

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

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TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR’S REPORT ON:	
Basic Financial Statements	3-4
BASIC FINANCIAL STATEMENTS	5
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Statement of Revenues and Expenditures – Budgetary Basis – (NON-GAAP) – Budget and Actual – General Fund	8
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	9
Statement of Fiduciary Net Position – Fiduciary Funds	10
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	11
Notes to the Financial Statements	12-31
REQUIRED SUPPLEMENTARY INFORMATION	32
Pension Plan Schedules	33-34
Other Post Employment Benefit Plan Schedule	35
SUPPLEMENTARY SCHEDULES	36
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	37-38
Schedule of Real Estate, Personal Property, Supplemental and Deferred Real Estate Taxes	39
Schedule of Motor Vehicle Excise Taxes	40
Schedule of Tax Liens and Tax Foreclosures	41

Independent Auditor's Report

To the Honorable Selectboard
Town of Colrain, Massachusetts

We have audited the accompanying financial statements of the each major fund, and the aggregate remaining fund information of the Town of Colrain, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise a portion of the Town of Colrain, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Financial Statements as a Whole

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town of Colrain, Massachusetts' governmental activities have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Financial Statements as a Whole” paragraph, the financial statements referred to above do not present fairly the financial position of the Town of Colrain, Massachusetts, as of June 30, 2016, or the changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the 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 Colrain, Massachusetts’ basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

June 7, 2017

BASIC FINANCIAL STATEMENTS

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

	General Fund	Tropical Storm Irene Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 926,442	\$ 126	\$ 97,660	\$ 1,024,228
Investments	585,205	-	8,743	593,948
Receivables, net of allowance for uncollectibles:				
Property Taxes	66,634	-	-	66,634
Tax Liens	109,355	-	-	109,355
Excise Taxes	31,376	-	-	31,376
Due from Other Governments	9,157	-	249,504	258,661
Tax Foreclosures	141,369	-	-	141,369
Total Assets	\$ 1,869,538	\$ 126	\$ 355,907	\$ 2,225,571
Liabilities:				
Warrants Payable	\$ 47,807	\$ -	\$ 326	\$ 48,133
Accrued Payroll	7,540	-	125	7,665
Payroll Withholdings	7,899	-	-	7,899
Tax Refund Payable	5,700	-	-	5,700
Other	191	-	-	191
Notes Payable	-	258,000	-	258,000
Total Liabilities	69,137	258,000	451	327,588
Deferred Inflows of Resources - Unavailable Revenue	341,506	-	161,922	503,428
Fund Balance:				
Restricted	-	-	193,534	193,534
Committed	84,219	-	-	84,219
Assigned	337,159	-	-	337,159
Unassigned	1,037,517	(257,874)	-	779,643
Total Fund Balance	1,458,895	(257,874)	193,534	1,394,555
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,869,538	\$ 126	\$ 355,907	\$ 2,225,571

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

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

	General Fund	Tropical Storm Irene Fund	Mass Works Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 3,199,858	\$ -		\$ -	\$ 3,199,858
Intergovernmental	323,829	-	1,000,000	466,388	1,790,217
Excise and Other Taxes	180,761	-	-	-	180,761
Licenses, Permits, Fees	75,059	-	-	-	75,059
Charges for Services	38,784	-	-	53,048	91,832
Interest on Taxes	62,302	-	-	-	62,302
Investment Income	2,460	-	-	67	2,527
Gifts and Donations	-	-	-	16,973	16,973
Other	-	-	-	5,338	5,338
Total Revenues	3,883,053	-	1,000,000	541,814	5,424,867
Expenditures:					
Current:					
General Government	361,753	-	-	1,468	363,221
Public Safety	219,618	-	-	68,415	288,033
Public Works	608,473	-	999,541	441,670	2,049,684
Education	2,087,342	-	-	-	2,087,342
Health and Human Services	29,967	-	-	5,972	35,939
Culture and Recreation	58,131	-	-	7,739	65,870
Employee Benefits and Insurance	242,544	-	-	-	242,544
State Assessments	2,635	-	-	-	2,635
Debt Service:					
Principal	24,667	-	-	3,174	27,841
Interest	17,198	-	-	-	17,198
Total Expenditures	3,652,328	-	999,541	528,438	5,180,307
Excess of Revenues Over (Under) Expenditures	230,725	-	459	13,376	244,560
Other Financing Sources (Uses):					
Operating Transfers In	73,133	-	-	-	73,133
Operating Transfers Out	-	-	-	(73,133)	(73,133)
Sale of Tax Foreclosures	40,000	-	-	-	40,000
Total Other Financing Sources (Uses)	113,133	-	-	(73,133)	40,000
Net Change in Fund Balances	343,858	-	459	(59,757)	284,560
Fund Balances, Beginning of Year	1,115,037	(257,874)	(459)	253,291	1,109,995
Fund Balances, End of Year	\$ 1,458,895	\$ (257,874)	\$ -	\$ 193,534	\$ 1,394,555

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

**TOWN OF COLRAIN, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Final Budget			
	Forward from Prior Year	Original Budget				
Revenues:						
Property Taxes	\$ -	\$ 3,108,281	\$ 3,108,281	\$ 3,218,358	\$ -	\$ 110,077
Intergovernmental	-	326,423	326,423	323,829	-	(2,594)
Excise and Other Taxes	-	126,300	126,300	180,761	-	54,461
Licenses, Permits, Fees	-	47,100	47,100	75,059	-	27,959
Charges for Services - Transfer Station	-	31,600	31,600	38,784	-	7,184
Interest on Taxes	-	10,000	10,000	62,302	-	52,302
Investment Income	-	-	-	1,568	-	1,568
Total Revenues	-	3,649,704	3,649,704	3,900,661	-	250,957
Expenditures:						
Current:						
General Government	2,000	459,728	461,728	361,753	73,840	26,135
Public Safety	9,678	262,263	271,941	219,618	-	52,323
Public Works	21,343	645,146	676,489	608,473	8,958	59,058
Education	-	2,090,070	2,090,070	2,087,342	-	2,728
Health and Human Services	-	36,548	36,548	29,967	-	6,581
Culture and Recreation	3,059	58,780	61,839	58,131	1,876	1,832
Employee Benefits and Insurance	-	247,463	247,463	242,544	-	4,919
State Assessments	-	2,635	2,635	2,635	-	-
Debt Service:						
Principal	-	24,667	24,667	24,667	-	-
Interest	-	19,063	19,063	17,198	-	1,865
Total Expenditures	36,080	3,846,363	3,892,443	3,652,328	84,674	155,441
Excess of Revenues Over (Under) Expenditures	(36,080)	(196,659)	(242,739)	248,333	84,674	406,398
Other Financing Sources (Uses):						
Operating Transfers In	-	93,133	103,133	103,133	-	-
Operating Transfers Out	-	(192,000)	(192,000)	(192,000)	-	-
Sale of Tax Foreclosures	-	-	-	40,000	-	40,000
Total Other Financing Sources (Uses)	-	(98,867)	(88,867)	(48,867)	-	40,000
Net Change in Budgetary Fund Balance	(36,080)	(295,526)	(331,606)	\$ 199,466	\$ 84,674	\$ 446,398
Other Budgetary Items:						
Free Cash and Other Reserves	-	332,985	332,985			
Prior Year Deficits	-	(37,459)	(37,459)			
Prior Year Encumbrances	36,080	-	36,080			
Total Other Budgetary Items	36,080	295,526	331,606			
NET BUDGET	\$ -	\$ -	\$ -			

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

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

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 3,900,661	\$ 3,652,328
<i>Adjustments:</i>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	892	-
Net Decrease in Revenue from recording Refund Taxes Payable	(5,700)	-
Net Decrease in Revenue from Recording 60-Day Receipts	(12,800)	-
Reported on a GAAP Basis	\$ 3,883,053	\$ 3,652,328

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

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

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 44,919
Investments	6,120	-
Total Assets	6,120	44,919
LIABILITIES		
Warrants Payable	-	1,150
Escrows and Deposits	-	43,769
Total Liabilities	-	44,919
NET POSITION		
Held in Trust for Other Purposes	\$ 6,120	\$ -

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

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

	Private Purpose Trust Funds
Additions:	
Investment Income	\$ 26
Total Additions	26
 Change in Net Position	 26
 Net Position at Beginning of Year	 6,094
 Net Position at End of Year	 \$ 6,120

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Colrain, Massachusetts (the Town) was incorporated in 1761 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Selectboard.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2016, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Franklin County Technical School District and the Mohawk Trail Regional School District. These are autonomous entities and are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board and/or committee members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Franklin County Technical School District - A regional school district made up of nineteen communities to serve and provide a learning environment. The School District is governed by a twenty-four (24)-member board composed of the representatives of the member Towns. The regional school district is a separate entity under the Commonwealth of Massachusetts. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Mohawk Trail Regional School District - A regional school district made up of nine 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 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 have not been presented.

Fund financial statements

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

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

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.

Fiduciary funds are reported by fund type.

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

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 *tropical storm Irene fund* is a special revenue fund used to account for the activity of the storm that occurred in August, 2011.

The *Mass works grant fund* is a special revenue fund used to account for the Jacksonville Road activity.

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

The non-major governmental fund consists of other special revenue 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 *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

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

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).

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 COLRAIN, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, Tax Liens and Tax Foreclosures

Property taxes are based on assessments as of January 1, 2015 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The first tax payment is due November 1st, or thirty days after the date tax bills were mailed, whichever is later and must be at least one-half of the tax and any betterments. The balance of the tax is owed by May 1st of the following year. If payments are not made by the due dates, interest at the rate of 14% will be charged on the amount of the payment that is unpaid and overdue. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town of Colrain mailed actual tax bills for fiscal year 2016 on October 9, 2015 and March 16, 2016 that were due on November 9, 2015 and May 1, 2016.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2016 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2016	\$ 3,256,677
Add: Debt Exclusion	<u>78,388</u>
	<u><u>\$ 3,335,065</u></u>

The total amount raised by taxation was \$3,140,529.

The allowance for uncollectible accounts is estimated 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 for motor vehicle excise is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

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

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

Due from Other Governments

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

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

G. Capital Assets

The Town has not capitalized and depreciated the cost of fixed assets.

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

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 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 Inflows of Resources

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, excise and other taxes; user charges, 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. Fund Balances

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.

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

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

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

L. 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.

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid.

N. 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.

O. 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.

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

2. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The significant departures of the financial statements from generally accepted accounting principles are as follows:

The Town has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities.

The Town has not implemented GASB Statement No. 34 which requires that the fixed assets be capitalized and depreciated. These include land, land improvements, buildings, vehicles and equipment, and infrastructure asset holdings by the Town.

The Town has not presented a Management's Discussion and Analysis as required by accounting principles generally accepted in the United States of America to supplement, although not required to be part of, the basic financial statements.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

- Estimates are submitted by departments in accordance with Massachusetts general Laws.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

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

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

For fiscal year 2016, the Town incurred a final budget deficit of \$331,606 for the General Fund.

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

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

Unassigned fund balance:			
Free cash votes	\$	309,414	
Overlay surplus		23,571	
Prior year deficits		(37,459)	
Prior year's encumbrances		36,080	
		331,606	
	\$	331,606	

B. Deficit Fund Equity

The following fund had a deficit at June 30, 2016 as measured by the balance of unreserved fund balance.

- The tropical storm Irene fund has a deficit of \$257,874. The Town has a bond anticipation note outstanding of \$258,000. The deficit will be eliminated upon the receipt of additional grant funds or the issuance of permanent debt.

4. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2016 were \$1,145,653. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

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

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

As of June 30, 2016, the Town had MMDT investments in the amount of \$600,070. MMDT's fair value is measured at amortized cost.

Interest Rate Risk

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

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

outside party. The Town's investments all are in the MMDT and thus are exempt from collateralization. The Town has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

The Town does not have any exposure to credit risk as of June 30, 2016.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. The Town's entire investment is in the MMDT.

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 69,546	\$ (2,912)	\$ 66,634
Tax liens	109,355	-	109,355
Excise taxes	39,982	(8,606)	31,376
Due from other governments	258,661	-	258,661
Tax Foreclosures	141,369	-	141,369
	<u>\$ 618,913</u>	<u>\$ (11,518)</u>	<u>\$ 607,395</u>

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

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans, blind and surviving spouse

\$ 3,686

Department of Veterans Services:

Veterans benefits

5,471 \$ 9,157

Nonmajor Governmental Funds:

U. S. Department of Housing and Urban Development:

Community Development Block Grant

17,001

Commonwealth of Massachusetts:

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds

232,503 249,504

\$ 258,661

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

C. Deferred Outflows and Inflows of Resources

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

General Fund:			
Property taxes	\$	53,935	
Tax liens		109,355	
Excise taxes		31,376	
Due from other governments		5,471	
Tax Foreclosures		141,369	\$ 341,506
Nonmajor Governmental Funds:			
Due from other governments			161,922
			\$ 503,428

D. Interfund Receivables, Payables and Transfers

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

		<u>Transfers In:</u>		
		General		
<u>Transfers Out:</u>		fund		
Nonmajor governmental funds	\$	73,133		

E. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2015	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2016
Nonmajor Governmental Funds:						
Bond Anticipation Notes:						
Storm emergency	0.52%	11/21/15	\$ 258,000	\$ -	\$ 258,000	\$ -
Storm emergency	0.71%	11/20/16	-	258,000	-	258,000
Grant Anticipation Notes:						
Jacksonville Road project	1.30%	12/04/15	-	1,000,000	1,000,000	-
Total Governmental Activities			\$ 258,000	\$ 1,258,000	\$ 1,258,000	\$ 258,000

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

F. Long Term Debt

General Obligation Bonds

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

A summary of the changes in governmental activities liabilities during the year is as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Inside Debt:					
U.S. Department of Agriculture:					
Fire truck	3.13%	04/06/15	04/06/30	\$ 370,000	\$ 345,333
Total Inside Debt					<u>345,333</u>
Outside Debt:					
Massachusetts Clean Water Trust:					
Title V septic loans	0.00%	08/01/02	08/01/20	60,251	15,810
Total Outside Debt					<u>15,810</u>
Total governmental type debt					<u><u>\$ 361,143</u></u>

Future Debt Service

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

Year	Principal	Interest	Total
2017	\$ 27,841	\$ 11,568	\$ 39,409
2018	27,841	10,619	38,460
2019	27,841	9,669	37,510
2020	27,841	8,726	36,567
2021	27,781	7,790	35,571
2022-2026	123,335	26,979	150,314
2027-2030	98,663	7,708	106,371
	<u>\$ 361,143</u>	<u>\$ 83,059</u>	<u>\$ 444,202</u>

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

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

	Balance			Balance	Amounts Due
	July 1, 2015	Additions	Reductions	July 30, 2016	within One
					Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 370,000	\$ -	\$ 24,667	\$ 345,333	\$ 24,667
Massachusetts Clean Water Trust bonds	18,984	-	3,174	15,810	3,174
OPEB liability obligation	91,360	-	25,989	65,371	-
Net pension liability	412,877	185,986	-	598,863	-
Governmental activity					
Long-term liabilities	\$ 893,221	\$ 185,986	\$ 53,830	\$ 1,025,377	\$ 27,841

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$60,251 and interest costs of \$30,567 for a loan which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2016 for principal and interest combined for the loans is \$17,933. The net repayments, including interest, are scheduled to be \$15,810. 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. The fiscal year 2016 principal and interest subsidies totaled \$955.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2016 totaled \$345,333.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." The following is a computation of the legal debt limit as of June 30, 2016:

Equalized Valuation-Real Estate and Personal Property (2016)		<u>\$ 177,586,600</u>
Debt Limit: 5 % of Equalized value		8,879,330
Total Debt Outstanding	\$ 361,143	
Less: Debt Outside Debt Limit	(15,810)	<u>345,333</u>
Inside Debt Excess Borrowing Capacity at June 30, 2016		<u>\$ 8,533,997</u>

Overlapping Debt

The Town pays assessments which include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt).

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

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.

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Mohawk Trail Regional School District:			
2010 Bond B	\$ 59,000	0.00%	\$ -
School building remodel	1,050,000	27.91%	293,055
	\$ 1,109,000		\$ 293,055

The Franklin County Vocational Technical School also has bond anticipation notes outstanding as of June 30, 2016 of \$2,465,000.

The Mohawk Trail Regional School District also has bond anticipation notes outstanding as of June 30, 2016 of \$579,300.

G. Fund Balances

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

	General Fund	Tropical Storm Irene Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Federal, state and local grants	\$ -	\$ -	\$ 40,632	\$ 40,632
Town revolving funds	-	-	15,976	15,976
Donations and gifts	-	-	56,723	56,723
Septic loans	-	-	67,280	67,280
Permanent funds	-	-	2,981	2,981
Other	-	-	9,942	9,942
	-	-	193,534	193,534
Committed:				
Continuing appropriations	84,219	-	-	84,219
Assigned:				
Reserve for encumbrance	455	-	-	455
Subsequent year's budget	336,704	-	-	336,704
	337,159	-	-	337,159
Unassigned:				
General Fund	1,037,517	-	-	1,037,517
Deficit special revenue	-	(257,874)	-	(257,874)
	1,037,517	(257,874)	-	779,643
Total Governmental fund balances	\$ 1,458,895	\$ (257,874)	\$ 193,534	\$ 1,394,555

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

H. 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.

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

General purpose stabilization fund	\$	343,044
Assessor's stabilization fund		12,076
Audit stabilization fund		14,105
Fire Department stabilization fund		20,198
Highway stabilization fund		30,334
Police stabilization fund		15,071
Technology stabilization fund		5,014
Transfer Station stabilization fund		17,100
		456,942
	\$	456,942

5. OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

C. 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

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

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. 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, survivor and death benefits to plan members and beneficiaries. MGL Chapter 32 establishes uniform benefit and contributory requirements for all contributory public employee retirement systems (PERS). The Massachusetts PERS benefits are uniform from system to system, with a few minor exceptions. Members of the System become vested after 10 years of creditable service. 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. 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. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. Most employees who joined the system on or after April 2, 2012 cannot retire prior to age 60. The authority for amending these provisions rests with the Massachusetts Legislature.

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

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

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2015 was \$72,565, representing 20.6% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2016, the Town reported a liability of \$595,863 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportional percentage was 1.29%, which was a slight increase from the last measurement.

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

Pension Expense

For the year ended June 30, 2016, the Town recognized a pension expense of \$116,334 and reported deferred outflows of resources related to pensions of \$144,914 from the net difference between projected and actual investment earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2015.

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

<u>For years ended June 30,</u>	
2017	\$ 36,229
2018	36,229
2019	36,229
2020	<u>36,227</u>
	<u>\$ 144,914</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2015:

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Increasing dollar amount at 4.0% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2035 Early Retirement Incentive Program (ERI): Level dollar amount over five years (2002 ERI) and six years (2003 ERI) to reduce the liability to zero on or before June 30, 2019 and June 30, 2020, respectively.
Asset valuation method	The actuarial value of assets is the market value of assets as of the Valuation date reduced by the sums of: (a) 75% of gains and losses for the prior year, (b) 50% of gains and losses of the second prior year, and (c) 25% of gains and losses of the third prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Projected salary increase	4.25% per year, including longevity.
Inflation	2.20% per year
Cost of living adjustments	3.00% of the pension amount on \$16,000 per year.
Mortality rates	RP-2000 Mortality Table projected to 2017 with Scale AA. For disabled retirees, this table is set forward two years.

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

Long-term Expected Rate of Return

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

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

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

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 0.57%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an interactive 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 of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%.

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

As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate (amounts expressed in thousands):

	1% Decrease	Current	Discount Rate	1% Increase
	6.75%	7.75%	7.75%	8.75%
Town's net pension liability	\$ 840,954	\$ 598,863	\$	392,543

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2012, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 15 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 50 percent of the cost of current year premiums for eligible retired plan members and their survivors. For the 2016 fiscal year, the Town provided required contributions of \$57,536 towards the annual OPEB cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses and reinsurance payments, and net of retiree contributions.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

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

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

Annual required contribution	\$	31,697
Interest on net OPEB obligation		4,568
Adjustment to annual required contribution		(4,718)
Annual OPEB cost (expense)		31,547
Contributions made during the fiscal year		(57,536)
Increase in net OPEB obligation		(25,989)
Net OPEB Obligation - beginning of year		91,360
Net OPEB Obligation - end of year	\$	65,371

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

Fiscal Year Ended		Annual OPEB Cost	Percentage Annual OPEB Cost Contributed		Net OPEB Obligation
6/30/2016	\$	31,547	182.4%	\$	65,371

Funded Status and Funding Process

As of June 30, 2016, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$281,605, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$281,605. The covered payroll (annual payroll of active employees covered by the plan) was \$520,000, and the ratio of the UAAL to the covered payroll was 54.2%.

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

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

Actuarial Methods and Assumptions

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

The Town OPEB actuarial valuation as of June 30, 2016, used the entry age normal actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a discount rate of 5%, a payroll increase rate of 2% per annum and healthcare trend rate at 0% in year one increasing to an ultimate level of 5% per year.

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

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2016 is 26 years.

E. Implementation Of New GASB Pronouncements

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

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

F. Future GASB Pronouncements

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

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF COLRAIN, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Franklin Regional Retirement System
For the Year Ended June 30, 2016**

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

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

	<u>12/31/15</u>	<u>12/31/14</u>
Town's proportion of the net pension liability (asset)	1.29%	1.10%
Town's proportionate share of the net pension liability (asset)	\$ 598,863	\$ 412,877
Town's covered employee payroll	\$ 351,817	\$ 339,401
Net pension liability percentage of covered-employee payroll	170.22%	121.65%
Plan fiduciary net position as a percentage of the total pension liability	71.73%	75.98%

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

TOWN OF COLRAIN, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Franklin Regional Retirement System
For the Year Ended June 30, 2016

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

Schedule of the Town's Contributions:

	<u>12/31/15</u>	<u>12/31/14</u>
Actuarially determined contribution	\$ 72,565	\$ 70,903
Less: Contributions in relation to the actuarially determined contribution	<u>(72,565)</u>	<u>(70,903)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 351,817	\$ 339,401
Contributions percentage of covered-employee payroll	20.6%	20.9%

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

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	\$ -	\$ 281,605	\$ 281,605	0%	\$ 520,000	54.2%

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2016	\$ 31,547	\$ 57,536	182.4%

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 Financial Statements.

Actuarial Methods:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	30-year amortization payments

Actuarial Assumptions:

Discount rate	5.0% per year
Salary increase	2.0% increase is used for amortization purposes
Medical/drug cost trend rate	0.0% in year 1 increasing to an ultimate annual trend rate of 5.0%.

Plan Membership:

Current active members	11
Current retirees, beneficiaries and dependents	4
Total	15

SUPPLEMENTARY SCHEDULES

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

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Special Revenue:					
Federal and State Grants:					
Arts Lottery Council Grants	\$ 6,501	\$ 4,426	\$ 5,900	\$ -	\$ 5,027
Board of Health Emergency Preparedness Grant	385	-	-	-	385
Community Development Block Grants	-	32,522	32,194	-	328
Council on Aging Grants	-	6,000	1,200	-	4,800
Energy Resources Grant	-	2,500	1,468	-	1,032
Extended Polling Hours	-	366	-	-	366
Highway Grants	-	407,047	407,047	-	-
Library Grants	19,256	2,742	1,838	-	20,160
Public Safety Grants	1,935	10,810	4,710	-	8,035
Other:					
Board of Health Revolving	100	6,604	880	-	5,824
Dog Fund	6,333	2,432	40	(4,500)	4,225
Electrical/Wiring Inspector	-	1,660	2,015	-	(355)
Fire Department Inspections	-	965	585	-	380
Gifts and Donations	67,144	16,974	27,395	-	56,723
Griswoldville Water Pollution Abatement Trust	500	-	-	-	500
Insurance Proceeds	828	-	-	-	828
Demolition Revolving	65,000	949	-	(65,000)	949
Outside Details	750	34,754	34,483	-	1,021
Plumbing Inspector	-	3,782	3,080	-	702
Planning Revolving	3,221	-	-	-	3,221
Recycling Program	1,400	2,869	1,182	-	3,087
Septic Loan Programs	69,689	765	3,174	-	67,280
Transfer Station Disposal	83	1,171	1,247	-	7
Wetlands Protection Fund	4,039	-	-	-	4,039
Quintus Allen Fund	3,633	1,989	-	(3,633)	1,989
Total Special Revenue Funds	\$ 250,797	\$ 541,327	\$ 528,438	\$ (73,133)	\$ 190,553

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

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Permanent Funds:					
Cemetery Perpetual Care Fund	\$ 1,732	\$ 7	\$ -	\$ -	\$ 1,739
Babbit Cemetery Care Fund	762	-	-	-	762
Colrain Beautification Fund	-	480	-	-	480
Total Permanent Funds	<u>2,494</u>	<u>487</u>	<u>-</u>	<u>-</u>	<u>2,981</u>
Total - Non-Major Governmental Funds	<u>\$ 253,291</u>	<u>\$ 541,814</u>	<u>\$ 528,438</u>	<u>\$ (73,133)</u>	<u>\$ 193,534</u>

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

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Real Estate Taxes:						
Levy of 2016	\$ -	\$ 2,770,964	\$ 51,316	\$ 2,663,472	56,176	\$ 60,752
Levy of 2015	112,395	-	23,752	88,643	-	108
	<u>112,395</u>	<u>2,770,964</u>	<u>75,068</u>	<u>2,752,115</u>	<u>56,176</u>	<u>60,860</u>
Personal Property Taxes:						
Levy of 2016	-	369,565	175	368,575	815	680
Levy of 2015	220	-	-	220	-	-
Levy of 2014	68	-	-	-	68	68
Levy of 2013	131	-	-	-	131	131
Levy of 2012	136	-	-	-	136	136
Prior Years	3,093	-	382	-	2,711	2,711
	<u>3,648</u>	<u>369,565</u>	<u>557</u>	<u>368,795</u>	<u>3,861</u>	<u>3,726</u>
Supplemental Taxes	<u>5,263</u>	<u>-</u>	<u>4,820</u>	<u>-</u>	<u>443</u>	<u>443</u>
Deferred Real Estate Taxes	<u>7,514</u>	<u>1,552</u>	<u>-</u>	<u>-</u>	<u>9,066</u>	<u>6,926</u>
Total Real Estate, Personal Property, Supplemental and Deferred Real Estate Taxes	<u>\$ 128,820</u>	<u>\$ 3,142,081</u>	<u>\$ 80,445</u>	<u>\$ 3,120,910</u>	<u>\$ 69,546</u>	<u>\$ 71,955</u>

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

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Motor Vehicle Excise Taxes:						
Levy of 2016	\$ -	\$ 163,757	\$ 1,818	\$ 135,943	\$ 25,996	\$ 17,750
Levy of 2015	8,224	39,537	1,853	42,391	3,517	3,517
Levy of 2014	5,081	-	-	2,049	3,032	3,032
Levy of 2013	2,362	-	332	65	1,965	1,965
Levy of 2012	1,607	-	120	21	1,466	1,466
Prior Years	4,040	-	-	34	4,006	4,006
Total Motor Vehicle Excise Taxes	\$ 21,314	\$ 203,294	\$ 4,123	\$ 180,503	\$ 39,982	\$ 31,736

**TOWN OF COLRAIN, MASSACHUSETTS
 SCHEDULE OF TAX LIENS AND TAX FORECLOSURES
 JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Accounts July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2016	Uncollected Accounts Per Detail June 30, 2016
Tax Liens	\$ 142,604	\$ 59,380	\$ -	\$ 92,629	\$ 109,355	\$ 111,379
Tax Foreclosures	\$ 181,369	\$ -	\$ -	\$ 40,000	\$ 141,369	\$ 157,333