

TOWN OF HALIFAX, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF HALIFAX, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Halifax, 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 Halifax, Massachusetts (the Town), 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – ix and the schedule of funding progress - other post-employment benefits (OPEB) plan, the schedule of pension plan contributions and the budgetary comparison information on pages 41-46 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017 on our consideration of the Town of Halifax, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Halifax, Massachusetts's internal control over financial reporting and compliance.

Lynch, Malloy, Marini, LLP

Norwell, Massachusetts
March 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

As management of the Town of Halifax (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements with notes, to enhance their understanding of the Town's financial performance.

Financial Highlights:

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$23.4 million (net position). Of this amount, there is a deficit of approximately \$9.1 million (unrestricted net position), primarily due to reporting of net Other Post-Employment Benefits (OPEB) obligation (\$6.0 million) and net pension liability (\$10.4 million).
- The total cost of all Town services for fiscal year 2016 was \$25.5 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$2.3 million or approximately 11% of general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. Required supplementary information as mandated by the Governmental Accounting Standards Board (GASB), including Schedule of Funding Progress, Other Post-Employment Benefit (OPEB) Plan, Schedule of Pension Plan Contributions and Budgetary Comparison Schedule- General Fund and Solid Waste Fund are presented following the financial statements and related notes to provide additional analysis.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources less liabilities, and deferred inflows of resources resulting in the aggregate net position of the Town. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town 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).

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

The government-wide financial statements distinguish functions of the Town 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 of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and general administrative services. The Town's business-type activities include the water 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town 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.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Solid Waste Fund, and the Road Repair Fund (Chapter 90 Highway) all of which are considered to be major funds. The remaining funds are combined into an aggregate other governmental funds column in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

Proprietary funds: The Town of Halifax maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses a proprietary fund to account for its water activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water operations. The basic proprietary fund financial statements can be found in the accompanying pages of this report.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Fiduciary funds: *Fiduciary funds* are used to report resources held in a trustee or agency capacity for others and therefore not available to support Town programs. The reporting focus is on net position and the change in net position. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. The Town's fiduciary activities consist primarily of amounts maintained in a trust fund for funding future insurance costs related to retirees, referred to as the Other Post-Employment Benefits (OPEB) trust fund and various scholarship and welfare private purpose trust funds. Additional amounts held as agency funds relate primarily to bond deposits, payroll withholdings and student activity accounts being maintained on behalf of student groups.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

The Agency fund is used to hold funds on the behalf of parties other than the Town including federal and state agencies. Agency funds are custodial in nature and do not involve measurement of results of operations.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements described above.

Required supplementary information: Government Accounting Standards require the presentation of the schedules of pension plan contributions, schedule of funding progress Other Post-Employment Benefit (OPEB) plans, as well as certain budgetary comparison schedules and related notes following the Town's basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Halifax, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$23.4 million (\$14.2 and \$9.2 million for the governmental and business-type activities, respectively), at the close of the most recent fiscal year. The following tables demonstrate the net position of the Town:

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

	FY 2016 Governmental Activities	FY 2015 Governmental Activities	FY 2016 Business-type Activities	FY 2015 Business-type Activities
Current assets	\$ 9,494,733	\$ 9,890,642	\$ 1,949,901	\$ 1,810,407
Capital assets	<u>22,241,834</u>	<u>22,501,504</u>	<u>9,187,890</u>	<u>8,101,716</u>
Total assets	31,736,567	32,392,146	11,137,791	9,912,123
Deferred outflows of resources	<u>1,146,479</u>	<u>413,764</u>	<u>73,179</u>	<u>26,410</u>
Total assets and deferred outflows of resources	<u>\$ 32,883,046</u>	<u>\$ 32,805,910</u>	<u>\$ 11,210,970</u>	<u>\$ 9,938,533</u>
Current liabilities	\$ 1,067,895	\$ 1,593,533	\$ 1,056,714	\$ 162,055
Long-term liabilities	<u>17,531,771</u>	<u>16,218,938</u>	<u>978,736</u>	<u>990,244</u>
Total liabilities	18,599,666	17,812,471	2,035,450	1,152,299
Deferred inflows of resources	<u>66,167</u>	<u>-</u>	<u>4,223</u>	<u>-</u>
Net position:				
Net investment in capital assets	21,611,834	21,646,504	8,262,890	7,801,716
Restricted	2,566,959	3,813,245		
Unrestricted	<u>(9,961,580)</u>	<u>(10,466,310)</u>	<u>908,407</u>	<u>984,518</u>
Total net position	<u>14,217,213</u>	<u>14,993,439</u>	<u>9,171,297</u>	<u>8,786,234</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 32,883,046</u>	<u>\$ 32,805,910</u>	<u>\$ 11,210,970</u>	<u>\$ 9,938,533</u>

Included within the governmental activities current assets are \$5.1 million in cash, \$1.2 million in investments and \$3.2 million in receivables.

Current liabilities for governmental activities of approximately \$1.0 million consist primarily of \$840,000 of accounts payable and accrued payroll, \$8,800 of accrued interest expense, \$38,000 of other liabilities and \$130,400 of current portion of bonded debt and capital lease obligations because it is due in fiscal year 2017.

Governmental activities noncurrent liabilities include \$671,400, net in general obligation bonds (\$110,400 is classified as current because it is due within the next fiscal year). In addition, other noncurrent liabilities include \$380,000, net (\$20,000 current) for landfill closure and monitoring, \$936,000 for compensated absences, \$9.7 million for pension obligation liability and \$5.8 million for other post-employment benefits (OPEB) obligation.

Business-type activities noncurrent liabilities include \$150,000, net in bonds payable (\$75,000 is classified as current because it is due during the next fiscal year), \$9,300 liability for compensated absences, \$621,000 for pension obligation liability and \$198,000 for other post-employment benefits (OPEB) obligation.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

The largest portion of the Town's combined net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding, of \$29.9 million. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's combined net position \$2.6 million represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net position, is in a deficit of \$9.1 million.

At the end of the current fiscal year, the Town reported a deficit balance of \$10.1 million in the unrestricted governmental activities net position, and a balance of \$908,000 in the unrestricted business-type activities net position. Deficit unrestricted net position of the governmental activities is a direct result of other post-employment benefits (OPEB) obligations and pension obligation liability of \$5.8 million and \$9.7 million, respectively.

Governmental activities decreased the Town's net position by \$776,000 during fiscal year 2016. Business-type activities increased net position by \$385,000. A summary of revenues and major functional expenditures is presented below.

	FY 2016 Governmental Activities	FY 2015 Governmental Activities	FY 2016 Business-type Activities	FY 2015 Business-type Activities
Revenues:				
Charges for services	\$ 969,463	\$ 1,224,832	\$ 1,024,803	\$ 921,937
Operating grants and contributions	4,901,610	5,206,716		
Capital grants and contributions	520,695			
General revenues:				
Property taxes	15,145,715	14,435,723		
Excise taxes	1,149,641	1,035,562		
Penalties and interest	192,540	184,983	100	100
Grants and contributions not Restricted	1,179,794	902,915		
Investment income	15,446	5,473	1,726	1,458
Loss on disposal of capital assets	(14,982)	-		
Transfers, net	<u>(363,435)</u>	<u>(46,200)</u>	<u>363,435</u>	<u>-</u>
Total revenues, transfers and other	23,696,487	22,950,004	1,390,064	923,495
Expenses:				
General government	5,509,341	5,020,816		
Public safety	3,410,627	2,798,940		
Education	12,022,235	12,166,306		
Public works	2,060,657	2,198,974	1,005,001	847,284
Health and human services	677,016	536,677		
Culture and recreation	631,529	625,671		
Interest on long-term debt	31,933	42,330		
State and county charges	<u>129,375</u>	<u>128,349</u>	<u>-</u>	<u>-</u>
Total expenses	<u>24,472,713</u>	<u>23,518,063</u>	<u>1,005,001</u>	<u>847,284</u>
Change in net position	<u>\$ (776,226)</u>	<u>\$ (568,059)</u>	<u>\$ 385,063</u>	<u>\$ 76,211</u>

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Key elements of the changes in net position are as follows:

Revenues:

- ◆ Property taxes represent approximately 64% of the Town's governmental activity revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ Operating grants and contributions make up the second largest revenue representing approximately 21% of the Town's governmental activity revenue. Included in this amount are intergovernmental revenues from the Commonwealth of Massachusetts and the federal government classified as program revenues.

Expenses:

- ◆ Employee wages increased nominally, resulting from negotiated step and general wage increases.
- ◆ General government expenses increased from \$5.0 million in 2015 to \$5.5 million in 2016 due primarily to increases in the pension and other post-employment benefits liabilities.
- ◆ Public safety expenses increased by \$611,687 primarily due to the \$60,880 from Assistance to Fire Fighters grant and the Fire Chiefs Association grant expenditures of \$535,545.
- ◆ Business-type activity expenses increased approximately \$158,000 due to water tower maintenance expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5.5 million, an increase of approximately \$367,000 from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$1.8 million, committed fund balance of \$1.3 million, assigned fund balance of \$155,000 and unassigned fund balance of \$2.3 million.

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$3.8 million, an increase of about \$1.3 million from the previous year. Committed fund balance of \$1.3 million and assigned fund balance of approximately \$155,000 represent 35% and 4% of total general fund balance respectively. Unassigned fund balance of \$2.3 million represents 61% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. General fund unassigned fund balance represents approximately 11% of total general fund expenditures, while total general fund balance represents 18% of the same amounts.

General Fund Budgetary Highlights

The Town adopts an annual budget for its general fund, solid waste fund, and water fund. A budgetary comparison statement has been provided for the general fund and solid waste fund to demonstrate compliance with the budget.

The difference between the original general fund expenditure budget of \$21.6 million and the final amended expenditure budget of \$20.2 million can be briefly summarized as follows:

- ◆ Encumbrances and continuing appropriations (warrant articles) of \$1.1 million were reduced from the original budget into future periods, and other transfers and legislative adjustments were recorded during the year.
- ◆ Special town meetings approving transfer of 313,000 to stabilization.

Capital Asset and Debt Administration

The Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Capital assets - The Town's investment in capital assets for governmental activities as of June 30, 2016 amounts to \$22.2 million, which is net of accumulated depreciation of \$27.5 million. The Town's investment in capital assets for business-type activities as of June 30, 2016, amounts to \$9.2 million, which is net of accumulated depreciation of \$5.5 million. Capital asset investment includes land; buildings; improvements; equipment, machinery and vehicles; and infrastructure. The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in thousands):

Capital assets	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 3,684	\$ 3,684	\$ 626	\$ 626
Construction in progress	244			
Buildings and related improvements	3,747	4,084	13	14
Improvements other than buildings	649	717		
Equipment, machinery, vehicles	1,164	1,036	74	90
Infrastructure	<u>12,754</u>	<u>12,981</u>	<u>8,475</u>	<u>7,372</u>
	<u>\$ 22,242</u>	<u>\$ 22,502</u>	<u>\$ 9,188</u>	<u>\$ 8,102</u>

TOWN OF HALIFAX, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

The Town's major changes to governmental activities capital assets during 2016 consisted of purchases of equipment and vehicles approximating \$422,000, and \$244,000 of construction in progress related to a fire vehicle and infrastructure improvements of approximately \$483,000. The Town's major changes to business-type activities capital assets during 2016 consisted of infrastructure improvements of approximately \$1.3 million.

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$781,800 and \$225,000 for the governmental and business-type activities, respectively. At the end of the prior fiscal year, the Town had total bonded debt outstanding of \$1.0 million and \$300,000 for the governmental and business-type activities, respectively. All debt is a general obligation of the Town. The Town maintains an Aa3 rating from Moody's Investor Service as of October 27, 2015.

Economic Factors and Next Year's Budgets and Rates

The Town's fiscal year 2017 tax levy increased 3.87% over the fiscal year 2016 tax levy.

Requests for Information - This financial report is designed to provide a general overview of the Town'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:

Town of Halifax,
Attn: Town Accountant
499 Plymouth Street.
Halifax, MA 02338-1338.

BASIC FINANCIAL STATEMENTS

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Net Position

June 30, 2016

Primary Government

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,060,921	\$ 1,680,242	\$ 6,741,163
Investments	1,188,383		1,188,383
Receivables, net of allowance for uncollectibles	3,245,429	269,659	3,515,088
Capital assets, net of accumulated depreciation	22,241,834	9,187,890	31,429,724
Total assets	<u>31,736,567</u>	<u>11,137,791</u>	<u>42,874,358</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Net difference between projected and actual pension earnings	1,146,479	73,179	1,219,658
Total deferred outflows of resources	<u>1,146,479</u>	<u>73,179</u>	<u>1,219,658</u>
Total assets and deferred outflows of resources	<u><u>\$ 32,883,046</u></u>	<u><u>\$ 11,210,970</u></u>	<u><u>\$44,094,016</u></u>
<u>LIABILITIES</u>			
Accounts payable	\$ 755,939	\$ 270,602	\$ 1,026,541
Salaries payable	85,247	4,112	89,359
Accrued interest payable	8,800	7,000	15,800
Provision for refund of paid taxes	32,300		32,300
Other liabilities	55,209		55,209
Notes payable		700,000	700,000
Noncurrent liabilities			
Due within one year	130,400	75,000	205,400
Due in more than one year	17,531,771	978,736	18,510,507
Total liabilities	<u>18,599,666</u>	<u>2,035,450</u>	<u>20,635,116</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Change in proportion related to pension obligations	66,167	4,223	70,390
Total deferred inflows of resources	<u>66,167</u>	<u>4,223</u>	<u>70,390</u>
<u>NET POSITION</u>			
Net investment in capital assets	21,611,834	8,262,890	29,874,724
Restricted	2,566,959		2,566,959
Unrestricted	(9,961,580)	908,407	(9,053,173)
Total net position	<u>14,217,213</u>	<u>9,171,297</u>	<u>23,388,510</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 32,883,046</u></u>	<u><u>\$ 11,210,970</u></u>	<u><u>\$44,094,016</u></u>

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

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government							
Governmental activities							
General government	\$ 5,509,341	\$ 135,105	\$ 968,459	\$	\$ (4,405,777)	\$	\$ (4,405,777)
Public safety	3,410,627	263,852	102,247	250,670	(2,793,858)		(2,793,858)
Education	12,022,235	67,351	3,473,669		(8,481,215)		(8,481,215)
Public works	2,060,657	391,618	96,751	270,025	(1,302,263)		(1,302,263)
Health and human services	677,016	58,744	194,976		(423,296)		(423,296)
Culture and recreation	631,529	52,793	65,508		(513,228)		(513,228)
Interest on long-term debt	31,933				(31,933)		(31,933)
State and county charges	129,375				(129,375)		(129,375)
Total governmental activities	24,472,713	969,463	4,901,610	520,695	(18,080,945)		(18,080,945)
Business-type activities							
Water	1,005,001	1,024,803				19,802	19,802
Total business-type activities	1,005,001	1,024,803				19,802	19,802
Total primary government	\$ 25,477,714	\$ 1,994,266	\$ 4,901,610	\$ 520,695	(18,080,945)	19,802	(18,061,143)
General revenues, transfers and other:							
Property taxes and payments in lieu of taxes, net of allowance for uncollectibles					15,145,715		15,145,715
Excise taxes, net of allowance for uncollectibles					1,149,641		1,149,641
Penalties and interest on taxes					192,540	100	192,640
Grants and contributions not restricted to specific programs					1,179,794		1,179,794
Investment income					15,446	1,726	17,172
Loss on disposal of capital assets					(14,982)		(14,982)
Transfers					(363,435)	363,435	
Total general revenues, loss on disposal of capital assets, and transfers					17,304,719	365,261	17,669,980
Change in net position					(776,226)	385,063	(391,163)
Net position - beginning of year					14,993,439	8,786,234	23,779,673
Net position - end of year					\$ 14,217,213	\$ 9,171,297	\$ 23,388,510

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

TOWN OF HALIFAX, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2016

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Road Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$3,349,010	\$ 357,255	\$	\$ 1,354,656	\$ 5,060,921
Investments	1,188,383				1,188,383
Receivables	2,659,435	67,372	660,651	217,571	3,605,029
Total assets	<u>\$7,196,828</u>	<u>\$ 424,627</u>	<u>\$ 660,651</u>	<u>\$ 1,572,227</u>	<u>\$ 9,854,333</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 683,070	\$ 6,880	\$	\$ 65,989	\$ 755,939
Salaries payable	82,247	1,301		1,699	85,247
Provision for refund of paid taxes	32,300				32,300
Other liabilities	5,676				5,676
Total liabilities	<u>803,293</u>	<u>8,181</u>		<u>67,688</u>	<u>879,162</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred revenue	2,604,670	67,372	660,651	92,610	3,425,303
Total deferred inflows of resources	<u>2,604,670</u>	<u>67,372</u>	<u>660,651</u>	<u>92,610</u>	<u>3,425,303</u>
<u>FUND BALANCES</u>					
Restricted		349,074		1,461,462	1,810,536
Committed	1,330,954				1,330,954
Assigned	154,895				154,895
Unassigned	2,303,016			(49,533)	2,253,483
Total fund balances	<u>3,788,865</u>	<u>349,074</u>		<u>1,411,929</u>	<u>5,549,868</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$7,196,828</u>	<u>\$ 424,627</u>	<u>\$ 660,651</u>	<u>\$ 1,572,227</u>	<u>\$ 9,854,333</u>
Amounts reported for governmental activities in the statement of net position are different because:					
Total fund balances of governmental funds					\$ 5,549,868
Certain deferred outflows of resources associated with the difference between projected and actual pension earnings are not reported in fund basis accounting.					1,146,479
Capital assets used in governmental activities are not financial resources and not reported in funds.					22,241,834
Certain deferred inflows of resources are accrued as revenue on the full accrual basis and not in funds.					3,425,303
Reporting of assets on a full accrual basis requires an estimate for uncollectable accounts.					(359,600)
Long-term liabilities are not due and payable in the current period and are not included in funds.					(17,711,704)
Reporting of liabilities on full accrual basis requires associated interest be accrued, reported net of subsidies.					(8,800)
Certain deferred inflows of resources associated with changes in proportion related to pension obligations are not reported in fund basis accounting.					<u>(66,167)</u>
Net position of governmental activities					<u>\$ 14,217,213</u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Solid Waste Fund	Road Repair Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes and payments in lieu	\$ 15,057,923	\$	\$	\$	\$ 15,057,923
Excise taxes	1,217,547				1,217,547
Licenses and permits	151,794			91,287	243,081
Penalties and interest	185,571			6,969	192,540
Investment income	14,435	491		522	15,448
Charges for services	302,594	366,439		80,589	749,622
Contributions				75,899	75,899
Departmental and other	258,591			185,862	444,453
Intergovernmental	4,611,501		483,385	1,359,314	6,454,200
Total revenues	<u>21,799,956</u>	<u>366,930</u>	<u>483,385</u>	<u>1,800,442</u>	<u>24,450,713</u>
Expenditures					
General government	4,493,544			154,838	4,648,382
Public safety	2,600,727			933,596	3,534,323
Education	11,178,335			727,203	11,905,538
Public works	861,258	539,332	483,385	60,494	1,944,469
Human services	517,554			140,200	657,754
Culture and recreation	477,770			141,799	619,569
State and county assessments	129,375				129,375
Debt service	260,033			20,400	280,433
Total expenditures	<u>20,518,596</u>	<u>539,332</u>	<u>483,385</u>	<u>2,178,530</u>	<u>23,719,843</u>
Revenues over (under) expenditures	1,281,360	(172,402)		(378,088)	730,870
Other financing sources (uses)					
Transfers in from other funds	46,208			26,664	72,872
Transfers out to other funds	(26,664)	(17,014)		(392,629)	(436,307)
Total other financing sources (uses)	<u>19,544</u>	<u>(17,014)</u>		<u>(365,965)</u>	<u>(363,435)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	1,300,904	(189,416)		(744,053)	367,435
Fund balance, beginning of year	2,487,961	538,490		2,155,982	5,182,433
Fund balance, end of year	<u>\$ 3,788,865</u>	<u>\$ 349,074</u>	<u>\$</u>	<u>\$ 1,411,929</u>	<u>\$ 5,549,868</u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to Statement of Activities
For the Year Ended June 30, 2016

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 367,435
Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlays during the fiscal year, net of disposals	1,160,957
Loss on disposal of capital assets	(14,982)
Depreciation recorded for the fiscal year	(1,405,645)
Certain deferred outflows of resources and deferred inflows of resources are recognized on the government-wide basis to be amortized over future periods.	
Net difference between projected and actual pension earnings.	732,715
Change in proportion related to pension obligations	(66,167)
Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.	
Net change in deferred revenue	(572,906)
Net change in allowance for uncollectible accounts	197,100
The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.	
Principal payments on long-term debt	245,400
The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt when incurred and revenue on subsidies when earned.	
Net change in accrued interest expense	3,100
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:	
Landfill post closure and monitoring liability	20,000
Other post employment benefits liability	(715,389)
Pension obligation	(787,744)
Compensated absences	59,900
Change in net position of governmental activities	<u>\$ (776,226)</u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Proprietary Net Position - Proprietary Funds
June 30, 2016

	<u>Business-type Activities</u> <u>Water Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,680,242
Receivables, net of allowance for uncollectibles	269,659
Capital assets, net of accumulated depreciation	9,187,890
Total assets	<u>11,137,791</u>
<u>DEFERRED OUTFLOWS</u>	
Net difference between projected and actual pension earnings	<u>73,179</u>
Total deferred outflows of resources	<u>73,179</u>
Total assets and deferred outflows of resources	<u><u>\$ 11,210,970</u></u>
<u>LIABILITIES</u>	
Accounts payable	\$ 270,602
Salaries payable	4,112
Accrued interest payable	7,000
Notes payable	700,000
Noncurrent liabilities:	
Due within one year	75,000
Due in more than one year	978,736
Total liabilities	<u>2,035,450</u>
<u>DEFERRED INFLOWS</u>	
Change in proportion related to pension obligations	<u>4,223</u>
Total deferred inflows of resources	<u>4,223</u>
<u>NET POSITION</u>	
Net investment in capital assets	8,262,890
Unrestricted	908,407
Total net position	<u>9,171,297</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 11,210,970</u></u>

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

TOWN OF HALIFAX, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2016

	<u>Business-type Activities Water Fund</u>
Operating revenues	
Charges for service	\$ 950,683
Penalties and interest	100
Total operating revenues	<u>950,783</u>
Operating expenses	
Salaries, wages and employee benefits	339,165
Operating expenses	412,529
Depreciation and amortization	237,357
Total operating expenses	<u>989,051</u>
Operating loss	(38,268)
Non operating revenues (expenses)	
Investment income	1,726
Other income - water tower lease	74,120
Interest expense	<u>(15,950)</u>
Total non operating revenue (expenses), net	<u>59,896</u>
Other financing sources	
Transfers in	<u>363,435</u>
Total other financing sources	<u>363,435</u>
Change in net position	385,063
Net position at beginning of year	<u>8,786,234</u>
Net position at end of year	<u>\$ 9,171,297</u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

	<u>Business-type Activities Water Fund</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 964,591
Payments to vendors	(223,682)
Payments to employees, including fringe benefits	(314,107)
Net cash provided by operating activities	426,802
Cash flows from noncapital financing activities	
Receipts from water tower lease	74,120
Net cash provided by non capital financing activities	74,120
Cash flows from capital and related financing activities	
Principal payments on bonds	(75,000)
Purchase of capital assets	(1,323,531)
Proceeds from issuance of temporary notes	700,000
Transferred capital project	363,435
Interest expense	(14,250)
Net cash used for capital and related financing activities	(349,346)
Cash flows from investing activities	
Investment income	1,726
Net cash provided by investing activities	1,726
Net change in cash and cash equivalents	153,302
Cash and cash equivalents at beginning of year	1,526,940
Cash and cash equivalents at end of year	<u><u>\$ 1,680,242</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating loss	\$ (38,268)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	237,357
Changes in assets, deferred outflows, liabilities and deferred inflows:	
User fees receivable, net of allowance for collectibles	13,808
Deferred outflows	(46,769)
Accounts payable	188,847
Salaries payable	4,112
Accrued compensated absences	(1,300)
Net pension liability	50,282
Other post employment benefits	14,510
Deferred inflows	4,223
Total adjustments	465,070
Net cash provided by operating activities	<u><u>\$ 426,802</u></u>

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2016

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds	Agency Accounts
<u>ASSETS</u>			
Cash and cash equivalents	\$	\$ 7,053	\$ 374,568
Investments	179,434		
Total assets	<u>\$ 179,434</u>	<u>\$ 7,053</u>	<u>\$ 374,568</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	<u>\$</u>	<u>\$</u>	<u>\$ 374,568</u>
Total liabilities			<u>\$ 374,568</u>
<u>NET POSITION</u>			
Amounts held in trust	<u>179,434</u>	<u>7,053</u>	
Total liabilities and net position	<u>\$ 179,434</u>	<u>\$ 7,053</u>	

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

TOWN OF HALIFAX, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2016

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Revenues:		
Interest income	\$ 3,260	\$ 54
Employer contributions	<u>35,000</u>	<u> </u>
Change in net position	38,260	54
Net position at beginning of year	<u>141,174</u>	<u>6,999</u>
Net position at end of year	<u><u>\$ 179,434</u></u>	<u><u>\$ 7,053</u></u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 1. Organization and Reporting Entity

A. Organization

The Town of Halifax, Massachusetts (the Town), was incorporated in 1734. The Town is a political subdivision of the Commonwealth of Massachusetts, located in Plymouth County. The Town operates under an open Town Meeting form of government and an elected three-member Board of Selectmen. The Town's major operations include education, police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water system, and a recycling facility.

B. Reporting Entity

General

The accompanying financial statements present the Town of Halifax (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town of Halifax did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment or fees paid for services rendered during fiscal year 2016. The Town also belongs to cost sharing groups established pursuant to Massachusetts General Laws for pension and health insurance benefits. See accompanying notes for additional information.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2016 Assessment</u>
Silver Lake Regional School District 130 Pembroke Street, Kingston, MA	To provide secondary education	\$ 4,656,916
Massachusetts Bay Transit Authority 45 High St., Boston, MA	To provide regional transportation services	\$ 49,868

The Silver Lake Regional School District (the District) is established by the Regional Agreement, as amended, entered into by the member towns of Halifax, Kingston, and Plympton and is governed by a nine (9) member school committee including of three (3) elected representatives of the Town of Halifax. The Town is indirectly liable for debt and other expenditures of the District pursuant to the Agreement and is assessed annually for its share of operating and capital costs. The Town's share of capital costs was \$529,727 or 34.2% of the District's total capital costs. The Town has no other equity interests in the other joint ventures.

During the fiscal year 2016, the District reduced the Town's annual assessment by approximately \$482,000 which was the Town's share of excess funds required to be returned by the District to member Towns at July 1, 2015, pursuant to calculation performed by Massachusetts Department of Revenue pursuant to Massachusetts General Law which places certain limitations on reserves available to be maintained by regional school districts.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Related Organizations

The Halifax Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four who are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's education, police and fire protection, parks, library and recreation, public works, schools, and general administrative services are classified as governmental activities. The Town's water operations are classified as a business-type activities.

Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, state assessments, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB pronouncements set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The non-major funds are combined in a column in the fund financial statements titled Other Governmental Funds.

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds which may be used by the Town:

Major Funds:

- General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Solid waste fund is used to account for activity related to the Town's residential curbside pick-up and recycling programs.
- Road repair fund is used to account for activity related to roadway projects reimbursed by the Commonwealth in accordance with Massachusetts General Law Chapter 90, Section 34.

Other governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the other governmental funds column of the governmental funds financial statements. The following describes the general use of these fund types:

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt service funds are used to account for and report resources that are restricted, committed, or assigned to the expenditure for principal and interest and the accumulation of funds for the periodic payment of principal and interest on general long-term debt also for financial resources that are being accumulated for principal and interest maturing in future years. Currently, the Town does not utilize a debt service fund.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by business-type/proprietary funds). It excludes those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenues funds. Currently, the Town has determined that capital projects funds are to account for and report capital assets to be financed through the issuance of long-term debt.
- Permanent funds are used to account for and report financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. Although debt related to the water fund is not secured solely with water fund net revenues, the Town has decided to report it as an enterprise fund.

Fiduciary Funds:

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose, other and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to propriety funds. The following is a description of the fiduciary funds:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Other Post-Employment Benefit trust fund accounts for resources legally held in trust for the providing health insurance benefits to retired employees of the Town and are not subject to creditors of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to the provisions of MGL Chapter 32B, section 20 which allows for establishment of a trust fund for other post-employment benefits.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

- Agency funds are used to hold funds on behalf of parties other than the Town, federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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.

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurement and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and property tax revenues are considered available if they are collected within 60 days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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.

C. Fair Value Measurement

The Town measures assets and liabilities at fair value according to the hierarchy established by generally accepted accounting principles. 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. The following are levels considered.

- 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 HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

D. Cash, Cash Equivalents and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form consolidated cash. For the purpose of the financial statements cash and cash equivalents include all demand and savings accounts and certificates of deposit. The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements as "cash and cash equivalents". Massachusetts General Laws and local provisions 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.

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 be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by generally accepted accounting principles. 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. For financial reporting purposes, the Town has classified certificates of deposit as investments.

Additional cash and investment note disclosures are presented in these Notes.

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

F. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Revenues related to receivables are reported in the government-wide financial statements and fund financial statements under the accrual basis of accounting and modified accrual basis of accounting respectively. The following are the significant receivables associated with the Town.

Property taxes, deferred property taxes and tax liens: By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% cash value. Taxes are due and payable on July 1st. The Town has accepted the semi-annual tax payment system, under which the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. After the Town sets the tax rate, usually prior to December 31st, the assessors make the actual tax commitment. The Town has an ultimate right to foreclose on property for which taxes have not been paid. The allowance for uncollectible amounts is based upon historical trends and specific account analysis.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Excise taxes: Excise taxes consist of motor vehicle excise taxes which are assessed annually for each vehicle registered in the Town. The Commonwealth of Massachusetts is responsible for reporting the number of vehicles registered in the Town, and the associated fair value upon which the tax is calculated. The allowance for uncollectible amounts is based upon historical trends and specific account analysis.

User charges: User charges and fees consist of water and solid waste and are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by their respective due date. Water and solid waste liens are processed each year and are included as a lien on the property owner's tax bill. The allowance for uncollectible amounts is based on historical trends and specific account analysis.

Departmental: Departmental revenues consist primarily of ambulance billings. The allowance for ambulance bills are based upon historical trends and periodic aging reports. Other departmental receivables are considered fully collectible.

Special assessments: Special assessments in the governmental funds consist of septic repair betterments. These receivables are considered to be fully collectible.

Intergovernmental: Intergovernmental receivables represent amounts due from various federal and state agencies for operating and capital purposes. These receivables are considered to be fully collectible.

G. Inventories

Inventories are not material in total to the government-wide and fund financial statements and accordingly are reported as expenditures at the time of purchase.

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value (entry price) at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings	40 years
➤ Building and land improvements	20 years
➤ Machinery and Equipment	5 – 10 years
➤ Infrastructure	50 years

TOWN OF HALIFAX, MASSACHUSETTS

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June 30, 2016

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

J. Liabilities

Liabilities represent present obligations to sacrifice resources for which the government has *little or no discretion to avoid*. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements. Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries and wages, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of bonds payable, capital leases, compensated absences, pension obligations and other post-employment obligations.

K. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

L. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position—Represents the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The Town does not maintain any minimum fund balance policies. The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting (the highest level of authority) and requires such action to remove the constraint.
- Assigned fund balance – consist of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations.
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

N. Total Columns

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

Note 3. Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

B. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Regional school district assessments are a result of the respective district's school committee budgetary process and regional agreement. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund, solid waste, and enterprise fund functions are budgeted; the Town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

C. Fund Equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2016, the classification of the Town's fund balances can be detailed as follows:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted:				
General government	\$	\$	\$ 204,075	\$ 204,075
Public safety			97,701	97,701
Education			67,189	67,189
Public works		349,074	439,349	788,423
Human services			126,050	126,050
Culture & recreation			276,785	276,785
Debt service	-	-	250,313	250,313
subtotal	-	349,074	1,461,462	1,810,536
Committed:				
General government	317,664			317,664
Public safety	213,161			213,161
Education	48,679			48,679
Public works	742,369			742,369
Human services	7,100			7,100
Culture & recreation	1,981	-	-	1,981
subtotal	1,330,954	-	-	1,330,954
Assigned:				
General government	1,107			1,107
Public safety	88			88
Education	152,994			152,994
Culture & recreation	706	-	-	706
subtotal	154,895	-	-	154,895
Unassigned	<u>2,303,016</u>	-	<u>(49,533)</u>	<u>2,253,483</u>
Total	<u>\$ 3,788,865</u>	<u>\$ 349,074</u>	<u>\$ 1,411,929</u>	<u>\$ 5,549,868</u>

The Town's stabilization funds are reported within the General fund since the fund is designed to maintain funds set aside by town meeting votes, and is not funded by a specific revenue source. In accordance with Massachusetts General Law Chapter 40, Section 5B, for the purpose of creating one or more stabilization funds, towns may appropriate in any year an amount not exceeding, in the aggregate, 10% of the amount raised in the preceding fiscal year by taxation of real estate and personal property and the aggregate amount in such funds may not exceed 10% of the equalized valuation. At annual or special town meetings the Town with two-thirds vote may create a stabilization fund, specify or change the purpose of any stabilization fund, and appropriate into or out of any such fund. The Town's stabilization funds and year end balances are as follows:

Stabilization fund	\$ 939,148
Water protection stabilization fund	\$ 28,603

The stabilization fund and water protection fund have been classified as unassigned and committed fund balance public works, respectively.

As of June 30, 2016 the Town reported deficit fund balance in other funds as follows:

<u>Fund Name</u>	<u>Fund Type</u>	<u>Fund Deficit</u>
Green communities grant	Special revenue fund	\$ 49,237
EMD-911 FY 15 grant	Special revenue fund	288
EMD-911 FY 16 grant	Special revenue fund	8
		<u>\$ 49,533</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Fund deficits identified above that relate to cost reimbursement grants and will be covered by subsequent billings to awarding agencies. Receivables offset by deferred revenue have been recorded in the fund basis financial statements, as applicable.

D. Restricted Net Position

Restricted net position on the government-wide statement of net position consist of the following:

Capital Project Funds:	\$ 190,003
Special Revenue Funds:	
Road repair fund	660,651
Solid Waste fund	416,446
Septic Grants	250,313
Cemetery perpetual care fund	269,309
Other special revenue funds	<u>780,237</u>
Total restricted net position	<u>\$ 2,566,959</u>

Note 4. Cash and Cash Equivalents

Massachusetts General Laws (MGL), Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. OPEB funds may be invested in accordance with MGL Chapter 203c. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2016 cash deposits totaled \$7,388,743 and had a carrying amount of \$7,122,784. Of the deposit amounts, \$1,147,534 was exposed to custodial credit risk at June 30, 2016 as it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 5. Investments

The Town's governmental activities' and fiduciary fund investments as of June 30, 2016 consisted of the following:

Governmental activities: <u>Type of investment</u>	Fair Value		Credit Rating	<u>Maturities</u>		
	<u>Carrying Amount</u>	<u>Level</u>		<u>Less than one year</u>	<u>1-5 years</u>	<u>Total</u>
Certificates of deposit	\$ 433,750	1	N/A	\$ 56,008	\$ 377,742	\$ 433,750
Money market funds	78,910	Amortized cost	N/A	78,910		78,910
Corporate bonds	40,064	1	Baa1		40,064	40,064
Corporate bonds	100,560	1	A2		100,560	100,560
Corporate bonds	75,372	1	A3		75,372	75,372
Mutual funds	53,305	1	unrated	53,305		53,305
US Treasury/agencies bonds	<u>406,422</u>	2	Aaa	<u>406,422</u>	<u>-</u>	<u>406,422</u>
Total governmental activities	<u>\$ 1,188,383</u>			<u>\$ 594,645</u>	<u>\$ 593,738</u>	<u>\$1,188,383</u>

Fiduciary funds: <u>Type of investment</u>	Fair Value		Credit Rating	<u>Maturities</u>		
	<u>Carrying Amount</u>	<u>Level</u>		<u>Less than one year</u>	<u>1-5 years</u>	<u>Total</u>
Money market funds	\$ 395	Amortized cost	N/A	\$ 395	\$ -	\$ 395
Mutual funds	<u>179,039</u>	1	Unrated	<u>179,039</u>	<u>-</u>	<u>179,039</u>
Total fiduciary activities	<u>\$ 179,434</u>			<u>\$ 179,434</u>	<u>-</u>	<u>\$179,434</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party 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's investment policy limits unsecured deposits.

The Town will review the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy of the firm and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk. Equity securities and equity mutual funds are not rated as to credit risk.

The Town manages credit risk several ways. There will be no limit to the amount of United States Treasury and United States government agency obligations. In regards to other investments, the Town will only purchase investment grade securities with a high concentration in securities rated A or better. The Town may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

The credit ratings and maturities associated with the corporate bonds reported in the governmental activities of based upon Moody's ratings is as follows:

	<u>Ratings</u>	<u>Maturities</u>		
		<u>Less than one year</u>	<u>1-5 years</u>	<u>Total</u>
AT&T SR NT 1.4%	Baa1	\$	\$ 40,064	\$ 40,064
Wells Fargo CO MTN BE 1.5%	A2		100,560	100,560
Fifth Third BK Cin Ohio MTN BE 1.45%	A3	-	75,372	75,372
Total corporate bonds		<u>\$ -</u>	<u>\$ 215,996</u>	<u>\$ 215,996</u>

Concentration of credit risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town limits investment in any instrument exposed to foreign currency risk.

Note 6. Receivables

The Town includes the following receivables for individual major and other governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Real estate and personal property taxes	\$ 974,255	\$ 16,200	\$ 958,055
Tax liens, deferrals and foreclosures	794,693		794,693
Motor vehicle and boat excise	134,295	33,800	100,495
Charges for service – ambulance fees	619,236	309,600	309,636
Septic betterments	43,078		43,078
Recycling receivable	67,372		67,732
Departmental and other	174,492		174,492
Intergovernmental			
Commonwealth highway awards	660,651		660,651
Commonwealth – other	<u>136,957</u>	<u>-</u>	<u>136,957</u>
Total governmental activity	<u>\$ 3,605,029</u>	<u>\$ 359,600</u>	<u>\$ 3,245,429</u>

Receivables for the Town's business-type activities consist of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	<u>\$ 277,999</u>	<u>\$ 8,340</u>	<u>\$ 269,659</u>

TOWN OF HALIFAX, MASSACHUSETTS
Notes to Financial Statements
June 30, 2016

Note 7. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 3,683,770	\$	\$	\$ 3,683,770
Construction in progress		243,913		243,913
Capital assets being depreciated:				
Buildings and related improvements	12,286,627	11,893		12,298,520
Improvements other than buildings	1,408,018			1,408,018
Equipment, machinery & vehicles	3,651,527	421,766	232,148	3,841,145
Infrastructure	<u>27,815,156</u>	<u>483,385</u>	<u>-</u>	<u>28,298,541</u>
Sub-Total	45,161,328	917,044	232,148	45,846,224
Less accumulated depreciation:				
Buildings and related improvements	8,203,271	347,853		8,551,124
Improvements other than buildings	691,351	67,310		758,661
Equipment, machinery & vehicles	2,615,753	279,099	217,166	2,677,686
Infrastructure	<u>14,833,219</u>	<u>711,383</u>	<u>-</u>	<u>15,544,602</u>
Sub-Total	<u>26,343,594</u>	<u>1,405,645</u>	<u>217,166</u>	<u>27,532,073</u>
Governmental capital assets, net	<u>\$ 22,501,504</u>	<u>\$ (244,689)</u>	<u>\$ 14,982</u>	<u>\$ 22,241,834</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$ 626,301	\$	\$	\$ 626,301
Capital assets being depreciated:				
Buildings and related improvements	47,853			47,853
Equipment, machinery & vehicles	406,863			406,863
Infrastructure	<u>12,300,994</u>	<u>1,323,531</u>	<u>-</u>	<u>13,624,525</u>
Sub-Total	12,755,710	1,323,531		14,079,241
Less accumulated depreciation:				
Buildings and related improvements	33,999	960		34,959
Equipment, machinery & vehicles	317,513	15,423		332,936
Infrastructure	<u>4,928,783</u>	<u>220,974</u>	<u>-</u>	<u>5,149,757</u>
Sub-Total	<u>5,280,295</u>	<u>237,357</u>	<u>-</u>	<u>5,517,652</u>
Business-type activities capital assets, net	<u>\$ 8,101,716</u>	<u>\$ 1,086,174</u>	<u>\$ -</u>	<u>\$ 9,187,890</u>

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

Governmental activities:	
General government	\$ 20,175
Public safety	279,095
Education	195,791
Public works	874,862
Health and human services	23,462
Culture and recreation	<u>12,260</u>
Total depreciation expense – governmental activities	<u>\$ 1,405,645</u>
Business-type activities:	
Water depreciation expense	<u>\$ 237,357</u>

TOWN OF HALIFAX, MASSACHUSETTS
Notes to Financial Statements
June 30, 2016

Note 8. Interfund Balances and Activity

There are no interfund balances reported at June 30, 2016.

Interfund transfers, for the year ended June 30, 2016, consisted of the following:

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Other Governmental Funds</u>	<u>Water Fund</u>
Amounts transferred from receipts reserved for appropriation and revolving funds to fund operating budget	\$ 29,194	\$	\$ (29,194)	\$
General fund transfers to other governmental funds	(26,664)		26,664	
General fund transfers from solid waste	10,348	(10,348)		
Other Governmental fund transfers to water capital project fund			(363,435)	363,435
Amounts transferred from solid waste funds to fund indirect costs appropriated in general fund, net	<u>6,666</u>	<u>(6,666)</u>	<u>-</u>	<u>-</u>
Totals on governmental fund basis	<u>\$ 19,544</u>	<u>\$ (17,014)</u>	<u>\$ (365,965)</u>	<u>\$ 363,435</u>

During the year, there was \$363,435 transferred from other governmental funds to the water enterprise fund for the water tower capital project. This project was originally funded from several sources, however, primary funding is the water fund; accordingly, management has determined to reclassify this project.

Note 9. Deferred inflows and outflows of resources

At June 30, 2016, the Town reported the following deferred outflows and deferred inflows of resources:

Governmental Activities:

The following are associated with the Town's proportionate share of the Plymouth County Retirement Association:

<u>Deferred Outflows of Resources</u>	<u>Governmental Activity</u>	<u>Business-type Activity</u>
Net difference between projected and actual pension earnings	<u>\$1,146,479</u>	<u>\$ 73,179</u>
<u>Deferred Inflows of Resources</u>		
Changes in proportionate related to pension obligations	<u>\$ 66,167</u>	<u>\$ 4,223</u>

TOWN OF HALIFAX, MASSACHUSETTS
Notes to Financial Statements
June 30, 2016

Governmental Funds:

Deferred 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. The Town reported the deferred revenues in the governmental funds at year end as follows:

<u>Type</u>	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Road Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes and surcharge	\$ 919,489	\$	\$	\$	\$ 919,489
Liens, deferred and possessions	794,694				794,694
Excise taxes	134,295				134,295
Special assessments				92,610	92,610
Intergovernmental	136,957		660,651		797,608
Departmental and other	<u>619,235</u>	<u>67,372</u>	<u>-</u>	<u>-</u>	<u>686,607</u>
Total	<u>\$2,604,670</u>	<u>\$ 67,372</u>	<u>\$ 660,651</u>	<u>\$ 92,610</u>	<u>\$ 3,425,303</u>

Note 10. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

<u>Purpose</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Governmental activities:					
MCWT, Septic Betterment, dtd 8/1/02, subsidized interest, due 2021	\$ 62,200	\$	\$ 10,400	\$ 51,800	\$ 10,400
MCWT, Pool Program, dtd 11/16/05, 0%, due 2025	110,000		10,000	100,000	10,000
Landfill capping, dtd 9/15/07, 3.8% - 5.0%, due 2023	720,000		90,000	630,000	90,000
Police Station Construction, dtd 4/1/01, 4.0% - 4.7%, due 2016	<u>135,000</u>	<u>-</u>	<u>135,000</u>	<u>-</u>	<u>-</u>
Total bonds payable	1,027,200		245,400	781,800	110,400
Landfill closure and monitoring liability	420,000		20,000	400,000	20,000
Other post-employment benefits	5,093,104	1,105,544	390,155	5,808,493	
Net Pension liability	8,947,734	787,744		9,735,478	
Compensated absences	<u>996,300</u>	<u>-</u>	<u>59,900</u>	<u>936,400</u>	<u>-</u>
Total governmental activities noncurrent liabilities	<u>\$ 16,484,338</u>	<u>\$ 1,893,288</u>	<u>\$ 715,455</u>	<u>\$ 17,662,171</u>	<u>\$ 130,400</u>

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>
Business-type activities:					
Water bond, 4.53%, matures 2019	\$ 300,000	\$ -	\$ 75,000	\$ 225,000	\$ 75,000
Total bonds payable	300,000		75,000	225,000	75,000
Other post-employment benefits	183,512	14,955	445	198,022	
Net Pension liability	571,132	50,282		621,414	
Compensated absences	<u>10,600</u>	<u>-</u>	<u>1,300</u>	<u>9,300</u>	<u>-</u>
Total business-type activities					
noncurrent liabilities	<u>\$ 1,065,244</u>	<u>\$ 65,237</u>	<u>\$ 76,745</u>	<u>\$ 1,053,736</u>	<u>\$ 75,000</u>

Long-term debt

The outstanding Massachusetts Clean Water Trust (MCWT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that approximately 33.7 % of the debt service payments relating to the septic bonds will be subsidized by the Commonwealth of Massachusetts via contract payments to MCWT (and MCWT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide financial statements; however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget. The Town received an interest subsidy for the year of \$3,129.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2016, including interest, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 110,400	\$ 26,731	\$ 137,131	\$ 75,000	\$ 10,725	\$ 85,725
2018	110,400	22,097	132,497	75,000	7,163	82,163
2019	110,400	17,912	128,312	75,000	3,600	78,600
2020	110,400	13,746	124,146			
2021	110,200	9,549	119,749			
2022 – 2023	<u>230,000</u>	<u>7,425</u>	<u>237,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 781,800</u>	<u>\$ 97,460</u>	<u>\$ 879,260</u>	<u>\$225,000</u>	<u>\$ 21,488</u>	<u>\$ 246,488</u>

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

There were no unissued debt authorizations at June 30, 2016.

The Town pays assessments, which include debt service payments to other local governmental units providing services on behalf of the Town (commonly referred to as overlapping debt.) The Town is indirectly liable, through its assessments to these governments, for this debt. However, the debt is not considered against the Town's debt limits or reported on the Town's Statement of Net Position. The Town pays assessments to the Silver Lake Regional School District that may include its proportionate share of debt service (capital costs).

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Lease obligations*A. Operating leases*

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payments for non-cancelable operating leases are immaterial as of June 30, 2016.

B. Capital leases

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The Town does not have any material capital lease obligation outstanding as of June 30, 2016.

Note 11. Temporary Borrowings

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax or revenue anticipation notes (TANs and RANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures and issuance costs for temporary borrowings are accounted for in the appropriate fund.

<u>Type/ Dated Date</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Permanent Paydown</u>	<u>Redeemed</u>	<u>Balance June 30, 2016</u>
Business-type activities:								
Anticipation of Serial Loan 11/17/2015	Water Tower Rehab	0.70%	11/17/2016	\$ -	\$ 700,000	\$ -	\$ -	\$ 700,000
Total business-type activities				\$ -	\$ 700,000	\$ -	\$ -	\$ 700,000

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 12. Employee Benefits

A. Retirement Benefits

1. Plymouth County Retirement Association

Plan Description

The Plymouth County Retirement Association (Association or Plan) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (Board), with the exception of school department employees who serve in a teaching capacity. The pensions for these school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System (MTRS). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. As of December 31, 2015, the Association had 55 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates. The Association issued an audited financial statement for the year ended December 31, 2014, which may be obtained by contacting the Association directly at: Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Benefits Provided

The Association provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the legislature.

Contributions

There are three classes of membership in the retirement system: Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have specified as hazardous. Lastly, Group 4 consists of police officers, firefighters and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service. There is no minimum vesting requirements for individuals in Group 4.

Members in Group 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Members in Group 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$1,028,893. There was an early pay discount of \$19,992 for a net payment of \$1,008,901.

Pension Liabilities, expenses, and deferred outflows of resources related to pensions

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2015 (measurement date).

At December 31, 2015 based upon valuation date of January 1, 2015:

	<u>2015</u>
Total pension liability	\$ 1,466,863,880
Less: plan fiduciary net position	<u>(832,637,492)</u>
Net pension liability	<u>\$ 634,226,388</u>

Plan's fiduciary net position as a percentage of total pension liability	56.8%
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Total employer pension expense	\$ 73,488,638
Town's proportionate share of the collective net pension liability	\$ 10,356,892
Town's percentage share of the collective net pension liability	1.63%
Town's covered payroll	\$ 4,976,171
Town's proportionate share of pension expense recognized	\$ 1,182,600

The total net deferred inflows/outflows of resources was \$74,688,416 at December 31, 2015. The Town's proportionate share of collective deferred inflows/outflows of resources was \$1,149,268, which was the result of the net difference between projected and actual investment earnings of the pension plan investments and the change in proportion related to pension obligations. This is to be recognized in future pension expense in the amount of \$314,959 for each of the years ending June 30, 2017, June 30, 2018, June 30, 2019 and \$204,391 for the years ending June 30, 2020-2021.

Actuarial Assumptions

Valuation date:	January 1, 2015
Actuarial cost method:	Entry Age
Amortization method:	Level percent, open group
Remaining amortization period:	22 years
Asset valuation method:	Actuarially valued using a five-year smoothing method of gains and losses
Investment rate of return:	8.00%
Projected salary increases:	3.75%
Cost-of-living adjustments:	3.00% of the less of the pension amount and \$13,000 per year
Rates of retirement:	Varies based upon age for general employees, police, and fire employees
Rates of disability:	General employees – 45% ordinary (55% service connected)

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Police & Fire – 10% ordinary (90% service connected)

Mortality rates:

Pre and post retirement:	RP-2000 Mortality Table, adjusted to 2015 with Scale AA
Disabled retiree:	RP-2000 Mortality Table, set forward two years
Family composition:	Assumption that 80% of members will be survived by a spouse, females are three years younger than males and males are three years older than females

Investment Policy

The Plan's investment policy in regard to the allocation of invested assets is established by the Board and pursuant to Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy. The pension's plan target asset allocation as of January 1, 2010 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic equity	33.0%	10.2%
Foreign equity	16.0%	11.0%
Total fixed income	25.5%	7.9%
Real estate/real assets	13.0%	9.3%
Private equity	7.5%	14.6%
Hedge funds of funds	4.0%	8.7%
Cash	<u>1.0%</u>	4.0%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts General Law, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040.

Sensitivity of the net position liability to changes in the discount rate

The following presents the net position liability calculated using the discount rate of 8.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%)

	<u>1% decrease</u> (7.00%)	<u>Current</u> <u>Discount Rate</u> (8.00%)	<u>1% increase</u> (9.00%)
Plymouth County Retirement Association's			
Net pension liability as of December 31, 2015	\$786,872,564	\$ 634,226,388	\$503,321,962
Town's proportionate share	\$ 12,849,598	\$ 10,356,892	\$ 8,219,228

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

2. Special Funding Situation - MTRS

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaborative and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Financial information of the MTRS' Pension Trust fund financial statements is contained in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth's CAFR may be obtained by contacting the Comptroller's office directly at One Ashburton Place #919, Boston, MA 02108.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members-two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who services ex-officio as the Chairman of the MTRB.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the Collaborative, are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. However, the Town is required to disclose the portion of the nonemployer contributing entities' (the Commonwealth) share of the collective net pension liability that is associated with the Town. In addition, the Town must recognize its portion of the collective pension expense as both a revenue and pension expense.

Benefits Provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012, cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The nonemployer contribution made by the Commonwealth to the MTRS on behalf of the Town was \$871,396. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

Pension Liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2015, rolled forward to June 30, 2015 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the Town.

	<u>2015</u>
Total pension liability	\$ 45,918,711,000
Less: plan fiduciary net position	<u>(25,429,068,000)</u>
Net pension liability	<u>\$ 20,489,643,000</u>
Plan's fiduciary net position as a percentage of total pension liability	55.38%
Town's Proportionate share of collective net pension liability	\$ 10,743,527
Town's proportionate share of the total net pension liability	0.052434%
Town's proportionate share of pension expense	\$ 871,396

The Commonwealth's proportionate share of pension expense has been included on the Town's statement of revenues, expense, and fund balance under intergovernmental revenue and employee benefits and other insurances expenses. In the Statement of Activities, these amounts are reported as Program Revenue Operating Grant and Contributions and employee benefits and other insurances expenses. As the net pension liability is a special funding situation, and the Town does not contribute to MTRS, the Town does not book a liability in the Statement of Net Position.

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates were as follows:

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

- a. Pre-retirement: reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
- b. Post-retirement: reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
- c. Disability: assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40.0%	6.9%
Core Fixed Income	13.0%	2.4%
Private Equity	10.0%	8.5%
Real Estate	10.0%	6.5%
Value Added Fixed Income	10.0%	5.8%
Hedge Funds	9.0%	5.8%
Portfolio Completion Strategies	4.0%	5.5%
Timber/Natural Resources	4.0%	6.6%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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 period of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2015 (in thousands).

<u>June 30, 2015</u>	<u>1% Decrease to 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase to 8.5%</u>
MTRS- Total	\$25,449,000	\$20,489,643	\$16,221,000
Proportionate share associated with Town	\$ 13,344	\$ 10,744	\$ 8,505

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused vacation and sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities, in the amounts of \$936,400 and \$9,300, respectively.

C. Other Post-Employment Benefits

Plan Description

The Town administers a single employer defined benefit plan which provides health and prescription drug benefits to substantially all retired employees and their spouses (plan members). Eligibility to retire under the Town's plan is based upon meeting one of the following conditions:

- i. At least 10 years of creditable service are eligible at age 55;
- ii. At least 20 years of creditable serve are eligible at any age.

The number of participants as of July 1, 2014, the effective date of the OPEB valuation, was 231 which includes retirees, beneficiaries, and dependents of 105 and active members of 126. Benefits were paid to retirees, beneficiaries and dependents during the fiscal year ended June 30, 2016 and are paid on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The Town contributes at least 50% of the insurance premiums with the remainder funded through retiree contributions.

The Town has accepted provisions of MGL Chapter 32B, Section 20 which allow for the Town to establish a separate OPEB liability trust fund. During fiscal year 2016, the Town employer contribution was \$35,000 into the trust fund.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Annual required contribution	\$ 1,026,409	\$ 15,787
Interest on net OPEB obligation	203,295	7,770
Adjustment to annual required contribution	(282,610)	(10,801)
Amortization of actuarial (gain)/loss	158,450	2,199
Annual OPEB cost	1,105,544	14,955
Contributions made	(390,155)	(445)
Increase in OPEB Obligation	715,389	14,510
Net OPEB obligation, beginning of year	5,093,104	183,512
Net OPEB obligation, end of year	<u>\$ 5,808,493</u>	<u>\$ 198,022</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Governmental Activities:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 1,105,544	35.29%	\$ 5,808,493
6/30/2015	\$ 1,056,770	38.16%	\$ 5,093,104
6/30/2014	\$ 1,161,590	33.71%	\$ 4,439,638

Business-type Activities:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 14,955	2.98%	\$ 198,022
6/30/2015	\$ 14,295	3.22%	\$ 183,512
6/30/2014	\$ 33,862	0.00%	\$ 169,677

Funding Status and Schedule of Funding Progress

The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis.

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b) - (a) Unfunded AAL (UAAL)</u>	<u>(b) / (a) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>[(b)-(a)]/(c) UAAL as a Percentage of Covered Payroll</u>
7/1/2014	\$ 105,791	\$ 11,363,813	\$ 11,258,022	0.94%	N/A	N/A
7/1/2011	\$ 30,000	\$ 11,244,212	\$ 11,214,212	0.27%	N/A	N/A
7/1/2010	\$ -	\$ 10,977,707	\$ 10,977,707	0.00%	\$ 8,009,000	137.1%

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

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 contributions 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 in the required supplementary information following the financial statements, presents multiyear 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 the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 following assumptions and methods were utilized in the July 1, 2014:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.00% per annum, pay as you go scenario
- Healthcare Trend Rates: 5.0%
- General Inflation Assumption: 4.0% per annum
- Compensation Increases: 3.0% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Level dollar amortization over 30 years at transition
- Remaining Amortization Period: 24 years at July 1, 2014

Note 13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2016, \$400,000 has been reported on the Town's statement of net position as an estimated liability for post-closure monitoring costs of the landfill, through 2036. Actual costs may change due to regulatory authorities, changing technology, and inflation.

Note 14. 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, injuries to employees, unemployment claims and natural disasters. The Town carries commercial insurance for all risk except health insurance and unemployment claims.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

The Town belongs to the Mayflower Municipal Health Group (Group) a joint purchasing group, formed pursuant to Massachusetts General Law Chapter 32B, Section 12 to provide insurance benefits. The Town pays premiums to the group based upon a 50% (Town) and 50% (Employee). The Town budgets, annually, in the general fund for its estimated share of contributions. The Town paid approximately \$1,714,000 to the Group in fiscal year 2016. The Group maintains reinsurance for claims in excess of \$300,000, specific deductible per individual and a \$500,000 aggregate with no life time maximum amount per participant. Net position of the group at June 30, 2016 was \$3.5 million (unaudited). Additional information can be obtained by contacting the Group's treasurer directly at Mayflower Municipal Health Group, P.O. Box 3390, Plymouth, MA 02361.

The Town is self-insured for unemployment compensation. The town has determined the liability for the unemployment compensation to be immaterial at June 30, 2016.

Note 15. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

Note 16. Implementation of GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are applicable to the Town's financial statements.

Current pronouncements

The GASB issued Statement #72, Fair Value Measurement and Application, which was required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Town implemented the pronouncement as applicable.

The GASB issued Statement #76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was required to be implemented in fiscal year 2016. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles (GAAP). The Town implemented the pronouncement as applicable.

The GASB issued Statement #79, Certain External Investment Pools and Pool Participants, which was required to be implemented in fiscal year 2016. The pronouncement issued accounting and financial reporting guidance regarding qualifying external investment pools and state and local governments that participate in such external investment pools. The Town implemented the pronouncement as applicable.

TOWN OF HALIFAX, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Future pronouncements

The GASB issued Statement #75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town expects the implementation of the pronouncement to have a material effect on the financial statements.

The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance regarding disclosures of any tax abatement agreements with parties which the government promises to forgo tax revenues for the promise of specific actions which contribute to economic development or otherwise benefits the government or its citizens. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The Town will evaluate the implementation of the pronouncement as applicable, but doesn't expect the pronouncement to be applicable.

The GASB issued Statement #82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73* which is generally required to be implemented in fiscal year 2018. The pronouncement addresses certain classification, presentation and other issues raised with previous Statements addressing pension obligations. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #83, *Certain Asset Retirement Obligations* which is required to be implemented in fiscal year 2019. The pronouncement addresses financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #84, *Fiduciary Activities* which is required to be implemented in fiscal year 2019. The pronouncement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting. The Town expects to implement the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HALIFAX, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Funding Progress – Other Post-Employment Benefits (OPEB) Plan
 June 30, 2016

Schedule of Funding Progress

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The unfunded actuarial accrued liability was determined using the level dollar thirty year amortization basis.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) – (a) Unfunded AAL (UAAL)	(b) / (a) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAAL as a Percentage of Covered Payroll
7/1/2014	\$ 105,791	\$ 11,363,813	\$ 11,258,022	0.94%	N/A	N/A
7/1/2011	\$ 30,000	\$ 11,244,212	\$ 11,214,212	0.27%	N/A	N/A
7/1/2010	\$ -	\$ 10,977,707	\$ 10,977,707	0.00%	\$ 8,009,000	137.1%

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 contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 valuation reflected a closed group, and does not reflect any new entrants after the valuation date of July 1, 2014. The valuation assumed retiree contributions increased with the same trend rate as health care claims. Significant actuarial assumptions used in the valuation are as follows:

- Actuarial Cost Method: Projected Unit Credit
- Investment Rate of Return: 4.0% per annum, pay as you go scenario
- Healthcare Trend Rates: 5.0%
- General Inflation Assumption: 4.0% per annum
- Compensation Increases: 3.0% per annum
- Actuarial Value of Assets: Market Value
- Amortization of UAAL: Level dollar amortization over 30 years at transition
- Remaining Amortization Period: 24 years at July 1, 2014

TOWN OF HALIFAX, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Plan Contributions
June 30, 2016

A. Plymouth County Retirement Association

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees (except for school department employees who serve in a teaching capacity).

This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

Based upon the actuarial valuation date of the Plan of January 1, 2015, the following is presented:

	<u>2015</u>	<u>2014</u>
Total pension liability	\$1,466,863,880	\$1,417,490,111
Less:		
Plan fiduciary net position	<u>(832,637,492)</u>	<u>(834,581,969)</u>
Net pension liability	<u>\$ 634,226,388</u>	<u>\$ 582,908,142</u>
Plan fiduciary net position as a percentage of total pension liability	56.8%	58.9%
Town's proportionate/allocated share of collective net pension liability	\$ 10,356,892	\$ 9,518,867
Town's proportionate share of pension expense	\$ 1,182,600	\$ 984,407
Town's proportionate share of collective net pension liability as a percentage of the total	1.63%	1.63%
Actuarially determined contributions	\$ 1,008,901	\$ 953,136
Contributions in relation to the actuarial determined contribution	<u>\$ 1,008,901</u>	<u>\$ 953,136</u>
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 4,976,171	\$ 4,796,309
Town's contributions as a percentage of covered payroll	20.27%	19.87%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll.	208.1%	198.5%

See Independent Auditor's Report

TOWN OF HALIFAX, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Plan Contributions
June 30, 2016

B. Special Funding Situation - MTRS

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement 68 *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS (the Plan). Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

Based upon the actuarial valuation of the Plan as of January 1, 2015, the following is presented (amounts in thousands):

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 45,918,711	\$ 41,435,000
Less:		
Plan fiduciary net position	<u>(25,429,068)</u>	<u>(25,538,646)</u>
Net pension liability	<u>\$ 20,489,643</u>	<u>\$ 15,896,354</u>
Plan fiduciary net position as a percentage of total pension liability	55.38%	61.64%
Commonwealth's proportionate/allocated share of collective net pension liability associated with the Town	\$ 10,744	\$ 8,316
Commonwealth's proportionate share of collective net pension liability as a percentage of the total	0.052434%	0.052313%
Commonwealth's actuarial determined contribution on behalf of the County	\$ 535	\$ 490
Actuarially determined contribution	\$ 535	\$ 490
Contributions in relation to the actuarial determined contribution	<u>\$ 535</u>	<u>\$ 490</u>
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll -approximately	\$3.3 million	\$3.2 million
Commonwealth's contributions on behalf of the Town as a percentage of covered payroll	16.12%	15.29%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll	323.24%	259.26%

See Independent Auditor's Report

TOWN OF HALIFAX, MASSACHUSETTS
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 14,780,163	\$ 14,780,163	\$15,385,469	\$ 605,306
Excise taxes	900,000	900,000	1,217,547	317,547
Licenses, fees and permits	152,775	152,775	151,794	(981)
Penalties and interest	171,500	171,500	185,571	14,071
Investment interest	900	900	9,262	8,362
Charges for services	201,000	201,000	302,594	101,594
Departmental and other	234,093	234,093	258,591	24,498
Intergovernmental	<u>3,753,805</u>	<u>3,753,805</u>	<u>3,740,105</u>	<u>(13,700)</u>
Total revenues	20,194,236	20,194,236	21,250,933	1,056,697
Expenditures				
General government	4,161,945	3,998,690	3,678,814	319,876
Public safety	2,749,268	2,707,550	2,600,727	106,823
Education	11,771,660	11,212,528	11,178,335	34,193
Public works	1,459,649	895,883	861,258	34,625
Human services	564,403	559,503	517,554	41,949
Culture and recreation	519,908	517,971	477,770	40,201
State and county assessments	129,121	129,121	129,375	(254)
Debt service	<u>265,033</u>	<u>265,033</u>	<u>260,033</u>	<u>5,000</u>
Total expenditures	<u>21,620,987</u>	<u>20,286,279</u>	<u>19,703,866</u>	<u>582,413</u>
Revenues over (under) expenditures	(1,426,751)	(92,043)	1,547,067	1,639,110
Other financing sources (uses)				
Transfers in from other funds	122,756	122,756	102,874	(19,882)
Transfers out to other funds	<u>(35,000)</u>	<u>(347,459)</u>	<u>(339,123)</u>	<u>8,336</u>
Total other financing sources (uses)	<u>87,756</u>	<u>(224,703)</u>	<u>(236,249)</u>	<u>(11,546)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,338,995)	(316,746)	<u>\$ 1,310,818</u>	<u>\$ 1,627,564</u>
Other budget items				
Use of available fund balance	443,158	520,398		
Overlay surplus	85,100	85,100		
Other deficit raised	(2,310)	(2,310)		
Carryover encumbrances and articles	<u>813,047</u>	<u>(286,442)</u>		
Total other budget items	<u>1,338,995</u>	<u>316,746</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements

TOWN OF HALIFAX, MASSACHUSETTS
 Required Supplementary Information
 Budgetary Comparison Schedule - Solid Waste Fund
 For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 320,000	\$ 320,000	\$ 366,439	\$ 46,439
Investment interest			491	491
Total revenues	320,000	320,000	366,930	46,930
Expenditures				
Public works/Total	588,872	582,872	539,332	43,540
Revenues over (under) expenditures	(268,872)	(262,872)	(172,402)	90,470
Other financing sources (uses)				
Transfers out to other funds	(17,014)	(17,014)	(17,014)	
Total other financing sources (uses)	(17,014)	(17,014)	(17,014)	
Revenues and other financing sources over (under) expenditures and other financing uses	(285,886)	(279,886)	<u>\$ (189,416)</u>	<u>\$ 90,470</u>
Other budget items				
Carryover encumbrances and articles	6,975	975		
Available fund balance	278,911	278,911		
Total other budget items	285,886	279,886		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report

TOWN OF HALIFAX, MASSACHUSETTS

Required Supplementary Information
Notes to Required Supplementary Information
June 30, 2016

Note 1. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule – General Fund, are presented on a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). There are no differences between the budgetary-basis and GAAP-basis results for the Solid Waste Fund for the fiscal year ended June 30, 2016. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2016, is presented below:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$ 21,250,933	\$ 19,703,866	\$ (236,249)
Net activity of stabilization funds	5,173		312,459
Adjustment for water fund indirect costs paid from general fund		(56,666)	(56,666)
Adjustment of property tax revenues to modified accrual basis	(327,546)		
State funded teacher's pension	<u>871,396</u>	<u>871,396</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 21,799,956</u>	<u>\$ 20,518,596</u>	<u>\$ 19,544</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen
Town of Halifax, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the financial statements of the Town of Halifax, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Halifax, Massachusetts' basic financial statements and have issued our report thereon dated March 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Halifax's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Halifax's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Halifax's internal control.

A *deficiency in internal control* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies [2016-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Halifax, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Halifax, Massachusetts' Response to findings

Town of Halifax, Massachusetts' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Halifax, Massachusetts' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lynch, Malloy, Marini, LLP

Norwell, Massachusetts
March 27, 2017

TOWN OF HALIFAX, MASSACHUSETTS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency

2016-001 - Implement procedures to reconcile cash timely and accurately

Criteria: The Town must provide adequate procedures to maintain adequate internal controls over the Town's cash balance and bank accounts.

During the year there were two cash accounts not on the books, there was an outstanding check that was not adjusted at year end that was voided and investments were recorded at cash book value instead of fair market value. Adjusting entries at year end were made to adjust the cash and investment balance.

Effect: Without complete and accurate reconciliation of cash accounts to the general ledger each month, the Town is at risk of overstating or understating cash balances.

Recommendation: We understand the Town has incrementally improved its cash reconciliation procedures over the past. However we continue to recommend the Town provide procedures for maintaining timely and accurate bank reconciliations throughout the year.

Management's Response: During fiscal year 2016, a small adjustment was made to adjust the cashbook to agree to the general ledger and reconciliations are being completed timely and regularly.