,867)	(13,800)	(368,667)
Cash Flows from Investing Activities:			
Investment Income	1,273	852	2,125
Net Cash Provided by (Used for) Investing Activities	1,273	852	2,125
Net Increase (Decrease) in Cash and Cash Equivalents	52,405	21,474	73,879
Cash and Cash Equivalents at Beginning of Year	1,410,921	271,409	1,682,330
Cash and Cash Equivalents at End of Year	\$ 1,463,326	\$ 292,883	\$ 1,756,209

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

Operating Income (Loss)	\$ (308,799)	\$ 1,795	\$ (307,004)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	188,691	49,948	238,639
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	505	(17,475)	(16,970)
Increase (Decrease) in Accrued Payroll	(140)	83	(57)
Increase (Decrease) in Compensated Absences	7,580	-	7,580
Increase (Decrease) in OPEB Obligation Payable	3,613	1,413	5,026
Decrease (Increase) in User Charges Receivable	-	(1,342)	(1,342)
Total Adjustments	200,249	32,627	232,876
Net Cash Provided by (Used for) Operating Activities	\$ (108,550)	\$ 34,422	\$ (74,128)

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, 2017**

	Other Post Employment Benefits Trust Fund		Agency Funds
ASSETS			
Cash and Cash Equivalents	\$	-	\$ 25,686
Investments		3,081,633	-
Total Assets		3,081,633	25,686
LIABILITIES			
Due to Others		-	4,066
Due to Student Groups		-	21,620
Total Liabilities		-	25,686
NET POSITION			
Held in Trust for Other Purposes	\$	3,081,633	\$ -

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, 2017**

	Other Post Employment Benefits Trust Fund
Additions	
Contributions:	
Employer	\$ 516,676
Investment Income	193,421
Total Additions	<u>710,097</u>
Deductions:	
Insurance and Employee Benefits	216,676
Total Deductions	<u>216,676</u>
Change in Net Position	<u>493,421</u>
Net Position at Beginning of Year	<u>2,588,212</u>
Net Position at End of Year	<u><u>\$ 3,081,633</u></u>

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, 2017

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 1838 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 2017, 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, 2017

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, 2017

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, 2017

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

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
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Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

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.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2016 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 November 28, 2016 that were due on January 9, 2017 and May 1, 2017, 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 2017 is \$9,444,803.

The total amount raised by taxation was \$9,437,082.

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.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
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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.

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:

Capital Asset Type	Years
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".

TOWN OF ERVING, MASSACHUSETTS
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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*.

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 and 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:

"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.

TOWN OF ERVING, MASSACHUSETTS
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“Other purposes” represents restrictions placed on assets from outside parties.

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

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

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

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

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

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

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

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

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.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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.

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.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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

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

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

For fiscal year 2017, the Town incurred a final budget deficit of \$2,209,602 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 1,190,597
Prior year's encumbrances	1,019,005
	<u>\$ 2,209,602</u>

B. Deficit Fund Balances

The following funds had deficits at June 30, 2017 as measured by the balances of unreserved fund balance.

- The *Riverfront Park improvements* capital project fund has a deficit of \$203,390. The Town has authorized debt borrowing of \$600,000. The deficit will be eliminated upon the future receipt of grant funds or the issuance of permanent debt.

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, 2017 were \$5,784,749. 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.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

As of June 30, 2017, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 1,055,570	\$ -	\$ 1,055,570
U. S. government agencies	2,095,695	401,847	1,693,848
Bond mutual funds	776,524	776,524	-
Corporate bonds	1,957,696	1,569,530	388,166
Money market mutual fund	408,811	408,811	-
	<u>6,294,296</u>	<u>\$ 3,156,712</u>	<u>\$ 3,137,584</u>
Other Investments:			
Certificates of deposit	2,011,404		
Equity Mutual Funds	4,226,518		
Equity Securities - Domestic (Stocks)	230,539		
	<u>\$ 12,762,757</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 \$12,762,757 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.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Credit Risk

The Town's exposure to credit risk as of June 30, 2017 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 1,055,570
<i>U. S. Government Agencies:</i>	
Aaa	2,095,695
<i>Corporate Bonds:</i>	
Aa3	88,842
A2	314,899
A3	139,807
Baa1	683,144
Baa3	249,407
Not rated	481,597
<i>Bond Mutual Funds:</i>	
Not rated	776,524
<i>Money Market Mutual Funds:</i>	
Not rated	408,811
	\$ 6,294,296

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 in the Federal Home Loan Mortgage Corporation amounting to 10.89% 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.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The Town has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Fair Value	Fair Value Measurement		
		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	\$ 1,055,570	\$ 1,055,570	\$ -	\$ -
U. S. government agencies	2,095,695	2,095,695	-	-
Certificates of deposit	2,011,404	2,011,404	-	-
Equity mutual funds	4,226,518	4,226,518	-	-
Equity securities - domestic	230,539	230,539	-	-
Money market mutual fund	408,811	408,811	-	-
Bond mutual funds	776,524	-	776,524	-
Corporate bonds	1,957,696	-	1,957,696	-
	\$ 12,762,757	\$ 10,028,537	\$ 2,734,220	\$ -

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, 2017, 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
Major and nonmajor governmental funds:			
Property taxes	\$ 32,715	\$ (1,174)	\$ 31,541
Tax liens	34,003	-	34,003
Excise taxes	38,987	(9,660)	29,327
Departmental	215,410	-	215,410
Due from other governments	80,553	410,386	490,939
	<u>\$ 401,668</u>	<u>\$ 399,552</u>	<u>\$ 801,220</u>

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

At June 30, 2017, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water Fund:			
User charges	\$ 13,684	\$ (500)	\$ 13,184

The composition of amounts due from other governments as of June 30, 2017 for governmental funds is as follows:

General Fund:			
Commonwealth of Massachusetts:			
Department of Veterans Services:			
Veterans benefits	\$ 20,553		
Other:			
Loan and interest	60,000	\$	80,553
Nonmajor Governmental Funds:			
U. S. Department of Agriculture:			
School lunch	6,335		
Commonwealth of Massachusetts:			
Executive Office of Energy and Environmental Affairs	218,051		
Massachusetts Department of Transportation:			
Highway department - Chapter 90 funds	186,000		410,386
		\$	490,939

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	\$ 22,241		
Tax liens	34,003		
Excise taxes	29,327		
Due from other governments	76,028	\$	161,599
Nonmajor governmental funds:			
Departmental	215,410		
Due from other governments	126,127		341,537
		\$	503,136

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

D. Capital Assets

Capital asset activity for the year ended June 30, 2017, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,524,895	\$ -	\$ -	\$ 1,524,895
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,524,895	-	-	1,524,895
Capital assets being depreciated:				
Buildings and Renovations	12,767,728	722,847	-	13,490,575
Machinery, equipment and other	2,385,663	271,608	-	2,657,271
Infrastructure	2,421,091	114,814	-	2,535,905
Total capital assets being depreciated	17,574,482	1,109,269	-	18,683,751
Less accumulated depreciation for:				
Buildings and Renovations	4,607,472	416,887	-	5,024,359
Machinery, equipment and other	1,698,809	203,286	-	1,902,095
Infrastructure	627,551	105,128	-	732,679
Total accumulated depreciation	6,933,832	725,301	-	7,659,133
Total capital assets being depreciated, net	10,640,650	383,968	-	11,024,618
Total governmental activities capital assets, net	\$ 12,165,545	\$ 383,968	\$ -	\$ 12,549,513

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
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	64,794	-	-	64,794
Infrastructure	9,117,466	77,615	-	9,195,081
Total capital assets being depreciated	9,182,260	77,615	-	9,259,875
Less accumulated depreciation for:				
Machinery, equipment and other	20,156	12,959	-	33,115
Infrastructure	2,526,156	225,680	-	2,751,836
Total accumulated depreciation	2,546,312	238,639	-	2,784,951
Total capital assets being depreciated, net	6,635,948	(161,024)	-	6,474,924
Total business-type activities capital assets, net	\$ 6,726,048	\$ (161,024)	\$ -	\$ 6,565,024

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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

Governmental Activities:

General government	\$ 22,644
Public safety	171,458
Public works	196,807
Education	212,795
Health and human services	76,867
Culture and recreation	44,730
Total depreciation expense - governmental activities	<u>\$ 725,301</u>

Business-Type Activities:

Wastewater fund	\$ 188,691
Water fund	49,948
Total depreciation expense - business-type activities	<u>\$ 238,639</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2017, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 207,200	\$ 514,549	\$ 721,749
Nonmajor governmental funds	132,195	-	-	132,195
Total transfers out	<u>\$ 132,195</u>	<u>\$ 207,200</u>	<u>\$ 514,549</u>	<u>\$ 853,944</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, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Business-type activities:					
Due to the Town:					
Water tank	\$ 72,000	\$ -	\$ 12,000	\$ 60,000	\$ 12,000

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The annual business-type payments to retire this debt as of June 30, 2017, are as follows:

Year	Principal	Interest	Total
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>\$ 60,000</u>	<u>\$ 4,500</u>	<u>\$ 64,500</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, 2017
Outside Debt:					
Wastewater Fund:					
Massachusetts Clean Water Trust:					
Wastewater treatment plant	2.00%	3/18/2009	7/15/2028	\$ 4,511,419	<u>\$ 2,909,725</u>

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2017, are as follows:

Year	Principal	Interest	Total
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	234,751	37,979	272,730
2023-2027	1,246,834	116,810	1,363,644
2028-2029	534,711	10,748	545,459
	<u>\$ 2,909,725</u>	<u>\$ 363,024</u>	<u>\$ 3,272,749</u>

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Governmental activities:					
Compensated absences	\$ 23,733	\$ 22,503	\$ -	\$ 46,236	\$ 29,085
Net OPEB Obligation payable	31,401	-	175,791	(144,390)	-
Net pension liability	1,908,143	644,894	-	2,553,037	-
Governmental activity					
Long-term liabilities	\$ 1,963,277	\$ 667,397	\$ 175,791	\$ 2,454,883	\$ 29,085

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Business-type activities:					
Bonds Payable:					
Massachusetts Clean					
Water Trust bonds	\$ 3,122,135	\$ -	\$ 212,410	\$ 2,909,725	\$ 216,702
Due to Town Stabilization	72,000	-	12,000	60,000	12,000
Compensated absences	7,270	7,581	-	14,851	8,952
Net OPEB Obligation payable	8,698	5,027	-	13,725	-
Business-type activity					
Long-term liabilities	\$ 3,210,103	\$ 12,608	\$ 224,410	\$ 2,998,301	\$ 237,654

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, 2017 for principal and interest combined for the loans is \$3,272,749. 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, 2017.

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, 2017

The following is a computation of the legal debt limit as of June 30, 2017:

Equalized Valuation-Real Estate and Personal Property (2016)		<u>\$ 887,378,000</u>
Debt Limit: 5 % of Equalized value		44,368,900
Total Debt Outstanding	\$ 2,909,725	
Less: Debt Outside Debt Limit	<u>(2,909,725)</u>	<u>-</u>
Inside Debt Excess Borrowing Capacity at June 30, 2017		<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, 2017 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	\$ 600,000
5/3/2017	New Library Construction	<u>4,933,007</u>
		<u>\$ 5,533,007</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, 2017 of \$2,465,000 for a construction project. The Town of Erving's share is approximately 6.91%.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

H. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2017:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 9,840	\$ 9,840
Restricted:			
Federal, state and local grants	-	210,157	210,157
School revolving funds	-	19,608	19,608
Town revolving funds	-	43,986	43,986
Loan programs	-	165,810	165,810
Donations and gifts	-	8,352	8,352
Permanent funds	-	32,873	32,873
Other	-	124,446	124,446
	-	605,232	605,232
Committed:			
Continuing appropriations	951,055	-	951,055
Assigned:			
Reserve for encumbrances	89,902	-	89,902
Subsequent year's budget	329,000	-	329,000
	418,902	-	418,902
Unassigned:			
General fund	10,846,981	-	10,846,981
Capital project deficits	-	(203,390)	(203,390)
	10,846,981	(203,390)	10,643,591
Total Governmental fund balances	\$ 12,216,938	\$ 411,682	\$ 12,628,620

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, 2017

At June 30, 2017 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 9,525,752
Fire truck stablization fund	28,310
Computer stabilization fund	24,647
	<u>\$ 9,578,709</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, 2017, the Town's insurance consultants have reported the HCHG has accumulated a surplus of \$18,712,145 as of June 30, 2017.

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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

C. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

D. Major Taxpayer

Western Massachusetts Electric Company, in conjunction with the Northeast Generations Company, paid \$8,301,943 in property taxes in fiscal year 2017. This accounted for approximately 88% of the fiscal year 2017 real estate and personal property tax levy.

E. 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.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2016 was \$285,529, representing 20.82% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2017, the Town reported a liability of \$2,553,037 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2016, the Town's proportional percentage was 4.86%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2017, the Town recognized a pension expense of \$550,090 and reported deferred outflows of resources related to pensions of \$672,558 from the net difference between projected and actual investment earnings on pension plan investments, changes of assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions; and deferred inflows of resources related to pensions of \$10,739 from the differences between expected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions.

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

For years ended June 30,		
	2018	\$ 201,673
	2019	201,673
	2020	199,337
	2021	59,136
		\$ 661,819

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2016:

Valuation date	January 1, 2016
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TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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. The annual increase is further limited to 5.5%. Early Retirement Incentive Program (ERI): Level dollar amount to reduce the 2002 and 2003 ERI to zero on or before June 30, 2019 and June 30, 2020, respectively.
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.
Inflation	3.00% per year
Projected salary increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Cost of living adjustments	4.00% of the pension amount on \$17,000 per year.
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members

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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
PRIT Core	45.0%	5.30%
Domestic Equity	27.0%	6.60%
International Equity	5.0%	3.70%
Real Estate	10.0%	7.00%
Fixed Income	13.0%	5.40%
Total	100.0%	

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 8.24%. 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.

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

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:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Town's net pension liability	\$ 3,556,848	\$ 2,553,037	\$ 1,703,774

F. Other Post Employment Benefits Payable

GASB Statement No. 45

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires Towns to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

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.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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 2017 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$210,961. The Town has made contributions to an OPEB Trust of \$300,000 for fiscal year 2017 for a total contribution of \$510,961.

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	\$ 327,530
Interest on net OPEB obligation	2,406
Adjustment to annual required contribution	(2,748)
Amortization of actuarial (Gains)/Losses	13,008
Annual OPEB cost (expense)	<u>340,196</u>
Contributions made during the fiscal year	(210,961)
Contributions made to trust fund	<u>(300,000)</u>
Increase in net OPEB obligation	(170,765)
Net OPEB Liability/(Asset) - beginning of year	40,100
Net OPEB Liability/(Asset) - end of year	<u><u>\$ (130,665)</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Liability/ (Asset)
6/30/2017	\$ 340,196	150.2%	\$ (130,665)
6/30/2016	\$ 340,541	151.7%	\$ 40,100
6/30/2015	\$ 399,937	110.5%	\$ 216,235

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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.

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 47.6% 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.

GASB Statement No. 74

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2017, the trust balance is \$3,081,633.

Investments

The OPEB Trust fund does not have a formal investment policy. As of June 30, 2017, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Deposits and Investment Policies (refer to note 3A).

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Net OPEB Liability

The components of the net OPEB liability are as follows:

Total OPEB liability	\$ 4,303,077
Less: Plan fiduciary net position	(3,081,633)
City's Net OPEB liability	<u>\$ 1,221,444</u>
Plan fiduciary net position as a percentage of the total OPEB liability	71.61%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement that was used to calculate the actuarially determined contribution as of June 30, 2017, unless otherwise specified:

Valuation date	Actuarially determined contribution was calculated as of June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Inflation rate	2.75% annually and for future periods
Participant salary increases	3.00% annually and for future periods
Investment rate of return	6.80% annually, net of OPEB plan investment expense Including inflation
Healthcare cost trend rates	5.00% annually
Mortality rates	
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Disabled Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Long-term Expected Rate of Return

The chart below shows how the long-term rate of return on OPEB plan assets was developed based on the Town's investment policy:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity - Large Capital	20.00%	4.00%
Domestic Equity - Small/Mid Capital	10.00%	6.00%
International Equity - Developed Market	10.00%	4.50%
International Equity - Emerging Market	5.00%	7.00%
Domestic Fixed Income	25.00%	2.00%
International Fixed Income	10.00%	3.00%
Alternatives	20.00%	6.50%
Real Estate	0.00%	6.25%
Total	100.00%	
I. Real Rate of Return		4.30%
II. Add: Inflation Assumption		2.75%
III. Total Nominal Return (I. + II.)		7.05%
IV. Less: Investment Expense		-0.25%
V. Net investment Return (III.-IV.)		6.80%

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.47%.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. 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 Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF ERVING, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's net OPEB liability	\$ 1,332,102	\$ 1,221,444	\$ (171,506)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Town's net OPEB liability	\$ (130,426)	\$ 1,221,444	\$ 1,480,652

G. Implementation of New GASB Pronouncements

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

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, for implementation in fiscal year 2017.

The GASB issued Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, for implementation in fiscal year 2017.

H. 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. 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. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF ERVING, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Franklin Regional Retirement System
For the Year Ended June 30, 2017**

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>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	4.86%	4.10%	4.12%
Town's proportionate share of the net pension liability (asset)	\$ 2,553,037	\$ 1,908,143	\$ 1,546,412
Town's covered employee payroll	\$ 1,371,637	\$ 1,348,376	\$ 1,271,212
Net pension liability percentage of covered-employee payroll	186.13%	141.51%	121.65%
Plan fiduciary net position as a percentage of the total pension liability	70.75%	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, 2017

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>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 285,529	\$ 231,212	\$ 230,709
Less: Contributions in relation to the actuarially determined contribution	<u>(285,529)</u>	<u>(231,212)</u>	<u>(230,709)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 1,371,637	\$ 1,348,376	\$ 1,271,212
Contributions percentage of covered-employee payroll	20.82%	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 (GASB 45) Schedule
For the Year Ended June 30, 2017

Schedule of Funding Progress

Other Post Employment Benefits							UAAL as a Percentage of Covered Payroll ((B-A)/C)
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)		
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

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2017	\$ 340,196	\$ 510,961	150.2%
2016	\$ 340,541	\$ 516,676	151.7%
2015	\$ 399,937	\$ 441,751	110.5%

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	<u>118</u>

TOWN OF ERVING, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedules
For the Year Ended June 30, 2017

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2017</u>
Total OPEB liability	
Service cost	\$ 117,961
Interest on net OPEB liability	288,717
Benefit payments, including refunds of member contributions	<u>(216,676)</u>
Net change in total OPEB liability	190,002
Total OPEB liability-beginning	<u>4,113,075</u>
Total OPEB liability-ending (a)	<u>\$ 4,303,077</u>
 Plan fiduciary net position	
Net investment income	\$ 193,421
Employer contributions(withdrawals) to/from Trust	516,676
Benefit payments, including refunds of member contributions	<u>(216,676)</u>
Net change in plan fiduciary net position	493,421
Total fiduciary net position-beginning	<u>2,588,212</u>
Total fiduciary net position-ending (b)	<u>\$ 3,081,633</u>
 Town's net OPEB liability (a-b)	 <u><u>\$ 1,221,444</u></u>

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
Other Post Employment Benefit Plan (GASB 74) Schedules
For the Year Ended June 30, 2017

Schedule of Net OPEB Liability:

	<u>6/30/2017</u>
Total OPEB liability	\$ 4,303,077
Less: Plan fiduciary net position	<u>(3,081,633)</u>
Town's Net OPEB liability	<u><u>\$ 1,221,444</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	71.61%
Town's share of covered employee payroll	\$ 3,718,662
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	32.85%

Schedule of Contributions:

	<u>6/30/2017</u>
Actuarially determined contribution	\$ 232,805
Less: Contributions in relation to the actuarially determined contribution	<u>(516,676)</u>
Contribution deficiency (excess)	<u><u>\$ (283,871)</u></u>
Town's share of covered employee payroll	\$ 3,718,662
Contributions percentage of covered-employee payroll	13.89%
Annual money-weighted rate of return net of investment expense	7.47%

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.

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, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 5,471	\$ 126,599	\$ 131,603	\$ -	\$ 467
Arts Lottery Council Grant	3,037	4,404	3,425	-	4,016
Community Development Grants	-	849,487	834,487	-	15,000
Council on Aging Grants	254	8,153	8,573	-	(166)
Emergency Management Grants	1,979	-	-	-	1,979
Foundation Reserve Grant	34,882	-	-	-	34,882
Highway Grants	-	59,873	59,873	-	-
Library Grants	22,097	2,244	10,159	-	14,182
Public Health Grants	380	-	-	-	380
Public Safety Grants	6,601	-	5,000	-	1,601
Septic Management Grant	2,000	-	-	-	2,000
Small Scale Grants	-	500	500	-	-
Wellhead Protection Grant	1,168	-	-	-	1,168
Schools:					
School Lunch Revolving	(9,275)	77,975	95,344	31,526	4,882
School Lunch Commodities	-	4,485	4,485	-	-
Revolving Accounts	16,239	36,327	35,514	(2,326)	14,726
State Special Education Reimbursement Fund	113,110	134,648	-	(113,110)	134,648
Other:					
Animal Control Outside Details	-	555	600	-	(45)
Cable Access Grants	75,922	16,716	-	-	92,638
Conservation Commission Consulting Fees	959	-	-	-	959
Council on Aging Revolving	6,984	15,496	16,622	(85)	5,773
Gifts and Donations	4,264	8,225	4,137	-	8,352
Library Dog Fund	1,556	-	-	-	1,556
Police Outside Details	12,280	60,440	71,180	-	1,540
Recreation Revolving	15,528	19,788	14,117	-	21,199
Total Special Revenue Page 65	\$ 315,436	\$ 1,425,915	\$ 1,295,619	\$ (83,995)	\$ 361,737

TOWN OF ERVING, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Continued from Page 65	\$ 315,436	\$ 1,425,915	\$ 1,295,619	\$ (83,995)	\$ 361,737
Special Revenue (continued):					
Other (continued):					
Road Machinery Fund	786	-	-	-	786
Sale of Cemetery Lots	9,900	250	-	-	10,150
Ten Town Loan Program	17,648	161,513	13,350	-	165,811
War Rehabilitation	22,202	297	-	-	22,499
Wetlands Protection Fund	3,624	-	-	-	3,624
Conservation Fund	9,081	122	1,450	-	7,753
Total Special Revenue Funds	<u>378,677</u>	<u>1,588,097</u>	<u>1,310,419</u>	<u>(83,995)</u>	<u>572,360</u>
Capital Project Funds:					
Elementary School construction	44,649	-	44,649	-	-
Riverfront Park improvements	(37,082)	336,889	678,198	175,000	(203,391)
Senior Community Center Project	16,000	-	-	(16,000)	-
Total Capital Project Funds	<u>23,567</u>	<u>336,889</u>	<u>722,847</u>	<u>159,000</u>	<u>(203,391)</u>
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	9,840	-	-	-	9,840
Permanent Funds:					
Cemetery Perpetual Care Funds	32,310	563	-	-	32,873
Total - Non-Major Governmental Funds	<u>\$ 444,394</u>	<u>\$ 1,925,549</u>	<u>\$ 2,033,266</u>	<u>\$ 75,005</u>	<u>\$ 411,682</u>

**TOWN OF ERVING, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Real Estate Taxes:						
Levy of 2017	\$ -	\$ 7,704,146	\$ 38,382	\$ 7,639,926	\$ 25,838	\$ 25,838
Levy of 2016	16,493	-	510	14,133	1,850	1,851
Levy of 2015	31,236	-	27,211	4,025	-	-
Levy of 2014	654	-	375,654	(375,000)	-	-
Levy of 2013	-	-	-	-	-	-
Prior Years	-	-	-	-	-	-
	<u>48,383</u>	<u>7,704,146</u>	<u>441,757</u>	<u>7,283,084</u>	<u>27,688</u>	<u>27,689</u>
Personal Property Taxes:						
Levy of 2017	-	1,732,936	-	1,731,622	1,314	1,314
Levy of 2016	1,077	-	-	181	896	896
Levy of 2015	999	-	-	-	999	999
Levy of 2014	1,107	-	-	370	737	737
Levy of 2013	617	-	-	9	608	608
Prior Years	473	-	2,546	(2,546)	473	473
	<u>4,273</u>	<u>1,732,936</u>	<u>2,546</u>	<u>1,729,636</u>	<u>5,027</u>	<u>5,027</u>
Total Real Estate and Personal Property Taxes	<u>\$ 52,656</u>	<u>\$ 9,437,082</u>	<u>\$ 444,303</u>	<u>\$ 9,012,720</u>	<u>\$ 32,715</u>	<u>\$ 32,716</u>

**TOWN OF ERVING, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes		Abatements and Adjustments		Collections Net of Refunds and Overpayments		Uncollected Taxes		Uncollected Taxes Per Detail
	July 1, 2016	Commitments					June 30, 2017	June 30, 2017	June 30, 2017
Motor Vehicle Excise Taxes:									
Levy of 2017	\$ -	\$ 160,658	\$ 2,359	\$ 137,682	\$ 20,617	\$ 20,617			
Levy of 2016	19,572	17,183	866	30,766	5,123	5,123			
Levy of 2015	3,339	-	-	806	2,533	2,533			
Levy of 2014	2,165	-	-	376	1,789	1,789			
Levy of 2013	1,395	-	-	133	1,262	1,262			
Prior Years	7,853	-	105	85	7,663	7,663			
Total Motor Vehicle Excise Taxes	\$ 34,324	\$ 177,841	\$ 3,330	\$ 169,848	\$ 38,987	\$ 38,987			

**TOWN OF ERVING, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
Tax Liens	\$ 36,709	\$ 34,910	\$ 32,433	\$ 5,183	\$ 34,003	\$ 34,003