

**TOWN OF ASHBY, MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2016

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**Additional Offices:**

Nashua, NH  
Manchester, NH  
Andover, MA  
Ellsworth, ME

**INDEPENDENT AUDITORS' REPORT**

To the Board of Selectmen  
Town of Ashby, 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 Ashby, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

The Town's 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.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Ashby, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Contributions, 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 evidence sufficient to express an opinion or provide any assurance.



August 8, 2017

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

As management of the Town of Ashby, we offer readers this narrative overview and analysis of the financial activities of the Town of Ashby for the fiscal year ended June 30, 2016.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise 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 our finances in a manner similar to a private-sector business.

The statement of net position presents information on all assets and liabilities, with the difference between the two 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, education, public works, health and human services, culture and recreation, employee benefits, and intergovernmental. The business-type activities include transfer station activities.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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 financing 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 funds with similar 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 decisions. 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for transfer station operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the transfer station operations, which is considered to be a major fund.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$7,015,479 (i.e., net position), a change of \$(4,971) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,829,912, a change of \$246,288 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,168,447, a change of \$128,580 in comparison with the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 3,197,006	\$ 2,952,550	\$ 33,609	\$ 42,046	\$ 3,230,615	\$ 2,994,596
Capital assets	5,432,881	5,690,478	-	-	5,432,881	5,690,478
Deferred outflows	<u>171,605</u>	<u>4,822</u>	<u>-</u>	<u>-</u>	<u>171,605</u>	<u>4,822</u>
Total Assets and Deferred Outflows	8,801,492	8,647,850	33,609	42,046	8,835,101	8,689,896
Long-term liabilities outstanding	1,676,823	1,513,666	-	-	1,676,823	1,513,666
Other liabilities	<u>142,774</u>	<u>153,859</u>	<u>25</u>	<u>1,921</u>	<u>142,799</u>	<u>155,780</u>
Total Liabilities	1,819,597	1,667,525	25	1,921	1,819,622	1,669,446
Net position:						
Invested in capital assets	5,404,974	5,665,535	-	-	5,404,974	5,665,535
Restricted	1,084,469	1,039,713	-	-	1,084,469	1,039,713
Unrestricted	<u>492,452</u>	<u>275,077</u>	<u>33,584</u>	<u>40,125</u>	<u>526,036</u>	<u>315,202</u>
Total Net Position	<u>\$ 6,981,895</u>	<u>\$ 6,980,325</u>	<u>\$ 33,584</u>	<u>\$ 40,125</u>	<u>\$ 7,015,479</u>	<u>\$ 7,020,450</u>

## CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 213,024	\$ 174,327	\$ 24,112	\$ 24,652	\$ 237,136	\$ 198,979
Operating grants and contributions	184,917	180,475	-	-	184,917	180,475
Capital grants and contributions	14,440	292,083	-	-	14,440	292,083
General revenues:						
Property taxes	5,372,164	5,186,929	-	-	5,372,164	5,186,929
Excises	442,986	406,149	-	-	442,986	406,149
Penalties, interest and other taxes	47,918	25,977	-	-	47,918	25,977
Grants and contributions not restricted	502,175	501,219	-	-	502,175	501,219
Investment income / (loss)	34,953	5,528	39	46	34,992	5,574
Miscellaneous	26,693	-	-	-	26,693	-
Total Revenues	<u>6,839,270</u>	<u>6,772,687</u>	<u>24,151</u>	<u>24,698</u>	<u>6,863,421</u>	<u>6,797,385</u>
Expenses:						
General government	652,570	626,722	-	-	652,570	626,722
Public safety	1,223,108	1,093,443	-	-	1,223,108	1,093,443
Education	3,481,363	3,372,513	-	-	3,481,363	3,372,513
Public works	602,822	916,481	-	-	602,822	916,481
Health and human services	62,711	62,436	-	-	62,711	62,436
Culture and recreation	197,252	193,254	-	-	197,252	193,254
Employee benefits	593,415	472,338	-	-	593,415	472,338
Intergovernmental	24,459	24,217	-	-	24,459	24,217
Transfer station	-	-	30,692	27,149	30,692	27,149
Total expenses	<u>6,837,700</u>	<u>6,761,404</u>	<u>30,692</u>	<u>27,149</u>	<u>6,868,392</u>	<u>6,788,553</u>
Change in net position	1,570	11,283	(6,541)	(2,451)	(4,971)	8,832
Net position - beginning of year	<u>6,980,325</u>	<u>6,969,042</u>	<u>40,125</u>	<u>42,576</u>	<u>7,020,450</u>	<u>7,011,618</u>
Net position - end of year	<u>\$ 6,981,895</u>	<u>\$ 6,980,325</u>	<u>\$ 33,584</u>	<u>\$ 40,125</u>	<u>\$ 7,015,479</u>	<u>\$ 7,020,450</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$7,015,479, a change of \$(4,971) from the prior year.

The largest portion of net position, \$5,404,974, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment net of a capital lease liability). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of net position, \$1,084,469, represents resources that are subject to external restrictions on how they may be used. The remaining balance



of unrestricted net position, \$526,036, may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$1,570. Key elements of this change are as follows:

Excess of tax collections compared to budget	\$ 23,766
Excess of State and local revenues over budget	189,008
Budgetary appropriations under-expended by departments	326,697
Use of free cash and overlay surplus as funding sources	(318,931)
Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in the subsequent year	(51,289)
Change in stabilization fund	32,281
Title V - major fund revenues over expenditures	776
Non-major fund revenues over expenditures	43,980
Capital asset additions	27,907
Capital lease additions	(27,907)
Current year depreciation (not budgeted for) in excess of capital lease repayment (included in the budget)	(260,561)
Current year change in net pension liability, net of deferrals	(16,704)
Other timing differences	32,547
	<hr/>
Total	\$ <u>1,570</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(6,541), all of which was the result of expenditures in excess of user fee revenues and investment income.

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used 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, unreserved 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 \$2,829,912, a change of \$246,288 in comparison with the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures (see below)	\$ 201,532
Title V major fund revenues in excess of expenses	776
Non-major governmental funds revenues in excess of expenditures	<u>43,980</u>
Total	\$ <u>246,288</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,168,447, while total fund balance was \$1,745,443. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% of Total 2016 General Fund Expenditures</u>
General fund unassigned	\$ 627,940	\$ 531,641	\$ 96,299	10%
Stabilization	<u>540,507</u>	<u>508,226</u>	<u>32,281</u>	<u>8%</u>
Total unassigned fund balance	\$ 1,168,447	\$ 1,039,867	\$ 128,580	18%
Total fund balance	\$ 1,745,443	\$ 1,543,911	\$ 201,532	27%

The fund balance of the general fund changed by \$201,532 during the current fiscal year. Key factors in this change are as follows:

Excess of tax collections compared to budget	\$ 23,766
Excess of State and local revenues over budget	189,008
Budgetary appropriations under-expended by departments	326,697
Use of free cash and overlay surplus as funding sources	(318,931)
Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in the subsequent year	(51,289)
Change in stabilization fund	<u>32,281</u>
Total	<u>\$ 201,532</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$33,584, a change of \$(6,541) in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$55,177. Major reasons for these amendments include:

- \$14,500 Police department retro pay
- \$40,677 Winter operations deficit

All of these increases were funded by free cash.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year end amounted to \$5,432,881 (net of accumulated depreciation), a change of \$(257,597) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Depreciation expense: \$(285,504)
- 2015 Ford Interceptor: \$27,907

Additional information on capital assets can be found in the footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Ashby'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:

Ms. Julie Costello  
Town Accountant  
Town of Ashby  
895 Main Street  
Ashby, MA 01431

TOWN OF ASHBY, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 1,801,054	\$ 33,609	\$ 1,834,663
Investments	1,129,357	-	1,129,357
Receivables, net of allowance for uncollectible:			
Property taxes	80,093	-	80,093
Excises	43,583	-	43,583
Departmental and other	48,072	-	48,072
Loans receivable	422	-	422
Due from other funds	1,520	-	1,520
Noncurrent:			
Property taxes, net of allowance for uncollectible	57,620	-	57,620
Loans receivable, net of allowance for uncollectible and current portion	35,285	-	35,285
Land and construction in progress	1,749,272	-	1,749,272
Capital assets, net of accumulated depreciation	3,683,609	-	3,683,609
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>171,605</u>	<u>-</u>	<u>171,605</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,801,492</b>	<b>33,609</b>	<b>8,835,101</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	64,718	25	64,743
Accounts payable	14,000	-	14,000
Accrued payroll and withholdings	47,403	-	47,403
Other liabilities	351	-	351
Current portion of long-term liabilities:			
Capital lease	9,302	-	9,302
Landfill closure	7,000	-	7,000
Noncurrent:			
Capital lease, net of current portion	18,605	-	18,605
Landfill closure, net of current portion	46,926	-	46,926
Net pension liability	<u>1,611,292</u>	<u>-</u>	<u>1,611,292</u>
<b>TOTAL LIABILITIES</b>	<b>1,819,597</b>	<b>25</b>	<b>1,819,622</b>
<b>NET POSITION</b>			
Invested in capital assets	5,404,974	-	5,404,974
Restricted for:			
Grants and other statutory restrictions	448,308	-	448,308
Permanent funds:			
Nonexpendable	441,003	-	441,003
Expendable	195,158	-	195,158
Unrestricted	<u>492,452</u>	<u>33,584</u>	<u>526,036</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>6,981,895</u></b>	<b>\$ <u>33,584</u></b>	<b>\$ <u>7,015,479</u></b>

The accompanying notes are an integral part of these financial statements.



TOWN OF ASHBY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>Title V Septic Loans</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 1,331,176	\$ 42,661	\$ 427,217	\$ 1,801,054
Investments	511,301	-	618,056	1,129,357
Receivables:				
Property taxes	165,395	-	-	165,395
Excises	52,513	-	-	52,513
Departmental and other	56,555	-	-	56,555
Loans	-	51,010	-	51,010
Due from other funds	1,520	-	-	1,520
<b>TOTAL ASSETS</b>	<u>\$ 2,118,460</u>	<u>\$ 93,671</u>	<u>\$ 1,045,273</u>	<u>\$ 3,257,404</u>
<b>LIABILITIES</b>				
Liabilities:				
Warrants payable	\$ 61,589	\$ -	\$ 3,129	\$ 64,718
Accounts payable	14,000	-	-	14,000
Accrued payroll and withholdings	47,067	-	336	47,403
Other liabilities	351	-	-	351
<b>TOTAL LIABILITIES</b>	123,007	-	3,465	126,472
<b>DEFERRED INFLOWS OF RESOURCES</b>	250,010	51,010	-	301,020
<b>FUND BALANCES</b>				
Nonspendable	-	-	441,003	441,003
Restricted	-	42,661	570,529	613,190
Committed	170,386	-	30,276	200,662
Assigned	406,610	-	-	406,610
Unassigned	1,168,447	-	-	1,168,447
<b>TOTAL FUND BALANCES</b>	<u>1,745,443</u>	<u>42,661</u>	<u>1,041,808</u>	<u>2,829,912</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 2,118,460</u>	<u>\$ 93,671</u>	<u>\$ 1,045,273</u>	<u>\$ 3,257,404</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
 BALANCES TO NET POSITION OF GOVERNMENTAL  
 ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2016

<b>Total Governmental Fund Balances</b>	\$	2,829,912
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>	5,432,881	
<ul style="list-style-type: none"> <li>• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds</li> </ul>	171,605	
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting, net of allowance for uncollectibles, and are not deferred until collection.</li> </ul>	240,622	
<ul style="list-style-type: none"> <li>• Long-term liabilities, (landfill closure, capital lease, and net pension liability) are not due and payable in the current period and, therefore are not reported in the governmental funds.</li> </ul>	<u>(1,693,125)</u>	
<b>Net Position of Governmental Activities</b>	\$	<u><u>6,981,895</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Title V Septic Loans</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 5,365,938	\$ -	\$ -	\$ 5,365,938
Excises	445,261	-	-	445,261
Penalties, interest and other taxes	47,918	-	-	47,918
Charges for services	113,352	-	6,381	119,733
Intergovernmental	543,523	-	151,788	695,311
Licenses and permits	60,526	-	-	60,526
Fines and forfeitures	10,385	-	-	10,385
Investment income / (loss)	19,952	-	21,222	41,174
Loan repayments	-	776	-	776
Miscellaneous	-	-	26,693	26,693
	<u>6,606,855</u>	<u>776</u>	<u>206,084</u>	<u>6,813,715</u>
<b>Expenditures</b>				
Current:				
General government	577,311	-	28,750	606,061
Public safety	1,102,755	-	85,817	1,188,572
Education	3,481,363	-	-	3,481,363
Public works	518,521	-	19,951	538,472
Health and human services	58,112	-	4,599	62,711
Culture and recreation	101,199	-	15,786	116,985
Employee benefits	576,711	-	-	576,711
Intergovernmental	24,459	-	-	24,459
	<u>6,440,431</u>	<u>-</u>	<u>154,903</u>	<u>6,595,334</u>
Excess (deficiency) of revenues over expenditures	166,424	776	51,181	218,381
<b>Other Financing Sources (Uses)</b>				
Capital lease proceeds	-	-	27,907	27,907
Transfer in	35,108	-	-	35,108
Transfer out	-	-	(35,108)	(35,108)
	<u>35,108</u>	<u>-</u>	<u>(7,201)</u>	<u>27,907</u>
Change in fund balance	201,532	776	43,980	246,288
Fund Equity, at Beginning of Year	<u>1,543,911</u>	<u>41,885</u>	<u>997,828</u>	<u>2,583,624</u>
Fund Equity, at End of Year	<u>\$ 1,745,443</u>	<u>\$ 42,661</u>	<u>\$ 1,041,808</u>	<u>\$ 2,829,912</u>

The accompanying notes are an integral part of these financial statements.



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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 246,288</b>
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</li> </ul>	
Capital outlay purchases	27,907
Depreciation	(285,504)
<ul style="list-style-type: none"> <li>• Revenues 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 change in deferred revenue, net of allowance for uncollectibles.</li> </ul>	
	25,555
<ul style="list-style-type: none"> <li>• The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</li> </ul>	
Lease additions	(27,907)
Lease repayment	24,943
<ul style="list-style-type: none"> <li>• Some expenses reported in the statement of activities, (landfill closure and net pension liability) do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</li> </ul>	
	<u>(9,712)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>1,570</u></b>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources</b>				
Property taxes	\$ 5,342,172	\$ 5,342,172	\$ 5,342,172	\$ -
Excise	350,000	350,000	445,261	95,261
Penalties, interest and other taxes	26,000	26,000	47,918	21,918
Charges for services	107,000	107,000	113,352	6,352
Intergovernmental	546,163	546,163	543,523	(2,640)
Licenses and permits	28,000	28,000	60,526	32,526
Fines and forfeits	10,000	10,000	10,385	385
Investment income	1,800	1,800	1,898	98
Transfers in	-	-	35,108	35,108
Other sources	263,754	318,931	318,931	-
Total Revenues and Other Sources	6,674,889	6,730,066	6,919,074	189,008
<b>Expenditures and Other Uses</b>				
General government	656,369	638,238	559,086	79,152
Public safety	1,210,394	1,245,174	1,088,975	156,199
Education	3,482,505	3,482,505	3,481,363	1,142
Public works	497,675	540,203	501,853	38,350
Health and human services	66,313	66,313	58,150	8,163
Culture and recreation	104,622	104,622	98,268	6,354
Employee benefits	618,325	614,325	576,988	37,337
Intergovernmental	24,459	24,459	24,459	-
Transfer Out	14,227	14,227	14,227	-
Total Expenditures and Other Uses	6,674,889	6,730,066	6,403,369	326,697
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 515,705	\$ 515,705

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Business- Type Activities Enterprise Funds</u> <u>Transfer Station</u>
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ 33,609
<b>TOTAL ASSETS</b>	33,609
<b><u>LIABILITIES</u></b>	
Current:	
Warrants payable	25
<b>TOTAL LIABILITIES</b>	25
<b><u>NET POSITION</u></b>	
Unrestricted	33,584
<b>TOTAL NET POSITION</b>	<b>\$ 33,584</b>

The accompanying notes are an integral part of these financial statements.

TOWN OF ASHBY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business- Type Activities Enterprise Funds Transfer Station
<b>Operating Revenues</b>	
Charges for services	\$ <u>24,112</u>
Total Operating Revenues	24,112
<b>Operating Expenses</b>	
Salaries and wages	6,419
Operating expenses	<u>24,273</u>
Total Operating Expenses	<u>30,692</u>
Operating Income (Loss)	(6,580)
<b>Nonoperating Revenues</b>	
Investment income	<u>39</u>
Total Nonoperating Revenue	<u>39</u>
Change in Net Position	(6,541)
Net Position, at Beginning of Year	<u>40,125</u>
Net Position, at End of Year	\$ <u><u>33,584</u></u>

The accompanying notes are an integral part of these financial statements.

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

	<u>Business- Type Activities Enterprise Funds Transfer Station</u>
<b><u>Cash Flows From Operating Activities</u></b>	
Receipts from customers and users	\$ 24,112
Payments to vendors and employees	<u>(32,588)</u>
Net Cash (Used For) Operating Activities	(8,476)
<b><u>Cash Flows From Investing Activities</u></b>	
Investment income	<u>39</u>
Net Cash Provided By Investing Activities	<u>39</u>
Net Change in Cash and Short-Term Investments	(8,437)
Cash and Short Term Investments, Beginning of Year	<u>42,046</u>
Cash and Short Term Investments, End of Year	<u>\$ 33,609</u>
<b><u>Reconciliation of Operating (Loss) to Net Cash Provided By (Used For) Operating Activities</u></b>	
Operating (loss)	\$ (6,580)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Warrants payable	<u>(1,896)</u>
Net Cash Provided By Operating Activities	<u>\$ (8,476)</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Departmental and other receivables	\$ <u>3,197</u>
Total Assets	\$ <u><u>3,197</u></u>
 <b><u>LIABILITIES</u></b>	
Due to other funds	\$ 1,520
Deposits in custody	134
Due to other governments	893
Other liabilities	<u>650</u>
Total Liabilities	\$ <u><u>3,197</u></u>

The accompanying notes are an integral part of these financial statements.

## Town of Ashby, Massachusetts

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Ashby (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

##### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2016, it was determined that no entities met the required GASB-39 criteria of component units.

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

###### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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*.

### 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.

### 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 and fiduciary fund financial statements. Revenues are recorded 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.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, landfill closure expenditures are recorded only when payment is due.

The government 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 *Title V septic loans fund* accounts for the Town's Title V Septic loans and related activity.

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.

The government reports the following major proprietary fund:

- The *transfer station enterprise fund*, which accounts for operations of the Town's transfer station and supporting infrastructure.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained 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 short-term investments". The interest earnings attributable to each fund type is included under investment income. For purposes of the statement of cash flows, the proprietary fund considers investments with original maturities of three months or less to be cash equivalents.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of

one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Town consist of bank certificates of deposit, U.S. federal agency securities, corporate bonds, mutual funds, and equity securities. Investments are carried at market value except certificates of deposit which are reported at cost.

*F. Property Tax Limitations*

Legislation known as “Proposition 2 1/2” limits the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2016 tax levy reflected an excess capacity of \$2,554.

*G. Capital Assets*

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5 - 10
Office equipment	5 - 15
Computer equipment	5 - 10

## H. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities.

### I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt,

consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position are reported as unrestricted.

*J. Use of Estimates*

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

*K. Other Post-Employment Benefits*

The Town of Ashby does not offer other post-employment benefits to its retirees.

**2. Stewardship, Compliance and Accountability**

*A. Budgetary Information*

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

*B. Budgetary Basis*

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

*C. Budget/GAAP Reconciliation*

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP basis)	\$ 6,606,855	\$ 6,440,431
Other financing sources/uses (GAAP basis)	35,108	-
Remove the effect of adding Town stabilization fund per GASB 54	(18,054)	14,227
Adjust tax revenue to accrual basis	(23,766)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(240,290)
Add end of year appropriation carryforwards to expenditures	-	189,001
Recognize use of fund balance as funding source	318,931	-
Budgetary basis	<u>\$ 6,919,074</u>	<u>\$ 6,403,369</u>

### 3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

As of June 30, 2016, none of the Town's bank balance of \$1,858,062 was exposed to custodial credit risk as uninsured or uncollateralized.

### 4. Investments

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Laws Chapter 44, Section 55 limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for each investment type:

Investment Type	Balance 6/30/2016	Exempt From Disclosure	Rating as of Year End				
			AAA	AA+	A2	A1	BAA1
Federal agency securities	\$ 516,882	\$ -	\$ 456,863	\$ 60,019	\$ -	\$ -	\$ -
Corporate bonds	165,881	-	-	-	60,336	45,449	60,096
Certificates of deposits	210,611	210,611	-	-	-	-	-
Mutual funds	67,336	67,336	-	-	-	-	-
Equity securities	168,647	168,647	-	-	-	-	-
Total investments	<u>\$ 1,129,357</u>	<u>\$ 446,594</u>	<u>\$ 456,863</u>	<u>\$ 60,019</u>	<u>\$ 60,336</u>	<u>\$ 45,449</u>	<u>\$ 60,096</u>

#### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town has no custodial credit risk exposure for its investments because the related securities are insured, registered and held in the Town's name by a third-party custodian. The custodial credit risk is further reduced by the application of SIPC and excess SIPC insurance.

**C. Concentration of Credit Risk**

The Town's investments in one issuer, other than the Federal government, greater than 5% of total investments are as follows:

Ally Bank Midvale Utah CD 1.15%	\$	75,027
Synchrony Bank Retail CD 1.2%	\$	65,112
HSBC Bank USA NA CD 1.5%	\$	70,472
Corporate Bonds:		
AT&T Inc Note Call make Whole 1.4%	\$	60,096
Wells Fargo CO MTN BE 1.5%	\$	60,336

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

Investment Type	Balance 6/30/2016	Investment Maturities (in Years)			
		Exempt From Disclosure	Less Than 1	1 - 5	6-10
Federal agency securities	\$ 516,882	\$ -	\$ -	\$ 401,904	\$ 114,978
Corporate bonds	165,881	-	45,449	120,432	-
Certificates of deposit	210,611	-	140,139	70,472	-
Mutual funds	67,336	67,336	-	-	-
Equity securities	168,647	168,647	-	-	-
Total	\$ 1,129,357	\$ 235,983	\$ 185,588	\$ 592,808	\$ 114,978

**E. Fair Value**

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72).

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

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

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	Quoted prices in active markets for assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:			
Debt securities:			
Federal agency securities	\$ 516,882	\$ -	\$ 516,882
Corporate bonds	165,881	-	165,881
Equity securities:			
Mutual funds	67,336	67,336	-
Equity securities	<u>168,647</u>	168,647	-
Total	\$ <u>918,746</u>		

## 5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2016 consist of the following:



Real Estate		
2016	73,101	
2015	\$ 661	
		73,762
Personal Property		
2016	3,987	
2015	1,217	
2014 and prior	4,115	
		9,319
Tax Liens		82,314
Total		\$ 165,395

**6. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	Governmental <u>Activities</u>
Property taxes - current	\$ 2,988
Tax liens	24,694
Excises	8,930
Ambulance	8,483
Title V Septic Loans	15,303

**7. Loans Receivable**

This balance represents loans to taxpayers for septic improvements granted under a State-sponsored Title V loan program.

**8. Interfund Fund Receivables/Payables**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2016 balances in interfund receivable and payable accounts:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 1,520	\$ -
Agency fund	-	1,520
Total	\$ 1,520	\$ 1,520

## 9. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,091,851	\$ -	\$ -	\$ 8,091,851
Machinery, equipment, and furnishings	<u>2,566,387</u>	<u>27,907</u>	<u>-</u>	<u>2,594,294</u>
Total capital assets, being depreciated	10,658,238	27,907	-	10,686,145
Less accumulated depreciation for:				
Buildings and improvements	(4,977,023)	(124,490)	-	(5,101,513)
Machinery, equipment, and furnishings	<u>(1,740,009)</u>	<u>(161,014)</u>	<u>-</u>	<u>(1,901,023)</u>
Total accumulated depreciation	<u>(6,717,032)</u>	<u>(285,504)</u>	<u>-</u>	<u>(7,002,536)</u>
Total capital assets, being depreciated, net	3,941,206	(257,597)	-	3,683,609
Capital assets, not being depreciated:				
Land	1,721,099	-	-	1,721,099
Construction in progress (CIP)	<u>28,173</u>	<u>-</u>	<u>-</u>	<u>28,173</u>
Total capital assets, not being depreciated	<u>1,749,272</u>	<u>-</u>	<u>-</u>	<u>1,749,272</u>
Governmental activities capital assets, net	<u>\$ 5,690,478</u>	<u>\$ (257,597)</u>	<u>\$ -</u>	<u>\$ 5,432,881</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 46,509
Public safety	87,386
Public works	71,342
Culture and recreation	<u>80,267</u>
Total depreciation expense - governmental activities	<u>\$ 285,504</u>

## 10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2016:

<u>Pension related:</u>	<u>Governmental Activities</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 82,164
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>89,441</u>
Total deferred outflows of resources	<u>\$ 171,605</u>

### 11. Warrants and Accounts Payable

Warrants payable represent 2016 expenditures paid by July 15, 2016 as permitted by law. Accounts payable represent additional 2016 expenditures paid after July 15, 2016.

### 12. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The balance as of June 30, 2016 represents unearned revenues in both the General Fund and Title V Fund.

### 13. Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Total Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>June 30, 2016</u>	Less Current Portion	Long-Term Portion <u>June 30, 2016</u>
<u>Governmental Activities</u>						
Capital leases	\$ 24,943	\$ 27,907	\$ (24,943)	\$ 27,907	\$ (9,302)	\$ 18,605
Landfill closure	60,918	-	(6,992)	53,926	(7,000)	46,926
Net pension liability	<u>1,427,805</u>	<u>183,487</u>	<u>-</u>	<u>1,611,292</u>	<u>-</u>	<u>1,611,292</u>
Totals	<u>\$ 1,513,666</u>	<u>\$ 211,394</u>	<u>\$ (31,935)</u>	<u>\$ 1,693,125</u>	<u>\$ (16,302)</u>	<u>\$ 1,676,823</u>

#### 14. Overlapping Debt

The Town is a member community of other governmental agencies, which are authorized to issue debt. The Town is not directly responsible for the payment or guarantee of these debts; however, annual debt service costs are included in the operating budgets of these agencies and are funded through user charges and/or assessments to the Town. The following summarizes the debt of these other agencies and the Town's related participation percentages:

<u>Related Entity</u>	<u>Total Principal</u>	<u>Town's Percent</u>	<u>Town's Share</u>
North Middlesex Regional School District:			
Ashby Elementary roof and window project	\$ 284,336	100.00%	\$ 284,336
New High School	12,500,000	12.36%	1,545,000
Montachusett Regional Vocational Technical School:			
School construction bond	<u>4,345,000</u>	2.00%	<u>86,900</u>
Total	<u>\$ 17,129,336</u>		<u>\$ 1,916,236</u>

In addition, the Town has authorized North Middlesex Regional School District to issue debt as follows:

- \$77,524,977 for feasibility study and construction of a new high school. The Town will be responsible for 12.36% of this future issuance.
- \$600,000 for a new septic system at the Hawthorne Brook Middle School. The Town will be responsible for 23.42% of this future issuance.

#### 15. Capital Lease Obligations

The Town is the lessee of a 2015 Ford Interceptor under a capital lease expiring on September 29, 2018. Future minimum lease payments consisted of the following as of June 30, 2016:

2017	\$ 10,087
2018	10,087
2019	<u>10,087</u>
Total minimum lease payments	30,261
Less amounts representing interest	<u>(2,354)</u>
Present Value of Minimum Lease Payments	<u>\$ 27,907</u>

**16. Landfill Closure and Post-Closure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$53,926 reported as landfill liability at June 30, 2016 represents the estimated cost of monitoring the landfill for the next 14 years, less \$44,074, which represents the unexpended balance of the landfill capping project which the Town is required to keep in escrow per the Massachusetts Department of Environmental Protection. This amount is based on what it would cost to perform all closure and post-closure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**17. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**18. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2016:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, and various capital project funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and surplus set aside to fund the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2016:

	General Fund	Title V Septic Loans	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Nonexpendable permanent funds	\$ -	\$ -	\$ 441,003	\$ 441,003
Total Nonexpendable	-	-	441,003	441,003
<b>Restricted</b>				
Special revenue funds	-	42,661	375,371	418,032
Expendable permanent funds	-	-	195,158	195,158
Total Restricted	-	42,661	570,529	613,190
<b>Committed</b>				
Special articles	170,386	-	-	170,386
Capital project funds	-	-	30,276	30,276
Total Committed	170,386	-	30,276	200,662
<b>Assigned</b>				
Encumbrances	18,615	-	-	18,615
Reserve for expenditure	387,995	-	-	387,995
Total Assigned	406,610	-	-	406,610
<b>Unassigned</b>				
General fund unassigned	627,940	-	-	627,940
Stabilization fund	540,507	-	-	540,507
Total Unassigned	1,168,447	-	-	1,168,447
Total Fund Balance	\$ 1,745,443	\$ 42,661	\$ 1,041,808	\$ 2,829,912

## **19. Commitments and Contingencies**

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

## **20. Middlesex County Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

#### A. Plan Description

Substantially all employees of the Town are members of the Middlesex County Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 25 Linnell Circle, Billerica, MA 01821.

#### Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average for those first becoming members of the MA System on or after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received attaining 20 years of service. The plan also provides for retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 50 for groups 1 and 2, respectively. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.



Participant Refunds

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. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2016 was \$163,640, which was equal to its annual required contribution.

**B. Summary of Significant Accounting Policies**

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 System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of \$1,611,292 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. 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 employers, actuarially determined. At December 31, 2015, the Town's proportion was 0.124905%.

For the year ended June 30, 2016, the Town recognized pension expense of \$180,351. In addition, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 82,164
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>89,441</u>
Total	<u>\$ 171,605</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 43,219
2018	43,219
2019	43,219
2020	<u>41,948</u>
Total	<u>\$ 171,605</u>

#### D. Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Salary increases	4.25% - 5.25% depending on Group
Investment rate of return	7.88%

Mortality rates were based on the RP-2000 Employee Mortality Table, projected 22 years (for pre-retirement members) and 17 years (for post-retirement members) with Scale AA. For disabled members, the Table was set forward three years projected 17 years.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period December 31, 2015.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	19.60%	6.49%
International developed markets equity	15.60%	7.16%
International emerging markets equity	6.50%	9.46%
Core fixed income	15.30%	1.68%
High-yield fixed income	8.30%	4.76%
Real estate	9.90%	4.37%
Commodities	3.90%	4.13%
Short-term government money market	0.00%	1.11%
Hedge fund, GTAA, Risk parity	9.80%	3.60%
Private equity	11.10%	11.04%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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 proportionate share of the net pension liability to changes in the discount rate: The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.875 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.875%) or 1 percentage-point higher (8.875%) than the current rate:

Fiscal Year Ended	1% Decrease (6.875%)	Current Discount Rate (7.875%)	1% Increase (8.875%)
June 30, 2016	\$ 1,934,865	\$ 1,611,292	\$ 1,335,758

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

**21. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

TOWN OF ASHBY, MASSACHUSETTS  
 SCHEDULE OF PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2016  
 (Unaudited)

**Middlesex County Retirement System**

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.124905%	\$1,611,292	\$926,336	173.94%	46.13%
June 30, 2015	0.118900%	\$1,427,805	\$890,708	160.30%	47.65%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

TOWN OF ASHBY, MASSACHUSETTS  
 SCHEDULE OF PENSION CONTRIBUTIONS  
 REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

**Middlesex County Retirement System**

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	Contribution Deficiency <u>(Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$163,640	\$163,640	\$ -	\$926,336	17.67%
June 30, 2015	\$150,378	\$150,378	\$ -	\$890,708	16.88%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.